

The Cypriot ‘Golden Passports’ Scandal: A Consequence Of Chronically Bad Governance?

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ABSTRACT

This Working Paper considers the historical, constitutional and socio-legal background to the 'golden passports' scandal which unfolded in the Republic of Cyprus from 2007 until 2020. At the heart of the scandal was the wrongful conferral of Cypriot and, thus, European Union citizenship on an industrial scale. In 2021, the chairman of an official investigatory committee branded this wrongdoing as «μαζική παρανομία», i.e., 'mass illegality'.

Against this background, the research for this Working Paper originally rested on a bleak hypothesis – that since the establishment of the Republic of Cyprus as an independent sovereign country in 1960, the Cypriot state apparatus has been beset by maladies which have multiplied, thus multiplying the factors which have enabled chronically bad governance to survive if not thrive. Proceeding from this hypothesis, the author addresses one question. Bearing in mind the wider historical, constitutional and socio-legal context against which it unfolded, can the 'golden passports' scandal be regarded as a consequence of chronically bad governance in successive governments of the Republic of Cyprus? For the reasons advanced in this Working Paper, there is a simple answer to this question. It is 'yes'. In turn, that simple answer dovetails with a much more complicated paradox.

After its territory had been *de facto* partitioned by force and its economy brought to its knees in 1974, the Republic of Cyprus underwent a remarkable recovery, became a state party to many instruments of international law and joined a number of transnational organisations, including the European Union in 2004. As a result, the Cypriot state apparatus should have become imbued with the principles of good governance and the same apparatus should have applied these principles on a routine, ongoing and visible basis. Nevertheless, it does not appear as if these outcomes eventuated. Accordingly, in common with other catastrophes, crises and scandals to have befallen the Republic of Cyprus, the 'golden passports' scandal appears to have been caused or enabled by the chronically bad governance which has perennially trickled from 'the top down' of the Cypriot state apparatus. It has been chronically bad due to systemic defects as well as deficiencies plus other faults in the constitutional architecture, the prevalence of bad practices, the recurring nature of those bad practices and the clientelistic as well as partitocratic socio-legal culture in which those bad practices have manifested themselves. In other words, the 'golden passports' scandal should not be viewed as the fault of any individual organ of governance, presidential administration or holder of public office. The scandal should be viewed as the outcome of a serious, sustained and protracted collective failure to uphold the principles of good governance.

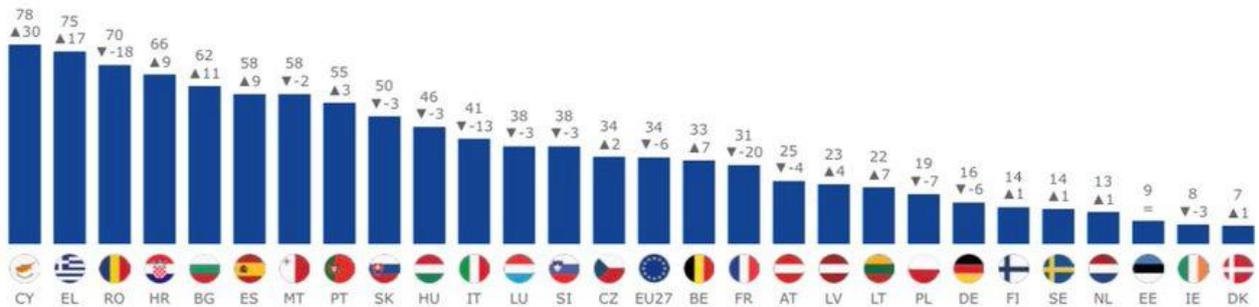
Sandwiched between a lengthy Introduction and brief set of Conclusions are four chapters. Chapter 1 focuses on the concepts of eunomia, good governance and bad governance. Chapter 2 outlines the wider chronological background to the 'golden passports' scandal from 1960 until 2006. Chapter 3 shines a spotlight on the scandal as it unfolded from 2007 until 2019. Chapter 4 considers the final phase of the scandal in the year 2020 and the findings of the official investigatory committee released in 2021.

The Working Paper is peppered with lessons to be drawn. Perhaps the most important one is that it is not enough for any domestic law to be enacted or for any treaty to be ratified. In addition, the spirit of every such legal instrument must imbue the socio-legal culture, the letter of the law must be applied in practice, every suspected breach must be subject to an effective investigation and, depending upon the outcome, disciplinary, civil or criminal proceedings must follow in the interests of justice. Good governance demands no less.

INTRODUCTION

Q1 Do you consider the following to be a problem or not for your company when doing business in (YOUR COUNTRY)?

Corruption (% Total 'A problem', evolution 2022-2019, by country)



▼▲ Evolution 2022-2019 (comparison with Flash Eurobarometer 482, September - October 2019)
Base: all companies (2022: n=12 790; 2019: n= 7 722)

Image 1: An image published by the European Commission in Cyprus on 14 July 2022 at <https://twitter.com/EUCYPRUS/status/1547461640957956098> (accessed 20 June 2024).¹

The origins of this Working Paper are to be found in three developments.

The first development was educational and to do with the Jean Monnet Centre of Excellence for the Rule of Law and European Values ('CRoLEV') in the Republic of Cyprus (hereafter generally referred to as 'Cyprus'). In May 2022, CRoLEV instigated an annual

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¹ The image is an adaptation of statistics and other details in *Flash Eurobarometer 507: Businesses' attitudes towards corruption in the EU: Fieldwork: April 2022* (Brussels: European Commission, July 2022), 6, <https://europa.eu/eurobarometer/surveys/detail/2657> (accessed 20 June 2024).

five-part Continuing Professional Development webinar series to which the author of this Working Paper ('the author') contributed a trio of webinars on issues of common interest to the United Kingdom ('UK') and the European Union ('EU') in the post-Brexit epoch: defending the rule of law in the face of emerging threats; countering terrorism; and countering illicit financial transactions.² In each of his webinars in support of the series, the author touched on issues which are fleshed out in this Working Paper.

The second development was statistical and to do with the European Commission. In July 2022, the European Commission published the results of what was then its latest Eurobarometer survey.³ In common with those of later surveys conducted by the European Commission⁴ and CRoLEV,⁵ the results aroused the curiosity of the author who is a citizen of the UK where he was born, a citizen of Cyprus where he has roots and, due to his citizenship of Cyprus in the post-Brexit epoch, a citizen of the EU as well. As illustrated by Image 1, which is emblematic, corruption in Cyprus was perceived to be rampant by a substantial proportion of those surveyed.

The third development was parliamentary and to do with the Committee on Institutions, Merit and the Parliamentary Commissioner for Administration⁶ of the House of Representatives in Nicosia ('the House Committee'), the unicameral legislature of Cyprus. In September 2023, the attention of the author was drawn to an inquiry initiated by the House Committee which appears to have started in 2021 but remains open-ended. The inquiry has been investigating what the author has translated freely from Greek into English as 'the diachronic problems which present themselves in the Republic of Cyprus on account of the shortage of checks and balances applicable to state institutions and wider issues to do with the empowerment as well as functioning of the state'.⁷ Back in September 2023, what struck the author was that the House Committee characterised the 'problems' facing Cypriot 'state institutions' as being *διαχρονικά* (*diachronica*), a Greek adjective which can be translated literally as 'diachronic' or translated freely as 'perennial'. The author recalls pondering, back then, that the House Committee was not wrong to use that adjective.

² For details on the third edition from 6 until 20 September 2024, see 'CRoLEV Intensive Course on: The challenges presented by terrorism, human trafficking, people smuggling and illicit financial transactions (3rd edition)', CRoLEV, <https://crolev.eu/the-rule-of-law-and-european-values-in-the-modern-ages-the-challenges-presented-by-terrorism-human-trafficking-people-smuggling-and-illicit-financial-transactions-3rd-edition/> (accessed 13 April 2025).

³ *Flash Eurobarometer 507: Businesses' attitudes towards corruption in the EU: Fieldwork: April 2022* (Brussels: European Commission, July 2022), <https://europa.eu/eurobarometer/surveys/detail/2657> (accessed 20 June 2024).

⁴ 'Eurobarometer: Citizens' attitudes towards corruption in the EU in 2023', European Commission, July 2023, <https://europa.eu/eurobarometer/surveys/detail/2968> (accessed 13 January 2024).

⁵ 'Dashboard', CRoLEV, <https://crolev.eu/dashboard/>, 'An Infographic on the state of [the] rule of law and European values in Cyprus', CRoLEV, March 2022, https://crolev.eu/wp-content/uploads/2025/04/CRoLEV-Infographic-Cyprus-Reviewed_Mar22.pdf and 'An Infographic on the state of [the] rule of law and European values in the EU and neighbouring states', CRoLEV, March 2024, https://crolev.eu/wp-content/uploads/2025/04/CRoLEV-Infographic-EU-Reviewed_Mar24.pdf (accessed 31 August 2025).

⁶ «Κοινοβουλευτική Επιτροπή Θεσμών, Αξιών και Επιτρόπου Διοικήσεως», House of Representatives, www.parliament.cy/el/general-information/composition/parliamentary-committees/-κοινοβουλευτική-επιτροπή-θεσμών-αξιών-και-επιτρόπου-διοικήσεως (accessed 9 June 2024).

⁷ «Τα διαχρονικά προβλήματα που παρουσιάζονται στην Κυπριακή Δημοκρατία λόγω έλλειψης μηχανισμών ελέγχων και ισορροπιών (checks and balances) σε σχέση με θεσμούς και ευρύτερα σε σχέση με ζητήματα εξουσίας και λειτουργίας του κράτους. (Αυτεπάγγελτη εξέταση έπειτα από εισήγηση των κ. Δημήτρη Δημητρίου και Ειρήνης Χαραλαμπίδου) (10.11.2021) (Αρ. Φακ. 23.04.038.1099-2021)», item 24 in the newsletter of the Committee, House of Representatives, 26 February 2025, www.parliament.cy/images/media/redirectfile/thesmon%20avtepaggelta-IB-ASPRA0028.pdf (accessed 1 March 2025).

However, to the author, the ‘problems’ appeared to be chronic (*χρόνια*) as well as diachronic (*διαχρονικά*) and the former was more serious than the latter. According to the *Oxford English Dictionary* ‘chronic’ is an English adjective which is derived from the Greek word *χρόνιος* (*chronios*) and refers to a ‘disease etc.’ which, among other features, has been ‘lasting a long time’, is ‘lingering’, is ‘continuous’ and is ‘constant’.⁸

The chronic nature of the ‘problems’ facing Cyprus is illustrated by Image 2 which inter-relates with Article 258 of the Treaty on the Functioning of the EU (‘TFEU’).⁹ Between 2017 and 2021, Cyprus was on the receiving end of a total of 206 infringement cases which had been opened by the European Commission upon ‘sending a formal notice’ under Article 258 of the TFEU.¹⁰ That is an average of 41 per annum.¹¹

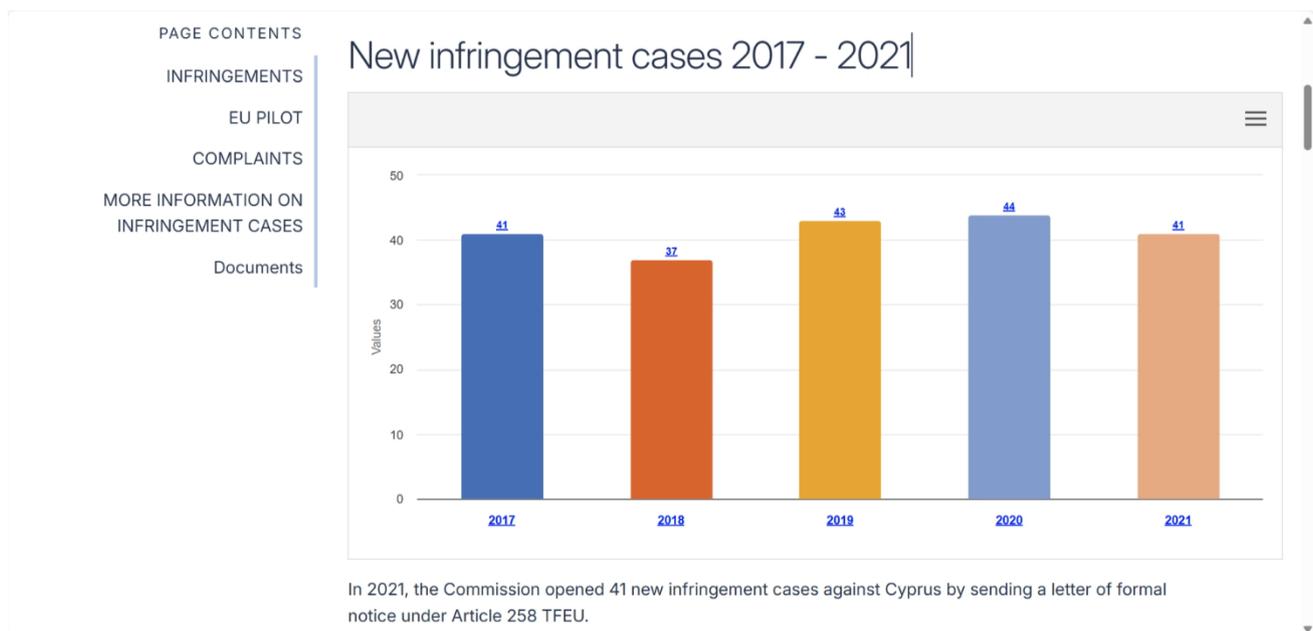


Image 2: ‘New infringement cases 2017-2021’ in ‘Cyprus: 2021 Annual Report on monitoring the application of EU law’, European Commission, https://commission.europa.eu/law/application-eu-law/implementing-eu-law/infringement-procedure/2021-annual-report-monitoring-application-eu-law/cyprus_en (accessed 14 April 2025).

For the purposes of comparison, it may be noted that during the same five-year period, Austria was on the receiving end of 151 cases, an average of 30 per annum,¹² Lithuania

⁸ ‘Chronic’ in *Oxford English Dictionary* (Oxford: Oxford University Press, online edition), www.oed.com (accessed 12 April 2025).

⁹ Article 258, Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union Consolidated version of the Treaty on European Union Consolidated version of the Treaty on the Functioning of the European Union Protocols Annexes to the Treaty on the Functioning of the European Union Declarations annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon, signed on 13 December 2007 Tables of equivalences, Official Journal of the EU, 7 June 2016, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12016ME%2FTXT> (accessed 16 April 2025).

¹⁰ Consolidated version of the Treaty on the Functioning of the European Union, signed on 13 December 2007, Official Journal of the EU, 7 June 2016, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12016ME%2FTXT> (accessed 14 April 2025).

¹¹ ‘New infringement cases 2017-2021’ in ‘Cyprus: 2021 Annual Report on monitoring the application of EU law’, European Commission, https://commission.europa.eu/law/application-eu-law/implementing-eu-law/infringement-procedure/2021-annual-report-monitoring-application-eu-law/cyprus_en (accessed 14 April 2025).

¹² ‘New infringement cases 2017-2021’ in ‘Austria: 2021 Annual Report on monitoring the application of EU law’, European Commission, https://commission.europa.eu/law/application-eu-law/implementing-eu-law/infringement-procedure/2021-annual-report-monitoring-application-eu-law/austria_en (accessed 14 April 2025).

was on the receiving end of 96 cases, an average of 19 per annum,¹³ and Denmark was on the receiving end of 87 cases, an average of 17 per annum.¹⁴ Given that Cyprus is considerably smaller than Austria, Lithuania and Denmark in terms of both population and geographical size, two possible explanations avail themselves. One is that the European Commission is biased against Cyprus. The other that Cyprus is afflicted with problems of governance which are far worse than those afflicting the other three.

Further assistance may be derived from a graph published by the European Commission in its '2021 Annual Report on monitoring the application of EU law'. This is reproduced as Image 3. Despite being one of the smallest of the 27 Member States of the EU in terms of population and geographical size, Cyprus found itself with the eleventh worst record in terms of the number of 'open infringement cases' it was facing at the end of 2021.

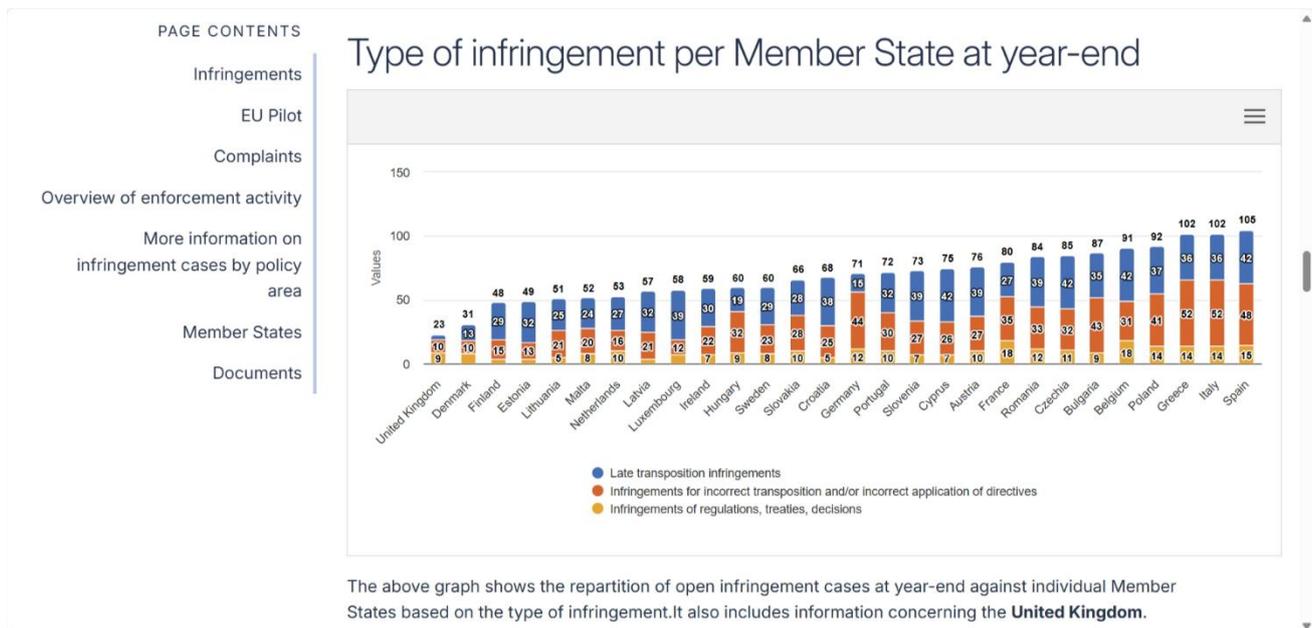


Image 3: 'Type of infringement per Member State at year-end' in '2021 Annual Report on monitoring the application of EU law', European Commission, https://commission.europa.eu/law/application-eu-law/implementing-eu-law/infringement-procedure/2021-annual-report-monitoring-application-eu-law_en (accessed 5 May 2025).

To be sure, the opening of an infringement case against Cyprus does not automatically mean that the European Commission is in the right and that Cyprus is in the wrong. Equally, however, the opening of such a case has often proven to be the prelude to its closure after Cyprus has belatedly taken remedial action which should have taken sooner.¹⁵ An example is the case which the European Commission opened due to the scandal

[law/infringement-procedure/2021-annual-report-monitoring-application-eu-law/austria_en?prefLang=it](https://commission.europa.eu/law/infringement-procedure/2021-annual-report-monitoring-application-eu-law/austria_en?prefLang=it) (accessed 14 April 2025).

¹³ 'New infringement cases 2017-2021' in 'Lithuania: 2021 Annual Report on monitoring the application of EU law', European Commission, https://commission.europa.eu/law/application-eu-law/implementing-eu-law/infringement-procedure/2021-annual-report-monitoring-application-eu-law/lithuania_en?prefLang=et (accessed 5 May 2025).

¹⁴ 'New infringement cases 2017-2021' in 'Denmark: 2021 Annual Report on monitoring the application of EU law', European Commission, https://commission.europa.eu/law/application-eu-law/implementing-eu-law/infringement-procedure/2021-annual-report-monitoring-application-eu-law/denmark_en?prefLang=de (accessed 14 April 2025).

¹⁵ Details are in the 'Annual reports on monitoring the application of EU law' published and archived by the European Commission at https://commission.europa.eu/publications/annual-reports-monitoring-application-eu-law_en (accessed 14 April 2025).

explored in this Working Paper but thereafter closed after Cyprus took effective if belated remedial action. With all that said, the fact remains that, in terms of compliance with EU Law, Cyprus has not covered itself in any glory. This begs an obvious question. Why? Is part of the explanation to be found in bad governance?

On the back of the developments pinpointed above and the questions they have raised, the author has composed this Working Paper. He has done so to achieve three overlapping objectives. Each has to do with one of the worst scandals in the history of the Republic of Cyprus since its establishment as an independent sovereign country on 16 August 1960. This has come to be known as the ‘golden passports’ scandal which unfolded from 11 July 2007, when the Council of Ministers of Cyprus reached a decision to initiate the Scheme for the Naturalisation of Investors by Exception (‘the Naturalisation by Exception Scheme’), until the Council of Ministers brought the Scheme to an abrupt halt on 1 November 2020. One objective is to assess whether chronically bad governance caused or enabled the ‘golden passports’ scandal. The second is to place the scandal into a wider historical, constitutional and socio-legal context. The third is to lay the foundations for the historians of the future to build upon, after all relevant court proceedings have drawn to a close and all relevant public records have been declassified. In the meantime, all inferences and conclusions drawn in this Working Paper should be regarded as interim in nature.

The concept of the ‘golden passports’ scandal

The concept of the ‘golden passports’ scandal has caught on for a simple reason in addition to being catchy. During the lifespan of the ill-fated Naturalisation by Exception Scheme, the ultimate objective of every applicant was to exploit their wealth or the wealth of somebody else as a way of obtaining a Cypriot and *ipso facto* EU passport as an inevitable corollary of becoming naturalised, in exceptional circumstances, as a citizen of Cyprus and *ipso facto* a citizen of the EU. Nevertheless, in this Working Paper, the author generally refers to the Naturalisation by Exception Scandal, rather than the ‘golden passports’ scandal. The explanation has to do with semantics. In one alleged or proven case after another, the Government of Cyprus wrongfully conferred Cypriot and EU citizenship upon a person as a procedural prelude to issuing a Cypriot and EU passport to the same person, not *vice versa*. Consequently, the wrongful conferral of citizenship lies at the root of the Naturalisation by Exception Scandal. In practice, this means that, in many cases, the Cypriot Government wrongfully conferred a person with the rights, freedoms and responsibilities which accrue from citizenship of both Cyprus and the EU.¹⁶ At the same time, the Cypriot Government wrongfully exposed each Member State of the EU to the risks arising from the wrongful conferral of Cypriot and EU citizenship.

For these reasons, the Naturalisation by Exception Scheme generated a Cypriot scandal with pan-EU ramifications. Then again, what happened in Cyprus should not be seen as an isolated episode. For a start, as elucidated elsewhere in this Working Paper, the Naturalisation by Exception Scheme should be viewed as one of three similar schemes in the EU, the others being those of Bulgaria and Malta, each one of which eventually fell under the spotlight of the European Commission, the European Parliament and, in the case of the Maltese variant, the Court of Justice of the EU. Beyond the EU, the Naturalisation by Exception Scheme should be viewed as part a global phenomenon involving the grant of citizenship by investment and residency by investment. That phenomenon is explored in

¹⁶ See, for example, *EU Citizenship: Rights and Opportunities* (Luxembourg: Publications Office of the EU, 2024), [www.doi:10.2838/655206](https://doi.org/10.2838/655206) and https://commission.europa.eu/document/download/c0441a72-c5c0-40d0-900f-c8af7d9b1a04_en?filename=Guide%20to%20EU_citizenship_EN_0.pdf (accessed 1 March 2025).

publications such as a Joint Report published in November 2023, having been jointly prepared by the Organisation for Economic Co-operation & Development ('OECD') and the Financial Action Task Force ('FATF'). Its title speaks for itself: *Misuse of Citizenship and Residency by Investment Programmes*.¹⁷

The essence of the Naturalisation by Exception Scandal

On 7 June 2021, the 784-page Report of the Nicolatos Investigative Committee ('the Nicolatos Report') was published.¹⁸ This was the outcome of an investigation ordered by the Attorney-General of Cyprus on 7 September 2020, but conducted by the *ad hoc* Investigative Committee on Exceptional Naturalisation of Foreign Investors and Entrepreneurs ('the Nicolatos Investigative Committee'). It was chaired by Mr Justice Nicolatos (Ret'd), the President of the Supreme Court of Cyprus from 25 July 2014 until 19 June 2020.¹⁹ While it is neither the report of a UK-style independent public inquiry nor the judgment of a court of law, the Nicolatos Report represents a persuasive quasi-judicial text which lays bare the essence of the Naturalisation by Exception Scandal. Subject to redactions in places, the Nicolatos Report produces contemporaneous documents, the testimony of witnesses and ample other evidence in support of inferences, findings and conclusions which point to something rather sinister – that throughout its existence the Naturalisation by Exception Scheme succumbed to wrongdoing which was recurring and resulted in the wrongful conferral of citizenship on an industrial scale. This is the only reasonable conclusion to be drawn from the findings of the Nicolatos Report, the most shocking of which include those quoted below, as translated freely from Greek into English by the author.

Pursuant to the Naturalisation by Exception Scheme, as it applied from an unspecified date in 2007 until 17 August 2020:

'Out of the total of **6,779 natural persons** who have been naturalized, **53.24%** (members of the family and managers of investors), i.e., 3609 persons, were naturalised outside the legal framework and, accordingly, were naturalised illegally [παράνομα].

'Of the remaining 3,170 natural persons, i.e., the investors who have been naturalised and who were within the legal framework, 67 investors were not

¹⁷ *Misuse of Citizenship and Residency by Investment Programmes: A Joint FATF/OECD Report* (Paris: FATF, November 2023), www.fatf-gafi.org/content/dam/fatf-gafi/reports/Misuse-CBI-RBI-Programmes.pdf.coredownload.pdf and <https://doi.org/10.1787/ae7ce5fb-en> (accessed 31 August 2025).

¹⁸ Μύρων Νικολάτος (Πρόεδρος), Κυριάκος Κυριάκου (Μέλος), Παύλος Ιωάννου (Μέλος) και Δήμητρα Καλογήρου (Μέλος), *Έκθεση της Ερευνητικής Επιτροπής των Κατ' Εξάίρεση Πολιτογραφήσεων Αλλοδαπών, Επενδυτών και Επιχειρηματιών* (Λευκωσία: Κυπριακή Δημοκρατία, 7 Ιουνίου 2021), 16, 25, 488 and 527, i.e., *The Report of the Investigative Committee on Exceptional Naturalisation of Foreign Investors and Entrepreneurs [chaired by Mr Justice Myron Nicolatos (Ret'd)]* (Nicosia: Republic of Cyprus, 7 June 2021), 753, Press & Information Office of the Ministry of the Interior of Cyprus, www.pio.gov.cy/assets/pdf/newsroom/2021/06/REPORT-NICOLATOU%20COMMITTEE_220621.pdf (accessed 19 March 2025). A copy has been archived by the Wayback Machine on 5 August 2023 at https://web.archive.org/web/20230805130456/http://www.pio.gov.cy/assets/pdf/newsroom/2021/06/REPORT-NICOLATOU%20COMMITTEE_220621.pdf (accessed 15 April 2025).

¹⁹ The author was not in any way involved in assisting the Investigative Committee on Exceptional Naturalisation of Foreign Investors and Entrepreneurs chaired by Mr Justice Nicolatos (Ret'd). Nevertheless, it is ethically appropriate for the author to disclose that one of his colleagues, CRoLEV Director Prof. Stéphanie Lauhé Shaelou, assisted by CRoLEV Senior Researcher Dr. Katerina Kalaitzaki, provided expert opinion to the Committee on EU Law, as acknowledged in the Nicolatos Report at page 782.

examined because the Police hold their files. Of the remaining 3,103, it appears that 33.58% did not meet all the **formal criteria at the time of examination**, while 66.42% appear to have met them.

‘Furthermore, from the examination of the files of **high-risk** investors that were within the legal framework, it appears that 27.64% of the 199 such investors did not meet the criteria set by the Council of Ministers itself, while 72.36% appear to have met them. ...’.²⁰ [*The wording in bold appears in that way in the original text.*]

To mark the publication of the Nicolatos Report on 7 June 2021, Mr Justice Nicolatos (Ret’d) delivered a lengthy statement which transmitted a brutally frank message, as translated freely by the author:

‘In the judgment of the Committee, during the essential period from 2007 until August 2020, there was mass illegality [*μαζική παρανομία*], i.e., violations of the relevant Law, on the part of the Council of Ministers and others, regarding the naturalisation of members of the families of Investors – Entrepreneurs and managers of Companies – Investors.’²¹

This reference to ‘mass illegality’ helps to explain why the author repeatedly refers to ‘wrongdoing on an industrial scale’. Yet, this is not the only reason. Since the publication of the Nicolatos Report on 7 June 2021, the Cypriot Government has revoked the citizenship of an increasing number of people who, ostensibly wrongfully, received citizenship under the Naturalisation by Exception Scheme. For example, the European Commission has disclosed the following: ‘On 15 October 2021, Cyprus revoked the citizenship of 39 investors and six dependents.’²² Albeit implicitly and solely in relation to these 45 persons, this disclosure indicates that the findings of the Nicolatos Report are credible and that, by 15 October 2021, the Cypriot Government had started to act on them.

The hypothesis upon which this Working Paper is founded

When he embarked upon the research resulting in this Working Paper, the author proceeded from a broad hypothesis. From the moment of the establishment of the Republic of Cyprus as an independent sovereign country on 16 August 1960, the Cypriot

²⁰ Ibid, 753.

²¹ «Δηλώσεις του Προέδρου της Ερευνητικής Επιτροπής κ. Μύρωνα Νικολάτου κατά την επίδοση της έκθεσης της Ερευνητικής Επιτροπής που συστάθηκε για διερεύνηση των κατ’ εξαίρεση πολιτογραφήσεων αλλοδαπών επενδυτών και επιχειρηματιών από το 2007-17.8.2020», i.e., ‘Remarks of the President of the Investigative Committee, Mr. Myron Nikolatos, during the presentation of the Report of the Investigative Committee established to investigate the exceptional naturalisation of foreign investors and entrepreneurs from 2007-17.8.2020’, Press & Information Office of the Ministry of the Interior of Cyprus, 7 June 2021, www.pio.gov.cy/%CE%B1%CE%BD%CE%B1%CE%BA%CE%BF%CE%B9%CE%BD%CF%89%CE%B8%CE%AD%CE%BD%CF%84%CE%B1-%CE%AC%CF%81%CE%B8%CF%81%CE%BF.html?id=20811#flat (accessed 28 March 2025), as archived by the Wayback Machine on 7 June 2021 at <https://web.archive.org/web/20210607114647/www.pio.gov.cy/%CE%B1%CE%BD%CE%B1%CE%BA%CE%BF%CE%B9%CE%BD%CF%89%CE%B8%CE%AD%CE%BD%CF%84%CE%B1-%CE%AC%CF%81%CE%B8%CF%81%CE%BF.html?id=20811#flat> (accessed 31 August 2025) and www.piopressreleases.com.cy/easyconsole.cfm/page/easyconsole.cfm?page=printRelease&s_id=603711&isImported=1 (accessed 16 April 2025).

²² ‘Commission reply, received on 9 February 2023’ in ‘Notice to Members: Subject: Petition No 0688/2022 by J. G. (German) on the ‘Golden Passport’ programme and money laundering in Cyprus’, Committee on Petitions, European Parliament, 9 February 2023’, 1-4 at 4, www.europarl.europa.eu/doceo/document/PETI-CM-742547_EN.pdf (accessed 21 March 2025).

state apparatus was beset by maladies which, since then, have multiplied, thus multiplying the factors enabling chronically bad governance to survive if not thrive. It follows that bad governance in Cyprus has been so protracted, so entrenched, so prevalent and so normalised that it has become chronic. It also follows that bad governance has bedevilled every Cypriot government headed by every President, namely Archbishop Makarios (the first President of Cyprus from 1960 until his death in 1977), Spyros Kyprianou (1977-1988), George Vassiliou (1988-1993), Glafcos Clerides (1993-2003), Tassos Papadopoulos (2003-2008), Demetris Christofias (2008-2013), Nicos Anastasiades (2013-2023) and Nikos Christodoulides (2023-).

Given that each of these Presidents has served as Head of State as well as Head of the Government, the hypothesis also rests on a supplementary premise – that chronically bad governance has diachronically and, thus, perennially trickled from ‘the top down’²³ of both Cypriot state and the executive branch of the Cypriot government. This supplementary premise dovetails with an idea popularised by Harry S. Truman during his Presidency of the United States of America (‘US’) – when he served as Head of State and Head of the executive branch of government at the federal level – from the death of President Franklin D. Roosevelt on 12 April 1945 until 20 January 1953. ‘The buck stops at the President’s desk’.²⁴ On this basis, each Cypriot President shoulders a share of the responsibility for the chronically bad governance to have blighted Cyprus. Nevertheless, the problem runs deeper than the Presidency at the summit of both the state and its government. This is because chronically bad governance is essentially systemic as well as cultural in nature.

The question addressed by this Working Paper

Proceeding from his hypothesis, the author seeks to address one question. Bearing in mind the wider historical, constitutional and socio-legal context against which it unfolded, can the ‘golden passports’ scandal be regarded as a consequence of chronically bad governance in successive governments of the Republic of Cyprus? If so, why? If not, why not? Without wishing to whitewash any bad governance in the regulatory authorities, law enforcement authorities, judiciary, legislature, wider public sector and other sectors of Cyprus, the author has framed this question in a way which has enabled him to limit his research to an exploration of any bad governance in the executive branch of government both before and during the lifespan of the Naturalisation by Exception Scheme.

In view of his educational background, the author addresses the question from an interdisciplinary methodological standpoint, with Political Science, History and Law being to the fore. In so doing, the author builds upon the research of the relatively few academics and lawyers to have explored the Naturalisation by Exception Scheme in any detail. In chronological order, these include those who have studied it ‘under the lens of EU Law’,²⁵

²³ On the general theme of bad governance from ‘the top down’, see Charles F. Bingham, *Governance from the Bottom Up: One Hundred Horrible Examples From the Top Down* (Bloomington, IN: iUniverse, 2016).

²⁴ “‘The Buck Stops Here’ Desk sign [on the desk of President Truman in the White House]”, Harry S. Truman Library & Museum, Independent, MO, www.trumanlibrary.gov/education/trivia/buck-stops-here-sign (accessed 16 June 2024). After he left office, President Truman gave an interview in which he recalled the famous sign he had on his desk with the caption ‘the BUCK STOPS here!’ Truman explained that it reflected his belief that ‘the buck stops at the President’s desk ...’. See the archival film clip at ‘MP2002-401 Former President Truman Discusses “The Buck Stops Here”’, Screen Gems Collection, Harry S. Truman Library & Museum Youtube channel, 20 March 2020, www.youtube.com/watch?v=MDrzHjL4Goo (accessed 16 June 2024).

²⁵ Sofya Kudryashova, *Investment Migration Research Paper: IMC-PB 2019/3: The Sale of Conditional EU Citizenship: The Cyprus Investment Programme under the Lens of EU Law* (Geneva: Investment Migration

as a potential ‘case of insufficient safeguards or state-enabled money laundering’,²⁶ as a potential recipe for ‘crime and corruption’ contrary to European values,²⁷ as the source of decisions potentially subject to judiciary review,²⁸ as a case study in marketing EU citizenship,²⁹ as part of the global trend towards the granting of ‘golden passports’ to millionaires on the move³⁰ and as a challenge to the rule of law.³¹

In addition, the author draws upon an array of primary sources in the public domain, with a pronounced emphasis on publications of the Government of Cyprus, other governments and the institutions of the EU. For the reasons explained later in this Introduction, the author does not overlook but does not rely upon the contribution made by the investigative journalists whose exposés helped to uncover the Naturalisation by Exception Scandal.

The thesis advanced in this Working Paper

The author advances one main thesis plus one subsidiary thesis. The thesis is quite simple. The Naturalisation by Exception Scandal was the consequence of chronically bad governance in Cyprus. Its governance has been chronically bad due to systemic defects as well as deficiencies plus other faults in the Constitution originally brought into force on 16 August 1960 prior to subsequent amendments (‘the 1960 Constitution’),³² the institutional

Council, 2019), https://investmentmigration.org/wp-content/uploads/2020/09/IMC-RP-2019-3-Kuryashova_1.pdf (accessed 31 March 2025).

²⁶ G. Pavlidis, ‘A case of insufficient safeguards or state-enabled money laundering? ‘Golden Passport’ and ‘Golden Visa’ investment schemes in Europe’, *Journal of Investment Compliance*, 22 (2), 2021, 170-179, <https://doi.org/10.1108/JOIC-01-2021-0002> (accessed 16 June 2024).

²⁷ Louis Karaolis, ‘A Golden Passport to Crime and Corruption: European Values on Trial’, Oxford Human Rights Hub Blog, University of Oxford, 6 September 2021, <https://ohrh.law.ox.ac.uk/a-golden-passport-to-crime-and-corruption-european-values-on-trial/> (accessed 22 December 2023).

²⁸ Σαλώμη Γιάλλουρου, Δικηγόρος, «Η νομική φύση των αποφάσεων απόρριψης αιτημάτων πολιτογράφησης επενδυτών, επιχειρηματιών και μελών των οικογενειών τους στην κυπριακή έννομη τάξη», 15 May 2023, <https://dikaiosyni.com/wp-content/uploads/2023/05/H-νομική-φύση-των-αποφάσεων-απόρριψης-αιτημάτων-πολιτογράφησης-επενδυτών-επιχειρηματιών-και-μελών-των-οικογενειών-τους-15.5.2023.pdf> and <https://dikaiosyni.com/katigories/arthra/i-nomiki-fisi-twn-apofasewn-aporripsis-aitimatwn-politografisis-ependitwn-epichirimatiwn-kai-melwn-twn-oikogeneiwn-tous/> (accessed 12 July 2024).

²⁹ Theodoros Rakopoulos, *Passport Island: The Market for EU Citizenship in Cyprus* (Manchester: Manchester University Press, 2023).

³⁰ Kristin Surak, *The Golden Passport: Global Mobility for Millionaires* (Cambridge, MA: Harvard University Press, 2023).

³¹ Stéphanie Lahlé Shaelou and Katerina Kalaitzaki, ‘The Cyprus Investment Programme (2007-2020): any room for the Rule of Law in its construction and operation in times of crisis?’, in Stéphanie Lahlé Shaelou and Andreas Marcou (eds.) *Yearbook on the Rule of Law and European Values: Issue 2* (Pyla, Cyprus: CRoLEV, 2025), 10-37, <https://crolev.eu/wp-content/uploads/2025/07/CRoLEV-Yearbook-Issue-2-Final-A4.pdf> and <https://crolev.eu/yearbook-role/> (accessed 2 September 2025).

³² The original version of the 1960 Constitution was first published in English as ‘Appendix D: Draft Constitution of the Republic of Cyprus’ in *Cmnd. 1093: Cyprus: Presented to Parliament by the Secretary of State for the Colonies, the Secretary of State for Foreign Affairs and the Minister of Defence by Command of Her Majesty* (London: Her Majesty’s Stationery Office, July 1960), 91-173. A version of the original English language version is online on the Law Office of Cyprus website at [www.law.gov.cy/law/law.nsf/1D2CDD154DCF33C9C225878E0030BA5E/\\$file/The%20Constitution%20of%20the%20Republic%20of%20Cyprus.pdf](http://www.law.gov.cy/law/law.nsf/1D2CDD154DCF33C9C225878E0030BA5E/$file/The%20Constitution%20of%20the%20Republic%20of%20Cyprus.pdf) and www.law.gov.cy/law/law.nsf/constitution-en/constitution-en?OpenDocument (accessed 6 March 2025). The 1960 Constitution, as amended since 16 August 1960, may be found in the English language at *Constitution of the Republic of Cyprus (English translation and consolidation): GEN (A)- L. 223* (Nicosia: Office of the Law Commissioner, January 2025), [www.olc.gov.cy/olc/olc.nsf/26097CAF0B50C8DCC2258C190023A082/\\$file/CONSTITUTION.pdf](http://www.olc.gov.cy/olc/olc.nsf/26097CAF0B50C8DCC2258C190023A082/$file/CONSTITUTION.pdf) and in the Greek language at *Σύνταγμα της Κυπριακής Δημοκρατίας (Ενοποίηση στην Ελληνική): GEN – N.77* (Λευκωσία: Γραφείο Επιτρόπου Νομοθεσίας, Ιανουάριος, 2025), [www.olc.gov.cy/olc/olc.nsf/B03A8A9B22080A73C2258C1900234ACC/\\$file/ΣΥΝΤΑΓΜΑ.pdf](http://www.olc.gov.cy/olc/olc.nsf/B03A8A9B22080A73C2258C1900234ACC/$file/ΣΥΝΤΑΓΜΑ.pdf) and on the Cyprus

architecture of Cyprus, the prevalence of bad practices there, the recurring nature of those bad practices and the clientelistic as well as partitocratic socio-legal culture in which those bad practices have manifested themselves. In turn, chronically bad governance has been exacerbated by the protracted failure of successive Cypriot governments to apply basic principles of good governance on a routine, ongoing and visible basis. It follows that the Naturalisation by Exception Scandal was not a fluke or otherwise one-off occurrence.

To begin with, the Scandal emerged against a pre-2007 pattern of catastrophes, crises and scandals within the public, private and other sectors of Cyprus. Then, from 2007 until 2020, the Naturalisation by Exception Scandal unfolded against a fresh pattern of catastrophes, crises and scandals. For these and for other reasons presented in this Working Paper, chronically bad governance in the Makarios, Kyprianou, Vassiliou and Clerides Administrations played a part in preparing the ground for and thereby enabling the Naturalisation by Exception Scandal. With that said, the Papadopoulos, Christofias and Anastasiades Administrations bear individual and collective responsibility for the Scandal.

For the avoidance of any doubt, in advancing this thesis, the author is not wielding any party-political axe. Nor is the author having a dig at any one President or any clutch of Presidents hailing from the same political party. As somebody who has never belonged to any political party in any country, the author is advancing a thesis having considered an abundance of evidence in both primary and secondary sources.

Even though the executive branch of government must bear most of the responsibility for the Naturalisation by Exception Scandal, it does not bear all of it. The legislative branch of government must take its share of responsibility as well. So, too, must other bodies, notably those involved in supervision or regulation, not to mention any individuals, companies, firms or other entities involved in any wrongdoing. Hence the need for a subsidiary thesis. Wrongdoing was enabled by a widespread, serious and sustained collective failure across substantial parts of the public, private and other sectors of Cyprus ('the collective failure'). In other words, wrongdoing appears to have been caused or enabled by the absence of what should have been a coordinated public-private effort to implement the principles of good governance in a transparent manner, to deter wrongdoing in effective ways and to act dynamically in response to credible expressions for concern of which several were issued over the course of many years. These included those warning that the pre-2007 Cypriot state apparatus was not doing its job properly in the face of large-scale economic crime and those warning that the post-2007 Naturalisation by Exception Scheme was vulnerable to being abused for nefarious purposes.

Ethical challenges confronting the author

In closing this Introduction, the author ought to disclose three of the ethical challenges which confronted him when he conducted his research and composed this Working Paper.

The first ethical challenge arose from the fact that due to his personal circumstances, the author has dealt with the Ministry of the Interior of Cyprus, one of the organs of governance implicated in the Naturalisation by Exception Scandal. The author has thereby been exposed to what he considers to be signs of bad governance. On careful reflection, the author has opted to make the disclosure in this paragraph but to avoid producing any specific evidence about his experiences which have nothing to do with the Scandal.

The second challenge was alluded to earlier. Bit by bit over the years, the Naturalisation by Exception Scandal was exposed by investigative journalists, including those who drew upon leaks, i.e., unauthorised disclosures of classified, confidential or personal documentation or data. Because they form critical elements of the relevant chronology, the author cannot avoid citing or discussing some of the exposés of some of these journalists. Nevertheless, the author has opted to avoid reproducing or relying upon any leaked documentation or data, as revealed by such journalists. One reason is ethical. Question marks hang over the appropriateness of using leaked documentation or data in any academic project.³³ Another reason is practical. The author has no way of verifying the authenticity of leaked documentation or data. Instead, the author has generally preferred to reproduce or cite primary sources, several of which have not attracted the attention they deserve, even though they are incriminating in the sense that they constitute evidence of bad governance or worse. With that said, the author appreciates that many relevant public records remain classified, *sub judice* or otherwise outside the public domain.

The third challenge stemmed from a press release published by the Law Office on 14 July 2022. This is reproduced in full below, having been translated freely by the author:

'Today, a criminal case was filed at the Nicosia District Court, with the aim of it being allocated to the Assize Court; the case arises from both the reporting of the Al Jazeera journalistic network and events in the context of naturalisations by exception of foreign investors and businessmen; it is based on the report of the Nicolatos [Investigative] Committee.

'Four individuals will be brought before Justice. The indictment consists of five charges, concerning the offences of conspiracy to defraud the Republic and influencing a public official in violation of the Law [*i.e.*, Law 23(111) of 2000] ratifying the Council of Europe Criminal Law Convention on Corruption [*of 27 January 1999*].

'The Attorney-General and the Deputy Attorney-General draw attention to the necessity of avoiding the publication of sensitive details of the case for the purposes of protecting all proceedings, ensuring the rights of the defendants (including the presumption of innocence) and complying with the legislation on the protection of personal data.'³⁴

In its press release, the Law Office noticeably failed to name the accused as a prelude to the warning embedded in the third paragraph. More to the point, the warning created an ethical challenge for the author. The author has responded to the challenge in two ways. One is by generally focusing on whether the Naturalisation by Exception Scheme was caused or enabled by chronically bad governance, as distinct from criminal conduct. The second is by generally avoiding any mention of any cases to have reached the courts of Cyprus since on 14 July 2022, when the warning of the Law Office was published. An

³³ See *inter alia* the following article and the sources cited therein: Anne E. Boustead and Trey Herr, 'Analyzing the Ethical Implications of Research Using Leaked Data', *PS: Political Science & Politics*, 53 (3), July 2020, 505-509, <https://doi.org/10.1017/S1049096520000323> (accessed 1 April 2025).

³⁴ «Καταχωρίστηκε στο Δικαστήριο, από τον Γενικό Εισαγγελέα, ποινική υπόθεση που αφορά στο ρεπορτάζ του δημοσιογραφικού δικτύου Al Jazeera», www.law.gov.cy/Law/law.nsf/All/6559AA2E19F0580CC225887F0042D0C9?OpenDocument and www.law.gov.cy/law/law.nsf/announcements-arch-el/announcements-arch-el?OpenDocument&Start=1&Count=1000&Expand=4 (accessed 31 March 2025).

exception is one case which was decided by the Supreme Constitutional Court of Cyprus on 10 September 2024. That case is discussed in Chapter 3.

By the same logic, the author has opted to avoid expressly commenting on any other cases or proceedings which directly or indirectly relate to the Naturalisation by Exception Scandal. These cases include those emanating from the grave allegations levelled by Makarios Drousiotis,³⁵ the alleged ‘surveillance’ as well as alleged ‘intimidation’ of Drousiotis,³⁶ the counter-allegations made by Nicos Anastasiades, the President of Cyprus from 28 February 2013 until 28 February 2023,³⁷ and the investigation launched by the Independent Anti-Corruption Authority of Cyprus into some of the allegations levelled by Drousiotis.³⁸

Nothing in this Working Paper should be interpreted as any comment on any ongoing case or as any aspersion upon any defendant who has been found not guilty, who has had proceedings against them discontinued or who is facing ongoing proceedings. As provided by the European Convention on Human Rights: ‘Everyone charged with a criminal offence shall be presumed innocent until proved guilty according to law.’³⁹ Equally, nothing in this Working Paper should be interpreted as any criticism of the many persons and entities in the public, private or other sectors who have been performing their duties lawfully and to the best of their ability in spite of chronically bad governance in Cyprus.

Subject to the above, the author must observe that although the Naturalisation by Exception Scheme ended on 1 November 2020, the criminal proceedings against some defendants remain ongoing – ostensibly due to delays in the bringing of prosecutions, delays brought about by repeated reported adjournments or other delays. None of which inspires much confidence in the effectiveness or efficiency of the Cypriot justice system which has long been dogged by what would appear to be excessive and, thus, unreasonable delays.⁴⁰

³⁵ The allegations include those made by Makarios Drousiotis, in Μακάριος Δρουσιώτης, *Η Συμμορία: 2^η έκδοση* (Λευκωσία: Αλφάδι, 2021) and Μακάριος Δρουσιώτης, *Κράτος Μαφία* (Λευκωσία: Αλφάδι, 2022), i.e., Makarios Drousiotis, *The Gang* (Nicosia: Alphadi, Second Edition, 2021) and Makarios Drousiotis, *Mafia Rule: Second Edition* (Nicosia: Alphadi, 2022). At the time of writing, some of the allegations made by Drousiotis are subject to an investigation by the Independent Anti-Corruption Authority.

³⁶ Open letter, dated 18 September 2023, addressed to the Office of the Attorney General of the Republic of Cyprus George L. Savvides, the Minister of Justice and Public Order Anna Koukidi-Prokopiou and the Chief of Police Stylianos Papatheodorou, as signed by ARTICLE 19, Europe Association of European Journalists (AEJ), European Centre for Press and Media Freedom (ECPMF), European Federation of Journalists (EFJ), OBC Transeuropa (OBCT) and Reporters Without Borders (RSF) reproduced in ‘RF and its partners call on the Cypriot authorities to take legal action against the intimidation of a journalist’, Reporters Without Borders, <https://rsf.org/en/rsf-and-its-partners-call-cypriot-authorities-take-legal-action-against-intimidation-journalist> (accessed 8 April 2025).

³⁷ Νίκος Αναστασιάδης, *Ο Συκοφάντης: Αντίλογος με Τεκμήρια και Αποδείξεις για την Απόπειρα Δολοφονίας Χαρακτήρων* (Power Production, 2024).

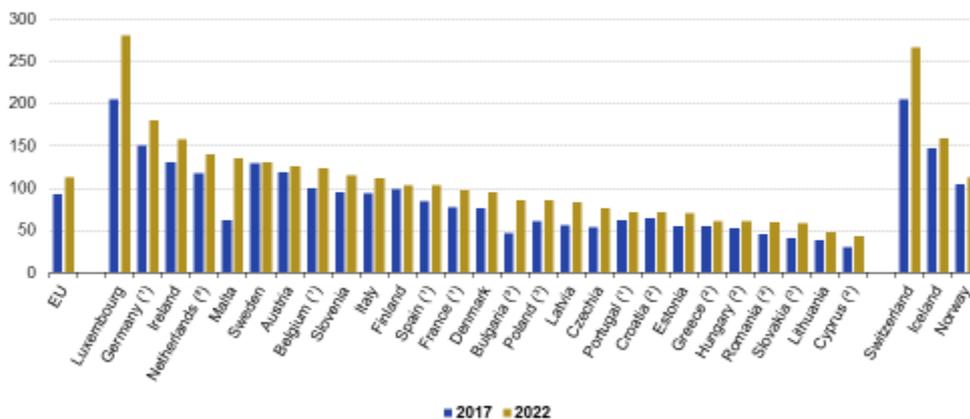
³⁸ «Αυτεπάγγελη Έρευνα για το περιεχόμενο του βιβλίου “Κράτος Μαφία” του Μακάριου Δρουσιώτη», Independent Anti-Corruption Authority of Cyprus, 20 February 2024, www.iaac.org.cy/iaac/iaac.nsf/All/4E9FB88A55D213F7C2258AC900327CBB?OpenDocument and «Ανακοίνωση αναφορικά με την έρευνα για το βιβλίο “Κράτος Μαφία”», Independent Anti-Corruption Authority of Cyprus, 2 July 2025, www.iaac.org.cy/iaac/iaac.nsf/All/5BAD5BF0A514C894C2258CBB00342261?OpenDocument (accessed 2 September 2025).

³⁹ Article 6.2, *European Convention on Human Rights [as amended & supplemented]* (Strasbourg: European Court of Human Rights), www.echr.coe.int/documents/d/echr/convention_ENG (accessed 31 March 2025).

⁴⁰ See *inter alia* ‘Functional Review of the Courts System of Cyprus: Technical Assistance Project 2017/2018, IPA, Ireland: Supported by the Structural Reform Support Service (SRSS) of the European Commission’, March 2018, Cyprus Bar Association, www.cyprusbarassociation.org/files/publications/Functional_Review_of_Courts_System_of_Cyprus_IPA_Ireland_-_Final_Report.pdf (accessed 13 July 2024).

What makes these delays even more egregious is that they are difficult if not impossible to reconcile with Article 30.2 of the 1960 Constitution under which: ‘In the determination of his civil rights and obligations or of any criminal charge against him, every person is entitled to a fair and public hearing within a reasonable time by an independent, impartial and competent court established by law. ...’.⁴¹ Part of the explanation may lie in data ‘extracted’ by Eurostat ‘in April 2024’ and presented in Image 4. According to this data, Cyprus had the worst record among the 27 Member States of the EU in terms of ‘General government total expenditure on law courts, by country, 2017 and 2022 (EUR per inhabitant)’.⁴²

General government total expenditure on law courts, by country, 2017 and 2022
(EUR per inhabitant)



(*) 2022 data are provisional and/or estimated.
(*) 2022 population data are provisional and/or estimated.
(*) Break(s) in population data time series between the two years shown.
Source: Eurostat (online data code: sdg_16_30)

eurostat

Image 4: ‘General government total expenditure on law courts, by country, 2017 and 2020 (EUR per inhabitant)’ in ‘SDG 16 - Peace, justice and strong institutions’, Eurostat ‘Data extracted in April 2024’, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=SDG_16_-_Peace,_justice_and_strong_institutions&oldid=664256 (accessed 15 March 2025).

The chronic nature of the delays may be illustrated by a decided case. After an ‘action’ which was ‘instituted’ on 16 April 1970, a civil case eventually reached the Supreme Court of Cyprus which proceeded to give its judgment on 25 April 1988, eighteen years later! In its judgment, the Supreme Court pointed to ‘numerous adjournments for some of which the parties must bear the blame.’ It then issued a warning which retains its relevance today:

‘Justice delayed is justice denied. This aphorism must be in the forefront of judicial thought and action. In no circumstances should courts of law countenance delays of this magnitude. The determination of judicial causes within a reasonable time is constitutionally safeguarded in Cyprus by article 30.2 of the Constitution [as quoted above]. The right to have a judicial cause determined within a reasonable time is entrenched as a fundamental right with a corresponding duty on the Judiciary to

⁴¹ Article 30.2, 1960 Constitution, *op. cit.*

⁴² ‘General government total expenditure on law courts, by country, 2017 and 2020 (EUR per inhabitant)’ in ‘SDG 16 - Peace, justice and strong institutions’, Eurostat ‘Data extracted in April 2024’, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=SDG_16_-_Peace,_justice_and_strong_institutions&oldid=664256 (accessed 15 March 2025).

ensure observance of that right. For our part we have done our best to prepare and deliver this judgment as early as possible.⁴³

Despite this stern judicial warning dating back to 1988, chronic delays continue to afflict the Cypriot justice system. Hence the observation embedded in the 2024 Investment Climate Statement for Cyprus, as published by the US State Department on 18 July 2024: ‘Public confidence in the integrity of the ROC [*i.e.*, *the Republic of Cyprus*] legal system has been undermined by long delays in courts and the perceived failure of the system to punish those responsible for high-profile corruption cases in recent years.’ Elsewhere in its Statement, the State Department issued an acknowledgment followed by a caveat: ‘The ROC has taken important steps towards judicial reform in recent years but these have yet to achieve the intended goal of shortening court delays.’ Indeed: ‘Businesses often complain of court gridlock and judgments on cases generally taking years to be issued, particularly for claims involving property foreclosure.’⁴⁴

There is no reason to disbelieve the State Department, especially in view of other evidence. This includes the results of a survey of 44 Member States of the Council of Europe, as conducted by its European Commission for the Efficiency of Justice (‘CEPEJ’) in its *2024 Evaluation Cycle* and as ‘based on 2022 data’.⁴⁵ The results showed that, notwithstanding certain improvements made to its justice system,⁴⁶ Cyprus had among the worst records in terms of Disposition Time (‘DT’), this being something which ‘reveals the theoretical time needed for a pending case to be resolved, considering the current pace of work.’ In relation to ‘litigious divorces’, Cyprus had ‘the highest DT’ of all 44 Member States surveyed ‘at 1 501 days’, *i.e.*, just over four years. In ‘civil and commercial litigious cases’, Cyprus recorded a DT of ‘1 736 days’, *i.e.*, almost five years, behind Albania which had the worst record with a DT of ‘2 272 days’. In ‘administrative cases’, the situation was even worse: ‘The highest DTs were reported by Albania with 8 680 days’ and ‘Cyprus with 2 310 days’, *i.e.*, more than six years.⁴⁷

These statistics point to a chronically bad state of affairs which is crying out for reform. So, too, do the findings published by CRoLEV in 2025 – in both a 55-page article focusing on ‘backlogs’ in the Court system of Cyprus⁴⁸ and a 188-page impact assessment on a much broader range of issues including but not limited to ‘the functionality of justice in Cyprus’.⁴⁹

⁴³ *Agapiou v Panayiotou* (1988) 1 CLR 257 (Pikis J, giving the judgment of the Supreme Court of Cyprus on behalf of himself, Malachos J and Demetriades J), www.cylaw.org/cgi-bin/open.pl?file=apofaseis/aad/meros_1/1988/rep/1988_1_0257.htm (accessed 8 April 2025).

⁴⁴ ‘2024 Investment Climate Statements: Cyprus’, Bureau of Economic and Business Affairs, US State Department, www.state.gov/reports/2024-investment-climate-statements/cyprus/ and www.state.gov/reports/2024-investment-climate-statements/ (accessed 14 April 2025).

⁴⁵ *European judicial systems CEPEJ Evaluation Report: Part 1: General Analyses: 2024 Evaluation cycle (2022 data)* (Strasbourg: Council of Europe, September 2024), 9, 10 and 12, <https://rm.coe.int/cepej-evaluation-report-part-1-en-/1680b272ac> and www.coe.int/en/web/cepej/special-file (accessed 5 May 2025).

⁴⁶ *Ibid.*, 32, 75, 102, 125 *et al.*

⁴⁷ *Ibid.*, 119 and 136.

⁴⁸ Stéphanie Lauhé Shaelou and Andrea Manoli, ‘Judicial Backlogs in the Republic of Cyprus: Causes, Consequences and Prospects for Reform’, in Stéphanie Lauhé Shaelou and Andreas Marcou (eds.) *Yearbook on the Rule of Law and European Values: Issue 2* (Pyla: CRoLEV, 2025), 66-123, <https://crolev.eu/wp-content/uploads/2025/07/CRoLEV-Yearbook-Issue-2-Final-A4.pdf> and <https://crolev.eu/yearbook-rolev/> (accessed 2 September 2025).

⁴⁹ Stéphanie Lauhé Shaelou, Andreas Marcou, Andrea Manoli, Katerina Kalaitzaki and Alexandra M. Uibariu, *Work Package 5 – Deliverable 3: CRoLEV Impact assessment and recommendations to policy makers* (Pyla: CRoLEV, 2025), <https://crolev.eu/wp-content/uploads/2025/03/D.5.3-Impact-assessment-and-Recommendations.pdf> and <https://crolev.eu/impact-assessment-and-recommendations/> (accessed 2 September 2025).

One finding of the impact assessment is that ‘severe court delays’ are among the ‘[k]ey challenges obstructing the functionality of justice in Cyprus ...’.⁵⁰ Another is that ‘court inefficiencies and long delays negatively impact businesses, investors, and individuals seeking justice, reducing confidence in the legal system.’⁵¹ Yet, as established by CROLEV, sluggishness is not perceived to be limited to the court system. Sluggishness is perceived to be widespread across much of the public sector⁵² where delays sometimes entwine with aggravating factors such as ‘complex bureaucracy’⁵³ and ‘problematic bureaucratic procedures’⁵⁴ together with ‘corruption’ which many members of the public perceive to be ‘widespread’.⁵⁵

Each of the two publications of CROLEV has been accompanied by recommendations. It remains to be seen as to whether and, if so, to what extent they achieve the desired outcomes. In the meantime, the findings of CROLEV correspond with an impression already gained by the author due to his own experiences over the years. Much of the Cypriot public sector appears to be blighted by chronic delays and burdensome but absurd bureaucratic obstacles. These often manifest themselves whenever any person seeks to access a public service, enjoy a freedom, exercise a right, fulfil an obligation, obtain information, make a complaint or otherwise communicate with a public authority but in circumstances where such a person is unable or unwilling to deploy well-connected *μέσα*, i.e., *mesa*. The latter is the Greek word for ‘means’ which can be translated freely as ‘connections’. Both literally and metaphorically, *mesa* are means to an end. If a person is able and willing to deploy *mesa* within or with ties to the public sector, the *mesa* may pull strings in ‘the right place’ at ‘the right time’ with the aim of achieving ‘the right outcome’.

The deployment of *mesa* and the pulling of strings have long been conspicuous features of the clientelistic as well as partitocratic socio-legal culture of Cyprus. In turn, that culture may be one of the keys to making ‘sense’ of the picture of chronically bad governance which gave rise to the Naturalisation by Exception Scandal.

⁵⁰ Ibid, 19.

⁵¹ Ibid, 20.

⁵² Ibid, 64, 66, 71, 75, 76, 93 and 160 *et al.*

⁵³ Ibid, 64.

⁵⁴ Ibid, 165 and 167.

⁵⁵ Ibid, 19, 17-18, 81-93, 95-97 and 102-103 *et al.*

CHAPTER 1: EUNOMIA, GOOD GOVERNANCE AND BAD GOVERNANCE



Image 5: ‘The 12 Principles of Good Democratic Governance’, as presented at ‘12 Principles of Good Democratic Governance: conference on 28 October’, French Presidency of the Council of Ministers, Strasbourg, 25 October 2019, www.coe.int/en/web/portal/-/12-principles-of-good-democratic-governance-conference-on-28-october (accessed 15 June 2024) and as archived by the Wayback Machine on 8 July 2024 at <https://web.archive.org/web/20240708090126/www.coe.int/en/web/portal/-/12-principles-of-good-democratic-governance-conference-on-28-october> (accessed 27 August 2024).

The rationale behind this chapter is simple. As a necessary prelude to understanding what is meant by bad governance, one must understand what is meant by the ancient Greek concept of eunomia and the modern concept of good governance. By exploring each of these concepts, the author sets the scene for what follows in subsequent chapters where he paints a picture of chronically bad governance in Cyprus both before and during the lifespan of the Naturalisation by Exception Scheme.

1.1 Eunomia: the thematically narrower intellectual precursor to good governance

According to the European Commission for Democracy through Law (‘the Venice Commission’), ‘[t]he concept of governance is a very old one’ and ‘can be traced in the works of Aristotle, who referred to good governance to describe a state ruled by an ethical and just governor.’⁵⁶ That is not incorrect. However, with its choice of words, the Venice Commission has not done justice to the pre-Aristotelian ancient Greek intellectual origins of good governance. Nor has it done justice to the impact of others upon the thinking of Aristotle. An obvious example is Plato, one of the teachers of Aristotle, who made a formidable contribution to the philosophical literature on good governance. In works such as

⁵⁶ *Stocktaking on the notions of “good governance” and “good administration”*: Study no. 470 / 2008 (Strasbourg: Venice Commission, 8 April 2011), [www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2011\)009-e](http://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2011)009-e) and [www.coe.int/en/web/venice-commission/-/CDL\(2011\)006-e](http://www.coe.int/en/web/venice-commission/-/CDL(2011)006-e) (accessed 23 March 2025).

Crito,⁵⁷ *Gorgias*,⁵⁸ *Republic*⁵⁹ and *Laws*,⁶⁰ Plato effectively discusses the attributes of good governance, such as the duty to obey the law, the need for guardians to protect the law and the centrality of justice. Up to a point, each of these works reflects the influence exerted by Socrates upon Plato, his student.

Strictly speaking, Plato and Aristotle do not expressly discuss good governance. Instead, both Plato⁶¹ and Aristotle⁶² conjure up the concept of *εὐνομία* (*eunomia*), an ancient Greek noun⁶³ from which the twin English nouns ‘eunomia’ and ‘eunomy’ are derived. *Εὐνομία* is sometimes translated into English as ‘good governance’. This is how it was translated by Harris Rackham, a Fellow of Christ’s College, Cambridge, in his translation of Aristotle’s *Politics* published by Harvard University Press in 1932 as part of its Loeb Classical Library.⁶⁴ Nevertheless, that translation is not quite right.

In their classic *Greek-English Lexicon*, Henry Liddell and Robert Scott translate the Greek noun *εὐνομία* as ‘good order, order’. This definition is subject to certain qualifications, one of which is that, in *Politics*, Aristotle ‘comprehended’ the idea of ‘good laws well obeyed’.⁶⁵ In their definition of related terms, Liddell and Scott convey a similar impression. For instance, they translate the Greek noun *εὐνόμημα* (*eunomima*) as ‘legal, orderly action’ and the Greek adjective *εὐνομος* (*eunomos*) as someone or something ‘under good laws’.⁶⁶

For its part, the *Oxford English Dictionary* recalls that the English noun ‘eunomy’ was incorporated within Nathan Bailey’s classic *Etymological Dictionary* published in 1721.⁶⁷ Therein Bailey traces the etymology of the noun ‘eunomy’ to the aforementioned Greek noun *εὐνομία* (*eunomia*) and he defines ‘eunomy’ as ‘a good Constitution or Ordination of Laws’.⁶⁸ In this way, Bailey rightly suggests that there are substantive and procedural elements to eunomy and that each element is linked to law. This is not surprising. As

⁵⁷ Plato’s *Crito* in Charles W. Eliot (ed.), *The Harvard Classics: The Apology, Phaedo and Crito of Plato: Translated by Benjamin Jowett. The Golden Sayings of Epictetus translated by Hastings Crossle. The Meditations of Marcus Aurelius: Translated by George Long: With Introduction and Notes: Volume 2* (New York: P. F. Collier & Son Company, 1909), 31-44.

⁵⁸ Plato’s *Gorgias* in Plato, *Lysis. Symposium. Gorgias: With an English translation by W. R. Lamb* (Cambridge, MA: Harvard University Press, 1925), 259-533.

⁵⁹ Plato’s *Republic* in Plato: *The Republic: With an English translation by Paul Shorey: In Two Volumes: I: Books I-V* (Cambridge, MA: Harvard University Press, 1930, 1937 reprint) and *Plato: The Republic: With an English translation by Paul Shorey: In Two Volumes: II: Books VI-X* (Cambridge, MA: Harvard University Press, 1935).

⁶⁰ *The Loeb Classical Library: Plato in Twelve Volumes: X: Laws: Volume I, Books I-VI: With an English Translation by R. G. Bury* (Cambridge, MA: Cambridge University Press, 1926, 1967 reprint) and *The Loeb Classical Library: Plato in Twelve Volumes: XI: Laws: Volume II, Books VII-XII: With an English Translation by R. G. Bury* (Cambridge, MA: Harvard University Press, 1926, 1984 reprint).

⁶¹ John Melvin Armstrong, ‘The Politics of Virtue in Plato’s *Laws*’, PhD dissertation, Department of Philosophy, Graduate College, University of Arizona, 1998, 57-59, <https://philarchive.org/archive/ARMTPO-9> (accessed 24 March 2025).

⁶² H. J. Erasmus, ‘Eunomia’, *Acta Classica*, 3, 53-64 at 61-63.

⁶³ For a critical analysis of the ancient Greek noun *εὐνομία* and related ancient Greek words, see *Ibid.*

⁶⁴ See, for example, Aristotle, *Politics: With an English translation by H. Rackham* (Cambridge, MA: Harvard University Press, 1932, 1959 reprint with corrections made in 1944), 214-215, 316-317 and 560-561.

⁶⁵ *Greek-English Lexicon: Compiled by Henry George Liddell and Robert Scott: Seventh Edition, Revised and Augmented Throughout* (Oxford: Clarendon Press, 1883), 608.

⁶⁶ *Ibid.*, 608. Also see *An Intermediate Greek-English Lexicon: Founded upon the Seventh Edition of Liddell and Scott’s Greek-English Lexicon* (Oxford: Clarendon Press, 1889, Impression of 1986), 329.

⁶⁷ ‘Eunomy’ in the *Oxford English Dictionary* (Oxford: Oxford University Press, online edition), www.oed.com (accessed 10 April 2025).

⁶⁸ N. Bailey, *An Universal Etymological English Dictionary* (London: Printed for T. Osborne & others, 1721), unnumbered page headed ‘EV EU’.

terms, eunomy and eunomia is each related to the English noun 'nomos', which is derived from the Greek word νόμος (*nomos*) and means, as the *Oxford English Dictionary* puts it, '[t]he law; the principles governing human conduct, esp. as defined by culture or custom.'⁶⁹

The *Oxford English Dictionary* likewise recognises the existence of the English noun 'eunomia', which it characterises as 'rare' but is normally spelt as 'eunomy' and denotes '[a] political condition of good law well-administered.'⁷⁰ This is in harmony with Greek mythology under which eunomia is 'symbolised' by the Goddess Eunomia, the daughter of Themis, the Goddess of Justice, and Zeus.⁷¹ In the words of Antony Andrewes, one of the pre-eminent classicists of his generation, the Goddess Eunomia was considered to be 'one of the guardians of the social order, keeping the city from violence and lawlessness.'⁷²

The *Oxford English Dictionary* deduces that the 'earliest known use' of the English noun 'eunomia' was by John Stuart Mill, the English philosopher, in *Considerations on Representative Government* published in 1861.⁷³ In that book, Mill deploys the noun 'eunomia' after arguing that '[t]he strongest case for the ballot is when the mischievous power of the Few over the Many is increasing.' Bearing in mind that 'the ballot, so far as it existed, had a beneficial operation in the Athenian constitution', amidst various risks, such as the risk that 'the Athenian voter ... might have been bribed, or intimidated by the lawless outrages of some knot of individuals', Mill surmises: 'The ballot was in these cases a valuable instrument of order, and conduced to the Eunomia by which Athens was distinguished among the ancient commonwealths.'⁷⁴ As Mill thereby implies, Eunomia does not necessarily hinge upon the existence of democracy, but democracy is capable of upholding eunomia by means of free and fair elections.

The invocation of eunomia by Mill should not come as any surprise. Mill was proficient in ancient Greek, having learned it during the formative years of his childhood.⁷⁵ Indeed, in his most famous book, *On Liberty* published in 1859, Mill acknowledges that he is following in the footsteps of the ancient Greek philosophers who preceded him. Whereas Mill acclaims Socrates as 'the head and prototype of all subsequent teachers of virtue', he lauds Plato and Aristotle as representing 'the two headsprings of ethical as of all other philosophy.'⁷⁶

With all this in mind, it may be said that eunomia evokes the idea of a good constitution and well-ordained laws giving rise to an organised society founded on constitutional order and universal obedience to the law. On this basis, eunomia is the thematically narrower intellectual precursor of good governance. Moreover, eunomia is consistent with what Jean

⁶⁹ 'Nomos' in the *Oxford English Dictionary* (Oxford: Oxford University Press, online edition), www.oed.com (accessed 10 April 2025).

⁷⁰ 'Eunomia' and 'Eunomy' in the *Oxford English Dictionary* (Oxford: Oxford University Press, online edition), www.oed.com (accessed 10 April 2025).

⁷¹ 'Eunomia' in the *Oxford English Dictionary* (Oxford: Oxford University Press, online edition), www.oed.com (accessed 10 April 2025).

⁷² A. Andrewes, 'Eunomia', *The Classical Quarterly*, 32 (2), April 1938, 89-102 at 89, <https://doi.org/10.1017/S0009838800017857> (accessed 23 March 2025).

⁷³ 'Eunomia' in the *Oxford English Dictionary* (Oxford: Oxford University Press, online edition), www.oed.com (accessed 10 April 2025).

⁷⁴ John Stuart Mill, *Considerations on Representative Government* (London: Parker, Son and Bourn, West Strand, 1861), 194-195.

⁷⁵ *The Autobiography of John Stuart Mill: Published from the original manuscript in the Columbia University Library: With a preface by John Jacob Coss* (New York, NY: Columbia University Press, 1924, 1969 re-print), 3-4.

⁷⁶ John Stuart Mill, *On Liberty* (London: John W. Parker & Son, West Strand, 1859), 46.

Jacques Rousseau characterises as ‘a social contract’ mutually beneficial to those wielding state power and the citizens who are served by but subject to the authority of those wielding such power. Rousseau does not expressly invoke the idea of eunomia, but the concept is inherent in the social contract he wrote about in such detail.⁷⁷

According to Philip Allott, eunomia is theoretically capable of being applied transnationally as an integral feature of a reimagined global order. Taking into account the thinking of Plato, Aristotle and others, Allott originally advanced his thesis in *Eunomia: New Order for a New World*, the first edition of which was first published by Oxford University Press in 1990 and republished in 2001.⁷⁸ Allott’s thesis is beyond the scope of this Working Paper, except in one respect. Arguably, some of the principles of EU Law are expressions of eunomia at a pan-EU level. Solidarity, sincere cooperation and loyalty are among these principles,⁷⁹ each of which is enshrined in *inter alia* the Treaty on European Union (‘TEU’) at Articles 3.3, 4.3 and 24.3 respectively.⁸⁰

What, then, is the relevance of eunomia to the Naturalisation by Exception Scheme? As discussed in Chapters 2 and 3, the Scheme rested on a legally dubious basis, which was difficult if not impossible to reconcile with eunomia. At least part of the explanation may lie in the absence in Cyprus of any deep-rooted socio-legal culture founded on eunomia but underpinned by the principles of good governance and reinforced by a social contract between those who are doing the governing and those who are being governed.

1.2 Good governance

In recent decades, transnational organisations have opted to champion good governance rather than its thematically narrower intellectual precursor, eunomia. The World Bank has been at the forefront of these efforts with its Worldwide Governance Indicators, albeit with a focus on promoting economic efficiency.⁸¹ Its Indicators are means of ‘measuring six dimensions of governance starting in 1996: Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption.’⁸² Another example is the Office of the UN High Commissioner

⁷⁷ Jean-Jacques Rousseau, *Du Contrat Social; ou Principes du Droit Politique* [i.e., *The Social Contract; or Principles of Political Right*] (Amsterdam: Chez Marc-Michel Rev, 1762) in Jean-Jacques Rousseau, *The Social Contract and Discourses: Translated with an Introduction by G.D.H. Cole* (London: J.M. Dent & Sons Ltd, 1913). Also see related academic analyses such as those in David Boucher & Paul Joseph Kelly (eds.), *The Social Contract from Hobbes to Rawls* (London: Routledge, 1994).

⁷⁸ Philip Allott, *Eunomia: New Order for a New World: Second Edition* (Oxford: Oxford University Press, 2001). Also see ‘Review Essay Symposium: Philip Allott’s *Eunomia* and *The Health of Nations*: Thinking Another World: ‘This Cannot Be How the World Was Meant to Be’: An event to mark the retirement of Professor Philip Allott, Professor of International Public Law, University of Cambridge, 28–29 May 2004’, *European Journal of International Law*, 16 (2), 255-297, <https://doi.org/10.1093/ejil/chi117> and www.ejil.org/pdfs/16/2/295.pdf (accessed 10 April 2025).

⁷⁹ See Andrea Biondi, Egle Dagilyte & Esin Kucuk, *Solidarity in EU Law: Legal Principle in the Making* (Cheltenham: Edward Elgar Publishing, 2018), Barbara Gustaferro, ‘Sincere Cooperation and Respect for National Identities’ in Robert Schutze & Takis Tridimas (eds.), *Oxford Principles of European Union Law: Volume I: The European Union Legal Order* (Oxford: Oxford University Press, 2018), 350-382, and Marcus Klamert, *The Principle of Loyalty in EU Law* (Oxford: Oxford University Press, 2014) respectively.

⁸⁰ Consolidated version of the Treaty on European Union (Current consolidated version: 15/03/2025), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12016M/TXT> (accessed 12 March 2025).

⁸¹ ‘Worldwide Governance Indicators: A global compilation of data capturing household, business, and citizen perceptions of the quality of governance in more than 200 economies’, World Bank Group, www.worldbank.org/en/publication/worldwide-governance-indicators (accessed 11 March 2025).

⁸² Daniel Kaufmann Aart Kraay and Massimo Mastruzzi, *The Worldwide Governance Indicators: Methodology and Analytical Issues: Policy Research Working Paper 5430* (Washington DC: The World Bank, September

for Human Rights, albeit with a focus on promoting human rights and freedoms. For instance, on 4 September 2023, good governance was the subject matter of an address by the holder of the Office since 22 October 2022, Volker Turk, an Austrian with a doctorate in international law from the University of Vienna. His opening words expressed his thesis:

‘Good governance is the soil that nourishes all human rights. It is key to resilient and harmonious societies. And to a strong social contract between people and institutions. At its core is one crucial focus: governments should serve the public – not any narrow interests of wealthy or powerful elites.’⁸³

Yet another example is the Council of Europe in Strasbourg whose priorities revolve around human rights, democracy and the rule of law – in that order.⁸⁴ In common with the EU,⁸⁵ the Council of Europe has championed good governance while at the same time championing a narrower concept known as good administration.⁸⁶ The Council of Europe has adopted the term ‘Good Democratic Governance’, which it interprets as ‘the responsible conduct of public affairs and management of public resources’, as ‘encapsulated in the Council of Europe 12 Principles of Good Governance’ (‘the 12 Principles’)⁸⁷ and as presented in Image 5. The 12 Principles were originally enshrined in the Strategy on Innovation and Good Governance at local level,⁸⁸ as adopted by the Committee of Ministers of the Council of Europe on 26 March 2008,⁸⁹ when the Committee ‘invited all member states’, of which Cyprus is one, ‘to seek to achieve the good governance outcomes of the Strategy, either by adopting the tools made available through it or by taking other appropriate measures which may include drawing on or pursuing existing initiatives or action for continuously improving governance at local level; ...’.⁹⁰

The author has no reason to disagree with the 12 Principles although he questions the priority accorded by the Council of Europe to one specific concept, namely ‘cultural diversity’, which is capable of being abused to accentuate differences, sew divisions and

2010), Abstract, <https://documents1.worldbank.org/curated/en/630421468336563314/pdf/WPS5430.pdf> (accessed 11 March 2025).

⁸³ Volker Turk, UN High Commissioner for Human Rights, ‘Good governance in the promotion and protection of human rights, particularly with respect to the human rights impacts of various digital divides’, Office of the UN High Commissioner for Human Rights, 4 September 2023, www.ohchr.org/en/statements-and-speeches/2023/09/good-governance (accessed 11 April 2025).

⁸⁴ ‘Values: Human rights, Democracy, Rule of Law’, Council of Europe, www.coe.int/en/web/about-us/values (accessed 1 April 2025).

⁸⁵ Nikos Vogiatzis, *The European Ombudsman and Good Administration in the European Union* (London: Palgrave Macmillan / Springer Nature, 2018).

⁸⁶ Ulrich Stelkens and Agne Andrijauskaite, *Good Administration and the Council of Europe: Law Principles and Effectiveness* (Oxford: Oxford University Press, 2020).

⁸⁷ ‘12 Principles of Good Governance’, Council of Europe, www.coe.int/en/web/good-governance/12-principles (accessed 22 June 2024) and as archived on 18 May 2024 at <https://web.archive.org/web/20240518195448/https://www.coe.int/en/web/good-governance/12-principles> (accessed 27 August 2024).

⁸⁸ ‘The Council of Europe Strategy for Innovation and Good Governance at Local Level: Structures and Procedures for Awarding the European Label’, Council of Europe, undated, <https://rm.coe.int/1680746f16> (accessed 23 June 2024).

⁸⁹ Decision 6 in ‘CM/Del/Dec(2008)1022/2.4: 1022nd meeting – 26 March 2008 Item 2.4: 15th session of the Conference of European Ministers responsible for local and regional government (Valencia, 15-16 October 2007) – Report by the Secretary General (CM(2008)14, CM(2008)14-add, GR-DEM(2008)CB4-rev)’, Council of Europe, [https://search.coe.int/cm/#{"CoEIdentifier":\["09000016805d3dc8"\],"sort":\["CoEValidationDate%20Descending"\]}](https://search.coe.int/cm/#{) (accessed 22 June 2024).

⁹⁰ Decision 11 in *ibid.*

preclude the existence of an integrated democratic society.⁹¹ Indeed, the author would argue that the 12 Principles are generally applicable to the organs of governance at national level as well as those at local level. More to the point, had all 12 Principles been consciously, consistently and conspicuously applied during the lifespan of the Naturalisation by Exception Scheme from 2007 until 2020, wrongdoing could have been prevented or, at the very least, spotted before being dealt with effectively much sooner than it was.

Perhaps more than some of the others, three of the 12 Principles would seem to have been routinely disregarded by successive governments of Cyprus prior to and during the lifespan of the Naturalisation by Exception Scheme. These are Principle 4 on 'Openness and Transparency', Principle 5 on '[the] Rule of Law' and Principle 6 on 'Ethical Conduct'. The Council of Europe defines each of these three Principles as follows:

'Principle 4 Openness and Transparency

'Decisions are taken and enforced in accordance with rules and regulations.

'There is public access to all information which is not classified for well-specified reasons as provided for by law (such as the protection of privacy or ensuring the fairness of procurement procedures).

'Information on decisions, implementation of policies and results is made available to the public in such a way as to enable it to effectively follow and contribute to the work of the local authority. ...

'Principle 5 Rule of Law

'The local authorities abide by the law and judicial decisions.

'Rules and regulations are adopted in accordance with procedures provided for by law and are enforced impartially.

'Principle 6 Ethical conduct

'The public good is placed before individual interests.

'There are effective measures to prevent and combat all forms of corruption.

'Conflicts of interest are declared in a timely manner and persons involved must abstain from taking part in relevant decisions.'⁹²

⁹¹ On the meaning of 'a democratic society', see Sir Rabinder Singh (a Lord Justice of Appeal in the Court of Appeal of England and Wales), 'What is a "democratic society"?', transcript of the Chevrette-Marx lecture, 6 September 2018, website of the Courts and Tribunals Judiciary of England and Wales, www.judiciary.uk/wp-content/uploads/2018/09/speech-by-the-sir-rabinder-singh-what-is-a-democratic-society-20180906.pdf (accessed 8 January 2024) and Rabinder Singh, 'What is a 'Democratic Society'?' in Rabinder Singh, *The Unity of Law* (London: Bloomsbury, 2021), 151-166.

⁹² '12 Principles of Good Governance', Council of Europe, www.coe.int/en/web/good-governance/12-principles (accessed 22 June 2024), as archived by the Wayback Machine on 18 May 2024 at <https://web.archive.org/web/20240518195448/https://coe.int/en/web/good-governance/12-principles> (accessed 27 August 2024).

It is arguable that one critical principle of good governance is missing from the 12 Principles of Good Democratic Governance. This is the virtue of courage,⁹³ as explored by, among others, Aristotle in *Nicomachean Ethics*.⁹⁴ As proven so often in history, courage, be it physical or moral,⁹⁵ is one of the keys to preventing, addressing or exposing any form of wrongdoing, for instance through the lawful activation of any available whistleblowing procedure in the workplace.⁹⁶ However, on the basis that courage is integral to Principle 6, named 'Ethical Conduct', this is a minor quibble.

Since the 12 Principles of Good Democratic Governance were endorsed in 2008, other transnational organisations have weighed in to make their own contributions to the literature on good governance. An example is the Bangkok-based UN Economic and Social Commission for Asia and the Pacific ('ESCAP') in a Policy Brief published in 2009 and entitled 'What is Good Governance?' The approach of ESCAP envisages governance founded on '8 major characteristics' resulting in governance which is 'participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law.'⁹⁷ This is similar to the approach of the Council of Europe founded on the 12 Principles. This indicates that, broadly speaking, a transnational consensus exists as to what good governance entails.

For their part, academics have likewise contributed to the literature on good governance and bad governance.⁹⁸ An example is Henk Addink, author of *Good Governance: Concept and Context*, a book published by Oxford University Press in 2019. Addink provides a framework which consists of six principles: 'properness'; 'transparency'; 'participation';

⁹³ See *inter alia* Howard J. Curzer, 'Aristotle's Account of the Virtue of Courage in Nicomachean Aristotle's Account of the Virtue of Courage in *Nicomachean Ethics* III.6-9', *The Society for Ancient Greek Philosophy: Newsletter* 183, 1996, 1-15, Open Repository, Binghamton University, NY, <https://orb.binghamton.edu/sagp/183>, Anastasios Ladikos, 'Revisiting the Virtue of Courage in Aristotle', *Phronimon*, 5 (2), 2004, 77-92, <https://journals.co.za/doi/pdf/10.10520/EJC87716> and Lady Hale, President of the Supreme Court of the UK, 'On Courage: Millicent Fawcett Memorial Lecture', The Royal Society, London, 13 December 2018, Supreme Court of the UK, www.supremecourt.uk/docs/speech-181213.pdf and www.supremecourt.uk/news/speeches.html#2019 (accessed 1 April 2024).

⁹⁴ See the multiple references to courage in Aristotle, *The Nicomachean Ethics: With an English Translation by H. Rackham, M.A.* (London: William Heinemann / The Loeb Classic Library, MCMXXVI, i.e., 1926) and *The Nichomachean Ethics of Aristotle: Translated and Introduced by Sir David Ross* (London: Oxford University Press, 1925, 1966 reprint).

⁹⁵ See *inter alia* Lady Hale, President of the Supreme Court of the UK, 'Moral Courage in the Law: The Worcester Lecture 2019', Worcester Cathedral, 21 February 2019, Supreme Court of the UK, www.supremecourt.uk/docs/speech-190221.pdf and www.supremecourt.uk/news/speeches.html#2019 (accessed 20 June 2024).

⁹⁶ See *inter alia* Debra R. Comer & Gina Vega (eds.), *Moral Courage in Organizations: Doing the Right Thing at Work* (Armonk, NY: M.E. Sharpe Inc., 2011), Ronald J Burke & Cary L Cooper (eds.), *Voice and Whistleblowing in Organizations: Overcoming Fear, Fostering Courage and Unleashing Candour* (Cheltenham: Edward Elgar Publishing Ltd, 2013) and Terry Miethe, *Whistleblowing At Work: Tough Choices In Exposing Fraud, Waste, And Abuse On The Job* (New York, NY: Routledge, 2019).

⁹⁷ 'What is Good Governance?', UN Economic and Social Commission for Asia and the Pacific, 10 July 2009, www.unescap.org/sites/default/files/good-governance.pdf and www.unescap.org/resources/what-good-governance (accessed 12 July 2024).

⁹⁸ The concepts of good governance and bad governance are explored in *inter alia* David Levi-Faur (ed.), *The Oxford Handbook of Governance* (Oxford: Oxford University Press, 2012), Ludger Helms (ed.), *Poor Leadership and Bad Governance: Reassessing Presidents and Prime Ministers in North America, Europe and Japan* (Cheltenham: Edward Elgar Publishing, 2012), Thomas Risse, Tanja A. Börzel & Anke Draude (eds.), *The Oxford Handbook of Governance and Limited Statehood* (Oxford: Oxford University Press, 2018), Henk Addink, *Good Governance: Concept and Context* (Oxford: Oxford University Press, 2019), Hester Paanakker, Adam Masters & Leo Huberts (eds.), *Quality of Governance: Values and Violations* (Cham, Switzerland: Palgrave Macmillan, 2020) and Andreas Bagenholm, Monika Bauhr, Marcia Grimes & Bo Rothstein (eds.), *The Oxford Handbook of the Quality of Government* (Oxford: Oxford University Press, 2021).

effectiveness'; 'accountability; and 'human rights'.⁹⁹ Here, it is appropriate for the author to acknowledge the influence exerted upon his thinking by one of the other ideas advanced by Addink. While acknowledging that the rule of law, democracy and good governance are 'partly overlapping concepts', Addink argues that they form 'the cornerstones of the modern state'.¹⁰⁰ As such, they 'make up the structure of the state and its institutions, the position of the governmental institutions and the citizens, and the norms for the relationship between the government and the concepts.'¹⁰¹ To Addink, for all of the overlaps between them, what distinguishes good governance from the rule of law and democracy is this: 'Good governance is not only about the further development of the rule and law and democracy; it also includes the elements of accountability and efficiency of the government.'¹⁰² Addink has a point. Whereas 'accountability and efficiency' are unquestionably fostered by the rule of law and democracy, they do not necessarily lie at the heart of each one. By contrast, 'accountability and efficiency' lie at the heart of good governance.

1.3 Good governance and the effective combating of corruption

Without good governance in the three branches of government, the law enforcement authorities and the other organs of governance in the public sector, a state cannot engage in the effective combating of corruption.¹⁰³ To quote the Vienna-based UN Office on Drugs and Crime ('UNODC'):

'Good governance is tightly linked to the fight against corruption. Accordingly, some of the core principles of good governance are also principles of anti-corruption. The literature identifies good governance with political systems that are: 1) participatory; 2) consistent with the rule of law; 3) transparent; 4) responsive; 5) consensus-oriented; 6) equitable and inclusive; 7) effective and efficient; and 8) accountable (Rothstein and Teorell, 2008; UN, 2009 [[available at www.unescap.org/sites/default/files/good-governance.pdf](http://www.unescap.org/sites/default/files/good-governance.pdf)]). When political systems do not adhere to these eight principles, their institutions might be incapable of delivering public services and fulfil people's needs. ...

'The concepts of corruption and good governance have a two-way causal relationship with each other and feed off each other in a vicious circle. If good governance principles and structures are not in place, this provides greater opportunity for corruption. Corruption, in turn, can prevent good governance principles and structures from being put in place, or enforced. Violations of the principles of transparency, accountability and rule of law appear to be most closely associated with corruption. In the end, corruption and poor governance are security challenges which undermine democracy, the rule of law and economic development.'¹⁰⁴

⁹⁹ Henk Addink, *Good Governance: Concept and Context* (Oxford: Oxford University Press, 2019), 99-184; these pages embody Chapters 7-12, each one of which is devoted to one of the six principles.

¹⁰⁰ Henk Addink, *Good Governance: Concept and Context* (Oxford: Oxford University Press, 2019), 3.

¹⁰¹ Addink, *Good Governance*, 23.

¹⁰² Ibid, 23-24.

¹⁰³ See *inter alia* 'Combating Corruption and Promoting Good Governance', Bureau of International Narcotics and Law Enforcement Affairs, US State Department, undated, www.state.gov/combating-corruption-and-promoting-good-governance/ (accessed 14 July 2024).

¹⁰⁴ *Knowledge tools for academics and professionals: Module Series on Anti-Corruption: Module 2: Corruption and Good Governance* (Vienna: UN Office on Drugs and Crime, undated), 12 and 18, <https://grace.unodc.org/grace/uploads/documents/academics/Anti->

If UNODC is right, as it surely is, this begs a question which is variation of the ‘chicken-and-egg’ question that is all but impossible to answer. Was the Naturalisation by Exception Scandal enabled by corruption which prevented the emergence of good governance? Or was the Scandal enabled by bad governance which led to the emergence of corruption?

1.4 Bad governance

Having in mind the academic literature,¹⁰⁵ bad governance may be defined as the antithesis of good governance and as a broader concept than maladministration.¹⁰⁶ More specifically, bad governance equates to any form of governance in any organisation in any sector which (i) is disfigured by defects, deficiencies or any other serious maladies, such as corrupt practices, which impair its efficiency and/or (ii) routinely falls short of routinely applying all or almost all of the principles of good governance. To be sure, in certain cases or at certain times, there may be a justifiable reason for not applying one or more of these principles. For instance, in the public sector, transparency may sometimes have to give way to secrecy in the interests of confidentiality, data protection or national security. However, the default position ought to be in favour of each of the principles of good governance.

1.5 Bad governance as an impediment to transparency and academic research

This author brings this chapter to a close by drawing attention to one of several ironies and paradoxes built into this Working Paper. When conducting his research, the author was hampered by a lack of transparency on the part of the Government of Cyprus, in an ostensible show of chronically bad governance. This is demonstrated by the dearth of annual reports which have been published, archived and made readily available online.

An annual report serves as a tangible manifestation of good governance. In the public sector, such a report has a particularly vital role to perform – by enabling any public authority to clarify what it has done, how it has performed and why it has spent any public monies during the preceding twelve months. This is illustrated by the annual reports and audited accounts of UK Government departments which are habitually presented to the House of Commons, published and made available online.¹⁰⁷ By contrast, when the Naturalisation by Exception Scheme was in existence from 2007 until 2020, only some of the key institutional actors habitually published their annual reports before posting and archived them online. One which did was the Ministry of Finance of Cyprus. Subject to a couple of exceptions, its Annual Reports from 2007 until 2020 were published and archived

[Corruption Module 2 Corruption and Good Governance.pdf](#) and <https://grace.unodc.org/grace/en/academia/module-series-on-anti-corruption.html> (accessed 14 July 2024).

¹⁰⁵ See, for example, Richard Rose and Caryn Peiffer, *Bad Governance and Corruption* (Cham, Switzerland: Palgrave Macmillan, 2019).

¹⁰⁶ On the meaning of maladministration *R (Liverpool City Council) v Local Commissioner for Local Government For North And North East England* [2000] EWCA Civ 54 [47] (Chadwick LJ, with whom May LJ agreed) and [3] (Henry LJ, with whom May LJ agreed), www.bailii.org/ew/cases/EWCA/Civ/2000/54.html (accessed 23 March 2025).

¹⁰⁷ A case in point is provided by the Cabinet Office’s *Annual report and accounts 2023 to 2024 (for period ended 31 March 2024)*, as presented to the House of Commons under section 6 (4) of the Government Resources & Accounts Act 2000, as ordered to be printed on 12 December 2024 and as posted on the website of the Cabinet Office on that date. See *Annual report and accounts 2023 to 2024 (for period ended 31 March 2024): HC 475* (London: Cabinet Office, 1 April 2025), https://assets.publishing.service.gov.uk/media/67619f7c26a2d1ff182534a4/Cabinet_Office_annual_report_and_accounts_2023_to_2024.pdf and www.gov.uk/government/publications/cabinet-office-annual-report-and-accounts-2023-to-2024 (accessed 1 April 2025).

on its website.¹⁰⁸ Among those which did not habitually follow this practice was the Ministry of the Interior, which had immediate responsibility for the Scheme. This may be inferred from the ostensible absence of any annual report on the website of the Ministry of the Interior¹⁰⁹ and the parallel absence of any mention of any annual report of that Ministry in the Publication Scheme published by it,¹¹⁰ as required by the Right of Access to Public Sector Information Law enacted on 22 December 2017 before being brought into force on 22 December 2020.¹¹¹ This is puzzling as at least one department under the aegis of the Ministry of the Interior, the Department of Lands & Surveys, did publish and archive an annual report online during all of the thirteen years during which the Naturalisation by Exception Scheme was in existence, with the exception of 2009, 2016, 2017 and 2018.¹¹²

One of the other bodies involved in the Naturalisation by Exception Scheme, the Council of Ministers, expressly mentions its Annual Reports (*Ετήσιες Εκθέσεις*) in its Publication Scheme on a page on its website.¹¹³ However, the link supposed to direct the reader to these Annual Reports is broken,¹¹⁴ thus preventing the author from gaining access to it.¹¹⁵

As for the Presidency of Cyprus, its website does not appear to carry any annual report devoted to it.¹¹⁶ Nor does the 23-page Publication Scheme of the Presidency and the Presidential Palace.¹¹⁷ That Scheme does embody links to the annual reports of two –

¹⁰⁸ The Annual Reports of the Ministry of Finance of Cyprus for each of the years 2007, 2008, 2009, 2010, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 (the one for 2011 is listed but is not accessible and the one for 2012 is not listed at all) are archived on the website of the Ministry at www.gov.cy/mof/en/documents/annual-report/ (accessed 12 March 2025).

¹⁰⁹ Search conducted on the website of the Ministry of the Interior of Cyprus at www.gov.cy/moi/ (accessed 12 March 2025).

¹¹⁰ «Σχέδιο Δημοσίευσης Πρόσβασης σε Πληροφορίες του δημόσιου τομέα που αφορούν την διοίκηση του Υπουργείου Εσωτερικών (Σχέδιο Δημοσίευσης - ΥΠΕΣ v.2023)» ('Publication Scheme regarding Public Sector Information regarding the administration of the Ministry of the Interior (Publication Scheme – Ministry of the Interior v.2023)', Ministry of the Interior of Cyprus, [https://moi.gov.cy/moi/moi.nsf/All/8A0758EAB9D5B255C22586A100331014/\\$file/Σχέδιο%20Δημοσίευσης%200-%20ΥΠΕΣ%20v.2023.pdf](https://moi.gov.cy/moi/moi.nsf/All/8A0758EAB9D5B255C22586A100331014/$file/Σχέδιο%20Δημοσίευσης%200-%20ΥΠΕΣ%20v.2023.pdf) (accessed 12 March 2025).

¹¹¹ Ο περί του Δικαιώματος Πρόσβασης σε Πληροφορίες του Δημόσιου Τομέα Νόμος του 2017 (N. 184(I)/2017), i.e., the Right of Access to Public Sector Information Law of 2017 (Law 184 (I)/2017), Cyprus Bar Association Cylaw website, www.cylaw.org/nomoi/enop/non-ind/2017_1_184/index.html (accessed 30 May 2024).

¹¹² «Ετήσια Έκθεση», Department of Lands & Surveys, Ministry of the Interior of Cyprus, <https://portal.dls.moi.gov.cy/enimerosi/etisies-ektheseis/> (accessed 13 March 2025).

¹¹³ «Σχέδιο Δημοσίευσης Γραμματεία Υπουργικού Συμβουλίου», Secretariat of the Council of Ministers, November 2023, [www.cm.gov.cy/cm/cm.nsf/all/526A186DC9C77497C2258A5C0043F26E/\\$file/%CE%A3%CE%A7%CE%95%CE%94%CE%99%CE%9F%20%CE%94%CE%97%CE%9C%CE%9F%CE%A3%CE%99%CE%95%CE%A5%CE%A3%CE%97%CE%A3-%CE%93%CE%A1%CE%91%CE%9C%CE%9C%CE%91%CE%A4%CE%95%CE%99%CE%91%20%CE%A5%CE%A0%20%20%CE%A3%CE%A5%CE%9C%CE%92%CE%9F%CE%A5%CE%9B%CE%99%CE%9F%CE%A5-%CE%9D%CE%9F%CE%95%202023.pdf?openelement](http://www.cm.gov.cy/cm/cm.nsf/all/526A186DC9C77497C2258A5C0043F26E/$file/%CE%A3%CE%A7%CE%95%CE%94%CE%99%CE%9F%20%CE%94%CE%97%CE%9C%CE%9F%CE%A3%CE%99%CE%95%CE%A5%CE%A3%CE%97%CE%A3-%CE%93%CE%A1%CE%91%CE%9C%CE%9C%CE%91%CE%A4%CE%95%CE%99%CE%91%20%CE%A5%CE%A0%20%20%CE%A3%CE%A5%CE%9C%CE%92%CE%9F%CE%A5%CE%9B%CE%99%CE%9F%CE%A5-%CE%9D%CE%9F%CE%95%202023.pdf?openelement) (accessed 12 March 2025).

¹¹⁴ Ibid (row 3). This contains the following entry in the Publication Scheme of the Secretariat of the Council of Ministers: «Ετήσιες Εκθέσεις», www.cm.gov.cy/cm/cm.nsf/page96_gr/page96_gr?OpenDocument (accessed 12 March 2025).

¹¹⁵ For example, when the author clicked on the above link on the Council of Ministers website, i.e., www.cm.gov.cy/cm/cm.nsf/page96_gr/page96_gr?OpenDocument, on 13, 15 and 19 March as well as on 16 April and 7 May 2025, these words appeared: 'Error 500 HTTP Web Server: Illegal Arguments Exception'.

¹¹⁶ Search conducted on the website of the Presidency Cyprus at www.presidency.gov.cy/ (accessed 12 March 2025).

¹¹⁷ «Σχέδιο Δημοσίευσης Προεδρίας – Προεδρικού Μέγαρου» ('Publication Scheme of the Presidency – Presidential Palace'), Presidency of Cyprus, undated, [www.presidency.gov.cy/cypresidency/cypresidency.nsf/All/762EA5CBDFD60CF5C2258B2E003B8886/\\$file/%CE%A3%CE%A7%CE%95%CE%94%CE%99%CE%9F%20%CE%94%CE%97%CE%9C%CE%9F%CE%A](http://www.presidency.gov.cy/cypresidency/cypresidency.nsf/All/762EA5CBDFD60CF5C2258B2E003B8886/$file/%CE%A3%CE%A7%CE%95%CE%94%CE%99%CE%9F%20%CE%94%CE%97%CE%9C%CE%9F%CE%A)

though not all – of the various Commissioners appointed by the President, namely the Environmental Commissioner and the Mountain Commissioner also known as the Commissioner for the Mountain Communities.¹¹⁸ However, if one clicks on the two links provided in the Presidential Publication Scheme, one finds only a limited number of annual reports online – those of the Environmental Commissioner for 2013-14, 2014-15, 2015-7 and 2018¹¹⁹ and those of the Mountain Commissioner for 2019-2020, 2021 and 2022.¹²⁰

Even though the email address of the Commissioner for the Citizen ends presidency.gov.cy,¹²¹ thus signifying a link to the Presidency, the Publication Scheme of the Presidency and the Presidential Palace does not direct the reader to the annual reports of that Commissioner. When the author tried to trace the annual reports of the Commissioner for the Citizen on his official website by entering the term «Ετήσια Έκθεση», i.e., 'Annual Report', he was greeted with the following words in English: 'Server Login: Authorised Access Only'.¹²² When the author opened the page on his website entitled «Ενημερωτικό Υλικό», i.e., 'Information Material', the page was devoid of any content!¹²³

These realities do not paint a picture of consciously, consistently and conspicuously good governance which trickles from 'the top down'. In common with other evidence adduced in this Working Paper, they suggest that the Naturalisation by Exception Scandal was a foreseeable outcome of a systemic failure to engender eunomia, good governance and a social contract.

[3%CE%99%CE%95%CE%A5%CE%A3%CE%97%CE%A3%20%CE%A0%CE%A1%CE%9F%CE%95%CE%94%CE%A1%CE%99%CE%91%CE%A3%20%CE%9F%20%CE%A0%CE%95%CE%A1%CE%99%20%CE%A4%CE%9F%CE%A5%20%CE%94%CE%99%CE%9A%CE%91%CE%99%CE%A9%CE%9C%CE%91%CE%A4%CE%9F%CE%A3%20%CE%A0%CE%A1%CE%9F%CE%A3%CE%92%CE%91%CE%A3%CE%97%CE%A3%20%CE%A3%CE%95%20%CE%A0%CE%9B%CE%97%CE%A1%CE%9F%CE%A6%CE%9F%CE%A1%CE%99%CE%95%CE%A3%20%CE%A4%CE%9F%CE%A5%20%CE%94%CE%97%CE%9C%CE%9F%CE%A3%CE%99%CE%9F%CE%A5%20%CE%A4%CE%9F%CE%9C%CE%95%CE%91%20%CE%9D%CE%9F%CE%9C%CE%9F%CE%A3.pdf?OpenElement](#) (accessed 12 March 2025).

¹¹⁸ Ibid,

¹¹⁹ «Ετήσιες Εκθέσεις», Environmental Commissioner of Cyprus, www.environmentalcommissioner.gov.cy/environmentalcommissioner/ec.nsf/annualreport_gr/annualreport_gr?opendocument (accessed 13 March 2025).

¹²⁰ «Ετήσιες Εκθέσεις», Mountain Commissioner, www.mountaincommissioner.gov.cy/Presidency/CDMC/CDMC/cdmc.nsf/commissioner1d_el/commissioner1d_el?OpenDocument (accessed 13 March 2025).

¹²¹ 'Commissioners of the Republic', Presidency of Cyprus, www.presidency.gov.cy/cypresidency/cypresidency.nsf/all/E4074233C7E91380C22585D8003E3601?opendocument (accessed 13 March 2025).

¹²² 'Server Login: Authorised Access Only', Commissioner for the Citizen of Cyprus, www.citizenscommissioner.gov.cy/citizenscom/citizenscom.nsf/SearchResults_el/SearchResults_el?OpenForm&q=&p=1&w=&t=&s=Ετήσια%20Έκθεση&L=G&e=&i=1 (accessed 13 March 2025).

¹²³ «Ενημερωτικό Υλικό», Commissioner for the Citizen of Cyprus, www.citizenscommissioner.gov.cy/citizenscom/citizenscom.nsf/corvolunt_el/corvolunt_el?OpenDocument (accessed 13 April 2025).

CHAPTER 2: THE HISTORICAL, CONSTITUTIONAL AND SOCIO-LEGAL BACKGROUND TO THE NATURALISATION BY EXCEPTION SCANDAL, 1571-2006



Image 6: Archbishop Makarios (left), the President of Cyprus from 16 August 1960 until his death on 3 August 1977, and John F. Kennedy (right), the President of the US from 20 January 1961 until his assassination on 22 November 1963, exiting the West Wing of the White House in Washington DC at 3.26pm on 6 June 1962. Behind the right arm of President Kennedy is Spyros Kyprianou, the Foreign Minister of Cyprus, who went on to serve as President of Cyprus from 1977 until 1988 and as President of its House of Representatives from 1976 until 1977 and from 1996 until 2001. Acknowledgment: Photograph of Abbie Rowe in the public domain, 6 June 1962, Accession Number AR7284-K, White House Photographs, John F. Kennedy Presidential Library & Museum, Boston, MA, www.jfklibrary.org/asset-viewer/archives/jfkwhp-1962-06-06-?image_id=AR7284-K (accessed 5 May 2025).

Chapter 2 seeks to achieve three outcomes. One is to place the chronically bad governance of post-1960 Cyprus into a broader historical context by drawing attention to evidence of chronically bad governance during the pre-1960 Ottoman and British colonial epochs. The second is to flag up some of the systemic defects, deficiencies and other faults which were built into the constitutional architecture of the new Cypriot state apparatus in 1960. The third is to draw attention to certain developments which, by 2006, should have resulted in that apparatus becoming imbued with the principles of good governance, but did not do so amidst a clientelistic as well as partitocratic socio-legal culture in which bad practices became prevalent and salient lessons of history were not adequately learned or

applied. In the process, as implied by its title, Chapter 2 outlines the historical, constitutional and socio-legal background to the Naturalisation by Exception Scandal.

1.1 Bad governance during the pre-1960 Ottoman Turkish and British colonial epochs

The Renaissance, the Age of Enlightenment and the Industrial Revolution largely bypassed the Island of Cyprus. As each of these overlapping phenomena played a part in reawakening interest in ancient Greek art, philosophy and democracy away from the Eastern Mediterranean, Cypriots languished as largely impoverished, poorly educated and badly governed subjects under Venetian, Ottoman and British rule. This is ironic. After all, Cypriots of Greek heritage formed the majority of the people. Yet, far from enjoying the opportunities presented by reborn ideas owing their intellectual origins to ancient Greece, such as freedom under the law,¹²⁴ Cypriots languished under foreign rule imposed by law.

A practical sign of this reality is that during centuries of foreign rule, Cyprus acquired few, if any, of the institutional tools required to build a socio-legal culture founded on eunomia, good governance and a social contract, let alone democracy and what are today known as human rights and fundamental freedoms. Cyprus had no newspaper until *Kypros* was founded in Larnaca in 1878, no universal suffrage until the Republic of Cyprus was established in 1960, no *de jure* university until the University of Cyprus was founded in Nicosia in 1989 and no *de jure* university law school until the Faculty of Law of the University of Cyprus was established in 2006. Worse still, successive colonial rulers of Cyprus, particularly the Ottomans, were themselves practitioners of chronically bad governance. After British rule had superseded Turkish rule on 12 July 1878, it did not take long for the British to grasp this. Take the journal of Lieutenant-General Sir Garnet Wolseley, the first British High Commissioner and Commander-in-Chief in Cyprus. On 26 September 1878, Wolseley wrote, with dismay, that '[e]very Department was thoroughly corrupt, and every official employed seems to have dipped his hands more or less into the public treasury.'¹²⁵ Part of the problem lay in the priorities of the Ottomans before the arrival of the British. As the biographer of Wolseley put it in *Volume II* of his biography published in 1878, '...Cyprus, like other dependencies of the [Ottoman] Porte, was only valued for what could be squeezed out of it ...'.¹²⁶

Wolseley was not alone in detecting the chronically bad governance left behind by the Ottomans. Another was Thomas Brassey MP, a barrister by profession and a Liberal politician. In a debate on Cyprus held in the House of Commons on 24 March 1879, Brassey spoke as somebody who had 'recently visited Cyprus' and had communicated with Colonel Falkland G.E. Warren, the British Assistant Commissioner in Larnaca. After delivering an excoriating assessment of what the British had inherited, Brassey ended with

¹²⁴ See *inter alia* Christian Meier, *A Culture of Freedom: Ancient Greece and the Origins of Europe: Translated by Jefferson Chase* (Oxford: Oxford University Press, 2011) and Sir Alfred Denning, *The Hamlyn Series: First Series: Freedom Under the Law* (London: Stevens & Sons Limited, 1949), https://law.exeter.ac.uk/v8media/facultysites/hass/law/hamlyn/Freedom_Under_the_Law_1.pdf and <https://law.exeter.ac.uk/about/thehamlyntrust/archives/> (accessed 13 April 2025).

¹²⁵ Anne Cavendish (ed.), *Cyprus 1878: The Journal of Sir Garnet Wolseley* (Nicosia: Cultural Centre of the Cyprus Popular Bank, 1991), 91.

¹²⁶ Charles Rathbone Low, *A Memoir of Lieutenant-General Sir Garnet J. Wolseley KCB, GCMG, DCL, LLD: In Two Volumes: Vol. II* (London: Richard Bentley & Son, 1878), 252-252. *Vol. I* was likewise published in 1878. See Charles Rathbone Low, *A Memoir of Lieutenant-General Sir Garnet J. Wolseley KCB, GCMG, DCL, LLD: In Two Volumes: Vol. I* (London: Richard Bentley & Son, 1878).

an acerbic remark: 'To the Cypriots the substitution of such men as Colonel Warren and his colleagues, for the corrupt officials of the Sultan, must be an unmixed blessing.'¹²⁷

Under British rule, the governance of Cyprus improved up to a certain point, initially under an unelected High Commissioner and Commander-in-Chief and thereafter under an unelected Governor and Commander-in-Chief. Contrary to the separation of powers doctrine, this holder of public office served at the head of the executive branch of government in Nicosia, wielded legislative in addition to executive powers, appointed judges and was accountable to the Secretary of State for Colonies in London rather than to the people of Cyprus.¹²⁸ In keeping with a broader British practice, the people of Cyprus were not represented by any elected Member of the House of Commons in Westminster.

These were not the only marks of chronically bad governance under British rule. In his memoirs published in 1937, Sir Ronald Storrs, the Governor and Commander-in-Chief of Cyprus from 1926 until 1932, admitted that '[t]he Administration of Cyprus was one of the lowest-paid of all the British Colonial Services.'¹²⁹ According to Storrs, one result was that '[t]echnical and scientific appointments were sometimes vacant for two years because Cyprus could not pay the standard market price which they commanded.'¹³⁰ Another 'result of this short-sighted and uneconomic cheese-paring was that some of the Departments fell from time to time into the hands of misfits and incompetents, who remained untransferred for twenty or twenty-five years, while the good men were soon drawn off elsewhere.'¹³¹

None of which was conducive to an effective, efficient and corruption-free public sector. Nor were the outbreaks of violence in 1931 and 1955. Each outbreak prompted the British colonial authorities to impose repressive measures. During a debate held in the House of Lords on 6 December 1956 on the then 'new [emergency] regulations concerning the Press', 'the extension of the death penalty' and other measures introduced in the Crown Colony of Cyprus, Earl Jowitt, a former Lord Chancellor, expressed a widely-shared view when he declared: 'I am bound to say that I do not think I have ever seen a more draconian set of rules than these regulations. I confess that they have given me grave anxiety.'¹³²

By 15 August 1960, the day before the expiration of the British colonial government in Nicosia, the Island of Cyprus had some of the trappings of governance but not those of good democratic governance. Nor did it have any deeply ingrained socio-legal culture resting on respect for the rule of law and other democratic values.

1.2 Bad governance built into the Republic of Cyprus upon its establishment in 1960

At the stroke of midnight on 16 August 1960, the Republic of Cyprus was established in 97 per cent of the Island of Cyprus and the UK retained sovereignty over the remaining 3 per

¹²⁷ Hansard, House of Commons Debates, Volume 244, 24 March 1979, columns 1553-1557 at 1543, 1556 and 1557, <https://api.parliament.uk/historic-hansard/commons/1879/mar/24/cyprus-observations> (accessed 14 April 2025).

¹²⁸ For details, see *The Cyprus Blue Book* published from time to time by the Government Printing Office in Nicosia throughout the period of British rule from 1878 until 1960, as archived online by the Cyprus Library Digital Platform at www.cyprusdigitallibrary.org.cy/items/browse?collection=3 (accessed 7 May 2025).

¹²⁹ Sir Ronald Storrs, *Orientalisms* (London: Ivor Nicholson & Watson Ltd, 1937), 555.

¹³⁰ *Ibid.*, 556.

¹³¹ *Ibid.*, 556.

¹³² Hansard, House of Lords Debates, Volume 200, 6 December 1956, columns 813-839 at 819, <https://api.parliament.uk/historic-hansard/lords/1956/dec/06/cyprus-governments-new-regulations> (accessed 7 May 2025).

cent. This form of partition occurred under legislation of the UK Parliament¹³³ which envisaged the Republic of Cyprus being ‘an independent sovereign country’ in precisely such circumstances.¹³⁴ Whereas the legislation followed the texts signed or initialled in London on 19 February 1959¹³⁵ and Ankara on 28 July 1960,¹³⁶ it preceded those signed or initialled in Nicosia on 16 August 1960.¹³⁷ As one may gather from the roles accorded to London and Ankara, these texts were not the products of a democratic, procedurally fair and transparent process conducted from ‘the bottom up’ and primarily designed to serve the interests of the people of Cyprus.¹³⁸ Instead, they emerged from a secretive neo-colonial process conducted from ‘the top down’, without any real consultation with the people, to advance the interests of the Turks and the British who had ruled the Island of Cyprus from 1571 until 1878 and from 1878 until 1960 respectively.¹³⁹

One of the texts brought into force on 16 August 1960 was the hastily designed and hastily assembled 1960 Constitution. Stanley A. de Smith, one of the leading legal academics of his generation, famously portrayed the 1960 Constitution as ‘probably the most rigid in the world’ and as being ‘unique in its tortuous complexity and in the multiplicity of the

¹³³ Cyprus Act 1960 c52 (which received Royal Assent on 29 July 1960), www.legislation.gov.uk/ukpga/Eliz2/8-9/52 and the Republic of Cyprus Order in Council, 1960, 1960 No. 1368 (which was made on 3 August, laid before the UK Parliament on 9 August and came into operation on 10 August 1960), www.legislation.gov.uk/uksi/1960/1368/pdfs/uksi_19601368_en.pdf and www.legislation.gov.uk/ukpga/Eliz2/8-9/52/contents (accessed 1 March 2025).

¹³⁴ Section 1, Cyprus Act 1960.

¹³⁵ *Cmnd. 679: Miscellaneous No. 4 (1959): Conference on Cyprus: Documents signed and initialled at Lancaster House on February 19, 1959: Presented to Parliament by the Prime Minister by Command of Her Majesty: February 1959* (Her Majesty’s Stationery Office, 1959) and *Cmnd. 680: Miscellaneous No. 5 (1959): Conference on Cyprus: Final Statements at the Closing Plenary Session at Lancaster House on February 19, 1959: Presented to Parliament by the Prime Minister by Command of Her Majesty: February 1959* (Her Majesty’s Stationery Office, 1959).

¹³⁶ The Republic of Cyprus Order in Council, 1960, 1960 No. 1368, *op. cit.*, paragraph 2.

¹³⁷ *Cmnd. 1093: Cyprus: Presented to [the UK] Parliament by the Secretary of State for the Colonies, the Secretary of State for Foreign Affairs, and the Minister of Defence* (Her Majesty’s Stationery Office, July 1960).

¹³⁸ Prior to 16 August 1960, the UK Government repeatedly and expressly acknowledged the existence of ‘the people of Cyprus’, for example, in the British ministerial statements of Henry Hopkinson MP, Minister of State for Colonial Affairs, in Hansard, House of Commons Debates, Volume 531, 28 July 1954, columns 504-514 at 504, <https://api.parliament.uk/historic-hansard/commons/1954/jul/28/cyprus-constitutional-arrangements>, Alan Lennox-Boyd MP, Secretary of State for the Colonies, in Hansard, House of Commons Debates, Volume 548, 26 January 1956, columns 375-380 at 375, https://api.parliament.uk/historic-hansard/commons/1956/jan/26/cyprus#S5CV0548P0_19560126_HOC_296 and Alan Lennox-Boyd MP, Secretary of State for the Colonies, in Hansard, House of Commons Debates, Volume 590, 26 June 1958, columns 611-631 at 614 and 615, <https://api.parliament.uk/historic-hansard/commons/1958/jun/26/cyprus> (accessed 23 February 2025).

¹³⁹ The author addresses some of these issues in Klearchos A. Kyriakides, ‘The Sovereign Base Areas and British Defence Policy Since 1960’, in Hubert Faustmann & Nicos Peristianis (eds.), *Britain in Cyprus: Colonialism and Post-Colonialism 1878-2006* (Mannheim: Bibliopolis, 2006), 511-534, Klearchos A. Kyriakides, ‘The 1960 Treaties and the Search for Security in Cyprus’, *Journal of Balkan & Near Eastern Studies*, 11 (4), 2009, 427-439, <https://doi.org/10.1080/19448950903382063>, Klearchos A. Kyriakides, ‘Moving Away from the Zürich and Bürgenstock Models: Enhancing the role of citizens by means of consultation and pre-legislative scrutiny’, in Andreas Auer & Vasiliki Triga (eds.), *A Constitutional Convention for Cyprus* (Berlin: Wissenschaftlicher, 2009), 87-95 and Klearchos A. Kyriakides, ‘A longdrawn-out game of chess’ and the camouflaged partition of the Island of Cyprus that followed on 16 August 1960: A review of Achilles C. Emilianides, *A Longdrawn-out game of chess: The secret negotiations about the British Bases (1959-1960) / Ένα μακρόσυρτο παιχνίδι σκακιού: Οι απόρρητες διαπραγματεύσεις για τις βρετανικές Βάσεις (1959-1960)* (Nicosia: Hippasus Communications & Publishing Ltd., October 2021), *Journal of Balkan & Near Eastern Studies*, 25 (6), 2023, 1075-1097, <https://doi.org/10.1080/19448953.2023.2167354> (accessed 2 September 2025).

safeguards that it provides for the principal minority ...'.¹⁴⁰ For this Working Paper, what matters is that the 1960 Constitution was – and remains – one of the causes of the shortage of eunomia and the pervasiveness of chronically bad governance in Cyprus.

When the 1960 Constitution came into force, it was implicitly infused with an unspoken organising principle – segregation.¹⁴¹ Hence the express reference to ‘the two Communities’ in seven separate Articles¹⁴² and the implied reference to ‘the two Communities’ in others. A prime example of the latter is Article 1, the very first provision in the 1960 Constitution, as originally brought into force on 16 August 1960. Under this: ‘The State of Cyprus is an independent and sovereign Republic with a presidential régime, the President being Greek and the Vice-President being Turk elected by the Greek and the Turkish Communities of Cyprus respectively as hereinafter in this Constitution provided.’¹⁴³ Article 1 has the effect of legalising segregation while misusing the democratic concept of the election to cement it. In addition, by barring any non-‘Greek’ from the Presidency and any non-‘Turk’ from the Vice-Presidency, Article 1 precludes meritocracy, a hallmark of democracy, while legalising discrimination, inequality and the ensuing injustice.

One of ‘the two Communities’ is named as ‘the Greek Community’ representing 82 per cent of citizens, as per the census carried out on 11 December 1960.¹⁴⁴ The Greek Community is constitutionally defined with reference to *inter alia* ‘members of the Greek-Orthodox Church’.¹⁴⁵ However, in an Orwellian touch, among those originally herded into the ‘Greek Community’ were citizens of non-Greek heritage, such as those with Armenian, Maronite and Latin backgrounds.¹⁴⁶ The second of ‘the two Communities’ is named as ‘the Turkish Community’ representing the other 18 per cent of citizens, as per the census carried out on 11 December 1960. Its members are constitutionally defined as being ‘of Turkish origin and whose mother tongue is Turkish or who share the Turkish cultural traditions or who are Moslems.’¹⁴⁷

Upon the establishment of the Republic of Cyprus on 16 August 1960, division was cemented by constitutionally-authorized structures of segregation such as ‘[Greek] communal primary schools’,¹⁴⁸ ‘[Turkish] communal primary schools’,¹⁴⁹ ‘the Greek

¹⁴⁰ Stanley A. de Smith, *The New Commonwealth and its Constitutions* (London: Stevens & Sons, 1964) 284 and 296.

¹⁴¹ See *inter alia* Klearchos A. Kyriakides, ‘The Cracked Colonial Foundations of a Neo-Colonial Constitution’, a working paper based on a presentation delivered at an academic event held on the Cyprus Campus, University of Central Lancashire (UCLan Cyprus), 18 November 2020, www.uclancyprus.ac.cy/wp-content/uploads/2020/12/The-cracked-colonial-foundations-of-a-neo-colonial-Constitution-as-at-27.11.2020-PDF.pdf (accessed 27 March 2025).

¹⁴² Articles 6, 123.3, 125, 137.1, 140.1, 178 and 199.2, 1960 Constitution, *op. cit.*

¹⁴³ Article 1, 1960 Constitution, *ibid.*

¹⁴⁴ *Republic of Cyprus: Census of Population and Agriculture: Volume I: Population by Location, Race and Sex* (Nicosia: Printing Office of the Republic of Cyprus, 1962), [https://library.cystat.gov.cy/Documents/KeyFigure/POP_CEN_1960-POP\(RELIG_GROUP\)_DIS_MUN_COM-EN-250216.pdf](https://library.cystat.gov.cy/Documents/KeyFigure/POP_CEN_1960-POP(RELIG_GROUP)_DIS_MUN_COM-EN-250216.pdf) and www.cystat.gov.cy/en/KeyFiguresList?s=46&p=5 (accessed 12 April 2025).

¹⁴⁵ Under Article 2.1 of the 1960 Constitution, *op. cit.*: ‘For the purposes of this Constitution[:] 1. the Greek Community comprises all citizens of the Republic who are of Greek origin and whose mother tongue is Greek or who share the Greek cultural traditions or who are members of the Greek-Orthodox Church;’.

¹⁴⁶ Article 2.1 and 2.3, 1960 Constitution, *ibid.*

¹⁴⁷ Under Article 2.2 of the 1960 Constitution, *ibid.*: ‘For the purposes of this Constitution[:] ... 2. the Turkish Community comprises all citizens of the Republic who are of Turkish origin and whose mother tongue is Turkish or who share the Turkish cultural traditions or who are Moslems;’.

¹⁴⁸ Article 20.2, 1960 Constitution, *ibid.*

¹⁴⁹ Article 20.2 1960 Constitution, *ibid.*

Communal Chamber',¹⁵⁰ 'the Turkish Communal Chamber',¹⁵¹ 'the Greek electoral list'¹⁵² and 'the Turkish electoral list'.¹⁵³ Back then, division was supplemented by the patriarchy, supremacism and indignity inherent in the constitutional provision under which 'a married woman shall belong to the Community to which her husband belongs.'¹⁵⁴ Thus, every married woman, irrespective of ethnic, religious or other background, was herded into the 'Community' of her husband as if she was a ewe, with no independent identity or free will of her own, who was attached to a ram, both of whom belonged to the same flock.

The 1960 Constitution was not thereby founded on the democratic concept of the demos or the people. Instead, it was founded on what amounted to the segregation of non-Muslims from Muslims, with each citizen constitutionally herded into one of 'the two Communities'. This was a relabelled continuation of the segregation of non-Muslims from Muslims during the Ottoman colonial epoch from 1571 until 1878 when Sharia Law and Ottoman Law were applied in Cyprus alongside the *millet* system operated by the Ottomans, *millet* being a Turkish word which 'means a people or body of persons united by a common faith, i.e. religion.'¹⁵⁵ In 1878, this form of segregation was inherited by the British and applied by them until 1960, for example by means of an Order-in-Council made in Buckingham Palace on 6 February 1925¹⁵⁶ and the 'Estimate of Population' inserted in *The Cyprus Blue Book* published by the Government Printing Office in Nicosia in 1926.¹⁵⁷ Each of these texts carved the people of the Colony of Cyprus into 'Mohammedans' and 'non-Mohammedans'.

One substantive consequence of what occurred on 16 August 1960 has been the foisting of two separate identities on every citizen of the Republic of Cyprus: one as a member of his or her 'Community' or, in the case of every married woman, the 'Community' of her husband; and a second as a citizen of the Republic of Cyprus. Another substantive consequence has been the perennial accentuation of differences between the citizens of the same sovereign state, the perennial fostering of a 'them-and-us' mindset and the perennial cultivation of communalism – all at the expense of any prospect of good governance grounded on the integration of all citizens within one democratic society, subject to a social contract and subject also to a collective pride in Cypriot citizenship. Perhaps this helps to explain why, during the lifespan of the Naturalisation by Exception Scheme, those involved in it did not appear to treat Cypriot citizenship as a badge of honour to be protected. Instead, they effectively treated Cypriot citizenship as a commodity

¹⁵⁰ Part V (Articles 86-111), 1960 Constitution *et al*, *ibid*.

¹⁵¹ Part V (Articles 86-111), 1960 Constitution *et al*, *ibid*.

¹⁵² Articles 63.1 and 63.2, 1960 Constitution, *ibid*.

¹⁵³ Articles 63.1 and 63.2, 1960 Constitution, *ibid*.

¹⁵⁴ Article 2.7 (a), 1960 Constitution, *ibid*.

¹⁵⁵ John A. Strachey Bucknill KC (King's Advocate of the Supreme Court of Cyprus, 1907-1912, and subsequently Attorney General of Hong Kong) and Haig Apisoghom S. Utidjian (of the Cyprus Civil Service) *The Imperial Ottoman Penal Code: A Translation from the Turkish Text with latest additions and amendments together with annotations and explanatory commentaries upon text and containing an appendix dealing with the special amendments in force in Cyprus and the judicial decisions of the Cyprus Courts* (London: Humphrey Milford, Oxford University Press 'printed by permission by W.J. Archer, Supt. of the Government Printing Office, Nicosia, Cyprus', 1913), 15 (footnote 2).

¹⁵⁶ See, for example, 'No. 266: Colony of Cyprus: Order of the King in Council providing for the establishment of a Legislative Council for the Colony of Cyprus. At the Court of Buckingham Place, The 6th day of February 1925' in *The Cyprus Gazette (Extraordinary, No. 2)*, 1 May 1925, 249-261,

www.cyprusdigitallibrary.org.cy/files/original/67d31b03da2b88fe19754c1f5e5f9a48.pdf and www.cyprusdigitallibrary.org.cy/items/show/51 (accessed 12 April 2025).

¹⁵⁷ *The Cyprus Blue Book, 1925* (Nicosia: Government Printing Office, 1926), 166, Cyprus Digital Library Platform, www.cyprusdigitallibrary.org.cy/items/show/170 (accessed 7 April 2025).

to be 'sold' by the state pursuant to what amounted to a transaction oiled with money provided by a wealthy foreign citizen or a member of their family.

A second substantive consequence of what occurred on 16 August 1960 was that the people of Cyprus metamorphosed from being the subjects of HM Queen Elizabeth II in the Colony of Cyprus into the citizens of the Republic of Cyprus. At the same time, the Republic of Cyprus acquired the sovereign right to confer citizenship upon persons. This sovereign right was initially subject to provisions in the 1960 Constitution brought into force on 16 August 1960¹⁵⁸ and the Treaty of Establishment signed in Nicosia on the same date.¹⁵⁹ The right was thereafter governed by legislation beginning with the Republic of Cyprus Citizenship Law of 1967.¹⁶⁰ Since then, despite Cypriot accession to the EU on 1 May 2004, Cyprus has never surrendered its sovereign right to confer citizenship.¹⁶¹ The problem is that during the lifespan of the Naturalisation by Exception Scheme, Cyprus did not consciously, consistently and conspicuously exercise its sovereign right in a lawful way.

From its establishment, the Republic of Cyprus was beset with other maladies. Some, such as clientelism, had become *de facto* ingrained into the socio-legal culture after centuries of Ottoman Turkish rule and decades of British rule.¹⁶² Other maladies were built into the 1960 Constitution. In addition to segregation, another malady was Presidentialism.¹⁶³ Even though the term does not appear in the 1960 Constitution, Presidentialism is precisely what it fostered. Whereas Article 1 expressly envisages 'a presidential régime', other provisions in the 1960 Constitution expressly characterise the President as 'Head of the State'¹⁶⁴ and implicitly envisage the President serving as Head of the Government as well.¹⁶⁵ Meanwhile, the 1960 Constitution ensures that the Presidency is detached from the

¹⁵⁸ Article 198, 1960 Constitution, *op. cit.*

¹⁵⁹ Annex D, *Treaty concerning the Establishment of the Republic of Cyprus in Cmnd. 1252: Treaty Series No. 4 (1961) 135: Cyprus: Treaty concerning the Establishment of the Republic of Cyprus [with Exchanges of Notes], Nicosia, August 16, 1960: Presented to Parliament by the Secretary of State for Foreign Affairs by Command of Her Majesty: February 1961* (Her Majesty's Stationery Office, 1961), 63-69, <https://treaties.fco.gov.uk/data/Library2/pdf/1961-TS0004.pdf> (accessed 19 March 2025).

¹⁶⁰ Ο περί του Πολίτου της Κυπριακής Δημοκρατίας Νόμος του 1967 (43/1967), Cyprus Bar Association, www.cylaw.org/nomoi/enop/non-ind/1967_1_43/full.html (accessed 19 March 2025). On the wider history of the law of citizenship in the Island of Cyprus before and after 16 August 1960, see Nicos Trimikliniotis, 'Nationality and citizenship in Cyprus since 1945: Communal citizenship, gendered nationality and the adventures of a post-colonial subject in a divided country' in Rainer Baubock, Bernhard Perchinig & Wiebke Sievers (eds.), *Citizenship Policies in the New Europe* (Amsterdam: Amsterdam University Press, 2009), 389-418, <https://library.oapen.org/bitstream/handle/20.500.12657/35309/340017.pdf#page=390> (accessed 19 March 2025).

¹⁶¹ This is the inference to be drawn from the 'Opinion of Advocate General Collins delivered on 4 October 2024' in *European Commission v Republic of Malta*, Case C-181/23, Court of Justice of the EU, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=290735&pageIndex=0&doclang=EN&mode=req&dir=&occ=first&part=1&cid=15047735> and <https://curia.europa.eu/juris/documents.jsf?num=C-181/23> and 'AG COLLINS: The Commission has failed to prove that EU rules on citizenship (Article 20 TFEU) require that a 'genuine link' or 'prior genuine link' between a Member State and an individual must exist in order for it to grant citizenship', Press Release No 165/24, Court of Justice of the EU, 4 October 2024, <https://curia.europa.eu/jcms/upload/docs/application/pdf/2024-10/cp240165en.pdf> (accessed 19 March 2025).

¹⁶² See, for example, Hubert Faustmann, 'Clientelism in the Greek Cypriot Community of Cyprus under British Rule', *Cyprus Review*, 10 (2), 41-77, <https://cyprusreview.org/index.php/cr/article/view/482/430> and <https://cyprusreview.org/index.php/cr/article/view/482> (accessed 1 March 2025).

¹⁶³ On Presidentialism generally, see José Antonio Cheibub, *Presidentialism, Parliamentarism, and Democracy* (Cambridge: Cambridge University Press, 2007).

¹⁶⁴ Articles 36.1 and 37, 1960 Constitution, *op. cit.*

¹⁶⁵ Articles 46, 47, 48, 55 *et al*, 1960 Constitution, *ibid.*

House of Representatives¹⁶⁶ while the three branches of government are subject to relatively few checks and balances¹⁶⁷ as a counterweight to a strict separation of powers.¹⁶⁸

In consequence, despite emerging from a British colonial backdrop, the 1960 Constitution failed to inaugurate any UK-style parliamentary democracy based on a variation of the Westminster model of governance. Cyprus was thereby denied both a prime minister serving as head of a government accountable to the legislature from whose ranks he is drawn¹⁶⁹ and a separate head of state holding a largely ceremonial office which, in exceptional circumstances, is constitutionally capable of acting as a check on the prime minister or the government.¹⁷⁰ To draw an analogy, the 1960 Constitution established an executive branch of government akin to an organisation led by a chief executive officer simultaneously serving as chairman of the board.

In further consequence, the 1960 Constitution failed to inaugurate either a US-style constitutional republic with a clear separation of powers subject to strong checks and balances¹⁷¹ or a French-style semi-presidential democracy with the President subject to an intra-executive check in the form of a prime minister at the head of a government directly accountable to the legislature.¹⁷² Instead, the 1960 Constitution created a mighty Presidency which, from its creation, was largely shielded from basic principles of good governance such as accountability and transparency together with the effectiveness and efficiency normally facilitated by each one. Evidence of this lies in the fact that the 1960 Constitution did not enshrine any constitutional right of access to information held by the Presidency, the Government or any other part of the public sector. Further evidence lies in the related fact that Cyprus was not endowed with any designated legislation guaranteeing freedom of information via a general right of access to public sector information until

¹⁶⁶ Article 41.1, 1960 Constitution, *ibid*.

¹⁶⁷ Articles 45, 50 *et al*, 1960 Constitution, *ibid*.

¹⁶⁸ See *inter alia* Georghios M. Pikis, *Constitutionalism - Human Rights - Separation of Powers: The Cyprus Precedent* (Leiden: Martinus Nijhoff Publishers, 2006) and Achilles C. Emilianides, *Constitutional Law in Cyprus: Second Edition* (The Hague: Wolters Kluwer, 2019).

¹⁶⁹ See *inter alia* Anthony King (ed.), *The British Prime Minister: Fully Revised and Updated Second Edition* (Basingstoke: Macmillan Publishers Ltd, 1985), *The Cabinet Manual: A guide to laws, conventions and rules on the operation of government* (London: Cabinet Office, October 2011),

<https://assets.publishing.service.gov.uk/media/5a79d5d7e5274a18ba50f2b6/cabinet-manual.pdf> and www.gov.uk/government/publications/cabinet-manual and David Torrance, *The office and functions of the Prime Minister: Briefing Paper CBP9880* (London: House of Commons Library, 5 July 2024),

<https://researchbriefings.files.parliament.uk/documents/CBP-9880/CBP-9880.pdf> and <https://commonslibrary.parliament.uk/research-briefings/cbp-9880/> (accessed 6 March 2025).

¹⁷⁰ See *inter alia* Vernon Bogdanor, *The Monarchy and the Constitution* (Oxford: Clarendon Press, 1995) and Maurice Sunkin & Sebastian Payne (eds.), *The Nature of the Crown: A Legal and Political Analysis* (Oxford: Oxford University Press, 1999) and Noel Cox, *The Royal Prerogative and Constitutional Law: A Search for the Quintessence of Executive Power* (Abingdon: Routledge, 2021).

¹⁷¹ See *inter alia* Jeanne M. Dennis (Editor-in-Chief), *The Constitution of the United States of America: Analysis and Interpretation: Analysis of Cases Decided by the Supreme Court of the United States to June 30, 2022: Prepared by the Congressional Research Service [of the] Library of Congress* (Washington DC: US Government Printing Office, 2023, www.govinfo.gov/content/pkg/GPO-CONAN-2022/pdf/GPO-CONAN-2022.pdf and [www.govinfo.gov/collection/constitution-annotated?path=/gpo/Constitution%20of%20the%20United%20States%20of%20America:%20Analysis%20and%20Interpretation/2022%20Edition%20\(Cases%20decided%20through%206-30-2022\)](http://www.govinfo.gov/collection/constitution-annotated?path=/gpo/Constitution%20of%20the%20United%20States%20of%20America:%20Analysis%20and%20Interpretation/2022%20Edition%20(Cases%20decided%20through%206-30-2022))) (accessed 13 December 2023).

¹⁷² Articles 8, 20-23, 49, 50 *et al*, 'Constitution of October 4, 1958', Constitutional Council of the French Republic, www.conseil-constitutionnel.fr/sites/default/files/as/root/bank_mm/anglais/constiution_anglais_oct2009.pdf (accessed 6 March 2025).

legislation to this effect was brought into force on 22 December 2020,¹⁷³ just weeks after the discontinuation of the Naturalisation by the Exception Scheme on 1 November 2020.

It follows that during the lifespan of the Naturalisation by Exception Scheme, Cyprus stood apart from fellow Member States of the EU which were steeped in freedom of information plus related freedoms, such as freedom of expression and press freedom. A case in point is Sweden, where freedom of information owes its origins to the Swedish Freedom of Print Acts of 1766 and 1776.¹⁷⁴ In 2020, the Swedish Ministry of Justice observed: ‘The principle of public access to information is a fundamental principle in Sweden’s form of government.’¹⁷⁵ Until 22 December 2020, the same could not be said of Cyprus. There, the non-application of the Westminster model and the absence of any right of access to public sector information contributed to a secretive as well as opaque socio-legal culture in the Cypriot Government and the wider public sector.

It also follows that during the lifespan of the Naturalisation by Exception Scheme, the Government and wider public sector of Cyprus were not infused with any culture of openness¹⁷⁶ in which the Presidency, Ministries and other public authorities were generally and routinely inclined towards transparency. This helps to account for warnings such as those issued by the Department for International Trade in the UK Government in a guide entitled ‘Doing business in Cyprus’, as updated on 19 January 2018. Among its warnings, packaged diplomatically as ‘challenges’, was one pointing to ‘lack of transparency and possible bias in government consideration of competing bids’.¹⁷⁷

From time to time as an academic, the author has experienced the lack of transparency in Cyprus. A documented example already in the public domain is provided what happened during the Brexit saga which heavily affected Cyprus as one of only three Member States of the EU to share borders or boundaries with territory over which the UK asserts sovereignty, the others being Ireland and Spain. As the Brexit saga unfolded, during the final years of the Naturalisation by Exception Scheme, the author was dismayed to discover that the Cypriot Government did not to respond to his open letters and requests for information, as submitted in writing by email. The author recorded his experiences in three pieces of Written Evidence to the House of Commons Exiting the EU Committee, dated 22 February,

¹⁷³ The Right of Access to Public Sector Information Law of 2017 (Law 184 (I)/2017), *op. cit.*

¹⁷⁴ Jonas Nordin, ‘The Swedish Freedom of Print Act of 1776 – Background and Significance’, *Journal of International Media & Entertainment Law*, 7 (2), 137-144, www.swlaw.edu/sites/default/files/2018-04/Nordin%20Pages%20from%207.2%20FULL%20v7%20%284%2013%2018%29.pdf (accessed 2 April 2025).

¹⁷⁵ *Public access to information and secrecy: The legislation in brief* (Stockholm: Ministry of Justice of Sweden, 2020), 3, www.government.se/contentassets/2ca7601373824c8395fc1f38516e6e03/public-access-to-information-and-secrecy.pdf (accessed 2 April 2025).

¹⁷⁶ The need for Cyprus to have ‘a culture of openness of public administration’ is recognised by GRECO in *Fifth Evaluation Round: Preventing corruption and promoting integrity in central governments (top executive functions) and law enforcement agencies: Evaluation Report: Cyprus: Adoption: Adopted by GRECO at its 94th Plenary Meeting (Strasbourg, 5-9 June 2023): GrecoEval5Rep(2022)6* (Strasbourg: GRECO, Council of Europe, 2 October 2023), 4 (paragraph 3), <https://rm.coe.int/fifth-evaluation-round-preventing-corruption-and-promoting-integrity-i/1680acbbda> and www.gov.cy/en/independent-officials/publication-of-the-cyprus-evaluation-report-for-the-fifth-round-of-greco/ (accessed 2 April 2025).

¹⁷⁷ ‘Guidance: Doing business in Cyprus: Cyprus trade and export guide: Updated 19 January 2018’, Department for International Trade, www.gov.uk/government/publications/exporting-to-cyprus/exporting-to-cyprus (accessed 19 March 2025).

¹⁷⁸ 22 March¹⁷⁹ and 14 October 2019,¹⁸⁰ each one of which was published by the UK Parliament. In the last of these, the ‘aim’ of the author was ‘to highlight the existence of a wall of silence and a related wall of secrecy, which appear to have been constructed around a set of issues of considerable importance but of the utmost urgency.’¹⁸¹

1.3 The multiplication of the maladies afflicting Cyprus, 1963-1983

As the *Oxford Learner’s Dictionary* explains astutely, one of the definitions of ‘communalism’ is the one associated with ‘Indian English’, namely ‘a strong sense of belonging to a particular community, especially a religious community, that can lead to extreme behaviour or violence towards others.’¹⁸² That definition can be applied to the communalism which spilled into open violence on 21 December 1963 when Cyprus and its people fell victim to malicious inter-communal violence promptly followed by the infliction of military force by Turkey. As a combined consequence, the maladies afflicting Cyprus multiplied with correspondingly adverse consequences for any prospect of a social contract coming into existence as part of a wider framework consisting of eunomia and good governance. One of these maladies was the exit of members of the Turkish Community from the organs of governance of Cyprus. Chief among those heading to the exit was Dr Fazil Kutchuk, the ‘Turk’ serving as Vice-President under the ‘Greek’ serving as President in accordance with Article 1 of the 1960 Constitution. Upon his abandonment of the Vice-Presidency, that office fell into abeyance, as did elements of the 1960 Constitution.

When the Security Council of the United Nations Organisation (‘UN’) unanimously adopted Resolution 186 on 4 March 1964, the Council recommended ‘the creation, with the consent of the Government of Cyprus, of a United Nations Peace keeping Force in Cyprus’.¹⁸³ By means of this as well as other express references to ‘the Government of Cyprus’,¹⁸⁴ the Security Council implicitly recognised the status of that Government as *de jure*. Against this background, the Supreme Court of Cyprus handed down a landmark judgment on 10

¹⁷⁸ ‘Written evidence submitted by Dr. Klearchos A. Kyriakides (NEG0033) [to the Exiting the EU Committee of the House of Commons]’, UK Parliament, 22 February 2019, <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/exiting-the-european-union-committee/the-progress-of-the-uks-negotiations-on-eu-withdrawal/written/97082.html> and www.parliament.uk/business/committees/committees-a-z/commons-select/exiting-the-european-union-committee/inquiries/parliament-2017/progress-uk-negotiations-eu-withdrawal-17-19/ (accessed 27 February 2025).

¹⁷⁹ ‘Written evidence submitted by Dr. Klearchos A. Kyriakides (NEG0034) [to the House of Commons Exiting the EU Committee]’, UK Parliament, 22 March 2019, <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/exiting-the-european-union-committee/the-progress-of-the-uks-negotiations-on-eu-withdrawal/written/98546.html> and at www.parliament.uk/business/committees/committees-a-z/commons-select/exiting-the-european-union-committee/inquiries/parliament-2017/progress-uk-negotiations-eu-withdrawal-17-19/ (accessed 27 February 2025).

¹⁸⁰ ‘Written evidence submitted by Dr. Klearchos A. Kyriakides (NEG0048) [to the House of Commons Exiting the EU Committee]’, UK Parliament, 14 October 2019, <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/exiting-the-european-union-committee/the-progress-of-the-uks-negotiations-on-eu-withdrawal/written/106796.html> and www.parliament.uk/business/committees/committees-a-z/commons-select/exiting-the-european-union-committee/inquiries/parliament-2017/progress-uk-negotiations-eu-withdrawal-17-19/publications/ (accessed 27 February 2025).

¹⁸¹ Ibid, paragraph 6.

¹⁸² ‘[C]ommunalism’ in *Oxford Learner’s Dictionary* (Oxford: Oxford University Press, online edition), www.oxfordlearnersdictionaries.com/us/definition/english/communalism (accessed 12 April 2025).

¹⁸³ ‘Resolution 186 (1964) / [adopted by the Security Council at its 1102nd meeting], of 4 March 1964’, Operative Paragraph 4, <https://digitallibrary.un.org/record/112185?v=pdf> (accessed 15 December 2024).

¹⁸⁴ Ibid, Operative Paragraphs 2, 6 and 7.

November 1964. Having regard to what had happened but invoking the doctrine of necessity, the Supreme Court authorized certain departures from the strict letter of the 1960 Constitution.¹⁸⁵ Among other consequences, the Presidency continued unencumbered by the office of Vice-President, which remained in abeyance.

Without wishing to endorse the segregation fostered by the office of Vice-President or the 1960 Constitution which brought that office into existence, the author points out that one of the outcomes was the removal of a substantive intra-executive check upon the Presidency and the transformation of a mighty Presidency into an overmighty one. In the absence of any functioning office of Vice-President, the Presidency assumed exclusive responsibility for appointing many holders of public office including Ministers¹⁸⁶ and the Heads as well as Deputy Heads 'of the army, the police and the gendarmerie of the Republic'.¹⁸⁷ This state of affairs was conducive to both an enhanced form of Presidentialism and a socio-legal culture steeped in excessive deference to the holder of the office of President.¹⁸⁸ Nevertheless, for at least two reasons, it was far from conducive to good governance. One was that, until 2019, the President of Cyprus was not subject to any post-Roosevelt US-style constitutional prohibition on being elected more than twice to that office.¹⁸⁹ The second was that from 16 August 1960 until his death on 3 August 1977, Makarios simultaneously served as (i) Head of State in his capacity as President, (ii) Head of the Government in his capacity as President and (iii) Head of the autocephalous Church of Cyprus in his separate capacity as Archbishop. For those seventeen years, Makarios not only wielded considerable if not excessive powers. In addition, Makarios appeared to be riven with seemingly irreconcilable conflicts of interest, particularly in cases when, as President, he had to deal with any matter to do with the Church or when, as Archbishop, he had to deal with any matter to do with the State or the Government of which he was Head.

In the ten years after 1964, multiple maladies remained in place until the nadir was reached during the blood-soaked summer of 1974. To begin with, the *junta* misgoverning Greece engineered a *coup d'état* staged in Nicosia on 15 July. On 20 July, Turkey exploited the *coup* as a pretext to invade¹⁹⁰ and implement a pre-existing strategy dating back to 1956 but updated in the years which followed.¹⁹¹ The invasion precipitated the downfall of both

¹⁸⁵ *Attorney-General of the Republic v. Mustafa Ibrahim* (1964) C.L.R. 195, Cyprus Bar Association, www.cylaw.org/clr/1964/1964_1_195.pdf (accessed 11 July 1964).

¹⁸⁶ Article 48(a), 1960 Constitution, subject to Article 59.1, *op. cit.*, and *Attorney-General of the Republic v. Mustafa Ibrahim ('Ibrahim')*.

¹⁸⁷ Article 131.1, 1960 Constitution, *ibid.*

¹⁸⁸ See James Ker-Lindsay, 'Presidential Power and Authority in the Republic of Cyprus', *Mediterranean Politics*, 11 (1), March 2006, 21–37, <http://dx.doi.org/10.1080/13629390500490379> (accessed 17 January 2024).

¹⁸⁹ Article 40 (e) 1960 Constitution, *ibid.* See Charilaos Velaris, 'The amendment to Article 40 of the Constitution regarding term limits: Does it affect the next presidential election in the Republic of Cyprus?', UCLan Cyprus Law Blog, 28 July 2020, <https://lawblog.uclancyprus.ac.cy/the-amendment-to-article-40-of-the-constitution-regarding-term-limits-does-it-affect-the-next-presidential-election-in-the-republic-of-cyprus/> (accessed 3 April 2025).

¹⁹⁰ See *inter alia* Zaim M. Necatigil, *The Cyprus Question and the Turkish Position in International Law* (Oxford: Oxford University Press, 1989, 1990 reprint).

¹⁹¹ See *inter alia* Tahir Kodal, 'Kıbrıs Sorununun Çözümü Konusunda Bilinmeyen Bir Kaynak: Prof. Dr. Nihat Erim'in Başbakan Adnan Menderes'e Sunmuş Olduğu Rapor', *Belgi*, Sayı 6 (Yaz 2013/II), <https://dergipark.org.tr/tr/download/article-file/417312> and 'Reminiscences on Cyprus - Nihat Erim', *Foreign Policy Institute Quarterly Foreign Policy*, 4 (2-3), <https://foreignpolicy.org/tr/reminiscences-on-cyprus-nihat-erim/> (accessed 3 April 2025) as well as Νεοκλής Σαρρής, *Η άλλη Πλευρά: Πολιτική και Διπλωματική Χρονογραφία της εισβολής στην Κύπρο και του διαμελισμού με βάση τουρκικές πηγές: Τόμος 1* (Αθήνα: Εκδόσεις Γραμμή, 1977), Νεοκλής Σαρρής, *Η άλλη Πλευρά: Πολιτική και Διπλωματική Χρονογραφία της εισβολής στην Κύπρο και του διαμελισμού με βάση τουρκικές πηγές: Τόμος 2 [Βιβλίο Α' 1]* (Αθήνα: Εκδόσεις

the coupist regimes in Nicosia and Athens on 23 and 24 July 1974 respectively. This was not enough to assuage Turkey. On 14 August 1974, after the Turkish Government brought a premature halt to UN-sponsored but UK-chaired diplomatic talks in Geneva, Turkey launched a second invasion on 14 August 1974.¹⁹²

By the time of a cease-fire declared on 16 August 1974, Turkey had forcibly occupied 36 per cent of the territory together with 57 per cent of the coastline of Cyprus.¹⁹³ Since then, Turkey has remained in occupation¹⁹⁴ and sandwiched between two parallel cease-fire lines has been a strip of Cypriot sovereign territory described by a number of UN Security Council Resolutions as the UN-controlled Buffer Zone.¹⁹⁵

By the end of the 1970s, after fresh bouts of demographic engineering, Turkey had effectively completed the *de facto* geographical segregation of members of the Turkish Community, who were compelled to inhabit the area expressly characterised by UN Security Council Resolution 550 (1984) as the occupied part of the Republic of Cyprus,¹⁹⁶ from members of the Greek Community who were compelled to inhabit the other part.¹⁹⁷ What is of greater relevance to this Working Paper is a malign consequence of the un-investigated and thus, unpunished international as well domestic crimes which appear to have been committed in Cyprus after the outbreak of conflict on 21 December 1963 and,

Γραμμή, 1982), Νεοκλής Σαρρής, *Η άλλη Πλευρά: Πολιτική και Διπλωματική Χρονογραφία της εισβολής στην Κύπρο και του διαμελισμού με βάση τουρκικές πηγές: Τόμος 2 [Βιβλίο Α' 2]* (Αθήνα: Εκδόσεις Γραμμή, 1983) and Edward J. Erickson and Mesut Uyer, *Phase Line Attila: The Amphibious Campaign for Cyprus, 1974* (Quantico, VA: Marine Corps University Press, 2020),

www.usmcu.edu/Portals/218/Attila_web.pdf?ver=Ztzs3T6l5eeqegBnKa5tAQ%3d%3d and <https://doi.org/10.56686/9781732003088> (accessed 3 April 2025).

¹⁹² See *inter alia* Mehmet Ali Birand, *Thirty Hot Days* (Nicosia: Rustem, 1985), Brigadier Francis Henn, *A Business of Some Heat: The United Nations Force in Cyprus Before & During the 1974 Turkish Invasion* (Barnsley: Penn & Sword Books, 1974) and Vassilis Fouskas and William Mallinson, *Cyprus 1974: Anatomy of an Invasion* (Abingdon: Routledge, 2025).

¹⁹³ To quote Kofi Annan, the then UN Secretary-General, in a Report of his dated 1 April 2003: 'The area currently under Turkish Cypriot control is slightly more than 36 per cent of the territory of the 1960 Republic of Cyprus, including 57 per cent of the coastline.' 'Report of the Secretary-General on his mission of good offices in Cyprus', UN Security Council Document S/2003/398, 1 April 2003, paragraph 112, UN Digital Library, <https://digitallibrary.un.org/record/491574?ln=en> (accessed 26 December 2022).

¹⁹⁴ In a Judgment of the European Court of Human Rights handed down on 29 January 2019, 'the Court notes that Turkey is regarded by the international community as being in occupation of the northern part of Cyprus ... and that the international community does not recognise the "TRNC" as a State under international law ...'. *Guzelyurtlu and Others v Cyprus and Turkey* [2019] ECHR 100 [193] (European Court of Human Rights), <https://hudoc.echr.coe.int/spa#%22itemid%22:%22001-189781%22>] (accessed 18 January 2024).

¹⁹⁵ See, for example, 'Resolution 789 (1992) / adopted by the Security Council at its 3140th meeting, on 25 November 1992', Operative Paragraph 8 (b), <https://digitallibrary.un.org/record/154294?ln=en&v=pdf> (accessed 3 April 2025). Also see Nasia Hadjigeorgiou, *The buffer zone in Cyprus: Clarifying the concepts of legal status and legal responsibility* (Nicosia: PRIO Cyprus Centre, 2023), <https://cyprus.prio.org/publications/4525> (accessed 3 April 2025).

¹⁹⁶ The term 'occupied part' appears in Resolution 550 (1984) where the UN Security Council states that it is 'Gravely concerned about the further secessionist acts in the occupied part of the Republic of Cyprus which are in violation of resolution 541 (1983) ...'. Preamble, 'Resolution 550(1984) / adopted by the Security Council at its 2539th meeting, on 11 May 1984', <https://digitallibrary.un.org/record/67600?v=pdf>, UN Digital Library, <https://digitallibrary.un.org/record/58970?ln=en> (accessed 1 March 2025).

¹⁹⁷ See *inter alia* the contemporaneous evidence reproduced in *Crisis on Cyprus, 1974: A study mission report: Prepared for the use of the Subcommittee to Investigate Problems Connected With Refugees and Escapees of the Committee on the Judiciary, United States Senate: Ninety-third Congress, Second Session: October 14, 1974* (Washington DC: US Government Printing Office, 1974), <https://babel.hathitrust.org/cgi/pt?id=mdp.39015077944604&seq=1> and 'Report by the Secretary-General on the United Nations Operation in Cyprus (for the period 23 May to 5 December 1974)', UN Security Council Document, S/11568, 6 December 1974, UN Digital Library, <https://digitallibrary.un.org/record/489202?v=pdf> (accessed 5 March 2025).

even more so, after the coup and each of the two subsequent Turkish invasions launched in the summer of 1974. This has been the intensification of a pre-existing culture in which a lack of universal respect for the rule of law has been accompanied by sustained impunity amidst a sustained failure by the UN Security Council to authorise any enforcement action under Chapter VII of the UN Charter and a parallel failure to establish any equivalent of the International Military Tribunal established in Nuremberg in 1945 or the International Criminal Tribunal for the former Yugoslavia established in The Hague in 1993.

In practice, because countless alleged international crimes have not been subject to effective investigations resulting in criminal proceedings, criminal justice has not been served on those actually or allegedly responsible for the commission in Cyprus of any international crimes, such as crimes against humanity and war crimes, or any grave violations of the Geneva Conventions of 12 August 1949, including the Fourth Convention.¹⁹⁸ Those alleged to be responsible have *de facto* got away with their crimes.

A rare exception of somebody who did not escape the clutches of domestic criminal justice was Nicolaos Sampson, who had purportedly served as the coupist 'President' of Cyprus from 15 July 1974 until his purported 'resignation' on 23 July 1974.¹⁹⁹ On 16 March 1976, Sampson was belatedly arrested and charged.²⁰⁰ The Supreme Court of Cyprus rejected his challenge to the legality of the criminal proceedings brought against him, in a decision handed down on 20 August 1976,²⁰¹ with reasons given on 3 February 1977.²⁰² After 20 August 1976, the way was clear for Sampson to be brought to justice before the Assize Court in Nicosia. In a judgment delivered on 31 August 1976 and recorded in an official press release in English, three judges affirmed that '[t]he accused was found guilty on his own plea to the charge of carrying on warlike operations contrary to Sections 40, 20 a, and 21 of the Criminal Code CAP 154.' In response, the judges noted that '[t]he offence to which the accused pleaded guilty is a felony punishable with life imprisonment.' Even so, the judges opted to 'find that the appropriate sentence is that of 20 years imprisonment.'²⁰³

¹⁹⁸ For allegations and evidence of the unpunished international crimes committed in Cyprus in 1974, see *inter alia* Marta Murzanska (ed.), *Cyprus in the UN Archives: January 1974 to December 1974* (Larnaca: European Rim Policy and Investment Council, December 2017), a publication to which the author contributed a Foreword entitled 'Lawlessness, Barbarism and War', at 19-26, *European Commission of Human Rights: Applications Nos. 6780/74 and 6950/75: Cyprus Against Turkey: Report of the Commission (Adopted on 10 July 1976): Volume I* (Strasbourg: Council of Europe, 1979).

www.stradalex.com/en/sl_src_publ_jur_int/document/echr_6780-74_001-142540 and *European Commission of Human Rights: Applications Nos. 6780/74 and 6950/75: Cyprus Against Turkey: Report of the Commission (Adopted on 10 July 1976): Volume II (Appendices I - XIV)* (Strasbourg: Council of Europe, 1979) www.stradalex.com/en/sl_src_publ_jur_int/document/echr_6780-74_001-142541 (accessed 17 March 2025).

¹⁹⁹ 'No. 1: Proclamation by the [purported] Outgoing President of the Republic, Mr. Nicolaos Sampson', Public Information Office of Cyprus, as archived on the Archive of the Press & Information Office of the Ministry of the Interior of Cyprus, 23 July 1974, www.piopressreleases.com.cy/easyconsole.cfm?page=printRelease&s_id=75311&isImported=0 (accessed 7 March 2025).

²⁰⁰ 'Sampson arrested and charged', Public Information Office of Cyprus, 16 March 1976, as archived on the Archive of the Press & Information Office of the Ministry of the Interior of Cyprus at www.piopressreleases.com.cy/easyconsole.cfm?page=printRelease&s_id=68117&isImported=0 (accessed 7 March 2025).

²⁰¹ *The Republic v. Nicolaos Sampson* (1976) JSC 1238, www.cylaw.org/cgi-bin/open.pl?file=/jsc/files/1976/1976_1238.html (accessed 6 March 2025).

²⁰² *The Republic v. Nicolaos Sampson* (1977) JSC 108 www.cylaw.org/cgi-bin/open.pl?file=/jsc/files/1977/1977_0108.html (accessed 6 March 2025).

²⁰³ 'Decision of the Nicosia Assize Court [(heir Honours D. Demetriades, President, J. Boyadjis and I. Michaelides) on the Case of Nicolaos Sampson', 31 August 1976, as archived on the Archive of the Press & Information Office of the Ministry of the Interior of Cyprus at

In view of the gravity of the crimes committed by Sampson, this appeared to be unduly lenient. In due course, however, instead of the term imposed on Sampson being increased, the term was reduced. Initially, against a background formed by the well-documented health problems of Sampson,²⁰⁴ the term was reduced to 16 years and 8 months. Thereafter, it was reduced still further to 12 years and 8 months.²⁰⁵ As Sampson had sat in the House of Representatives from 1970 until the *coup*, this chain of events created an unedifying impression. Even if a well-connected wrongdoer ever faced justice by pleading or being found guilty, such a wrongdoer could expect to be treated with leniency. Worse still, having faced no justice whatsoever, some of the ‘ministers’ and other collaborators of Sampson’s short-lived coupist regime became pillars of the post-1974 Cypriot Establishment, including its legislature, legal profession and business community. This reinforced the impression that impunity had eclipsed the rule of law.

Against this unedifying background, the UN, governments around the world and the Cypriot state apparatus collectively turned a blind eye to the countless un-investigated and, thus, unpunished conflict-related crimes ostensibly committed since 21 December 1963, including those arising from the coup, the two Turkish invasions and the resultant occupation.²⁰⁶ In turn, this stoked a pre-existing culture of impunity which created the worst

www.piopressreleases.com.cy/easyconsole.cfm?page=printRelease&s_id=83145&isImported=0 (accessed 7 March 2025).

²⁰⁴ ‘On the condition of the health of prisoner N. Sampson’, Public Information Office of Cyprus, 5 December 1977, as archived on the Archive of the Press & Information Office of the Ministry of the Interior of Cyprus at www.piopressreleases.com.cy/easyconsole.cfm?page=printRelease&s_id=128255&isImported=0 (accessed 17 March 2025).

²⁰⁵ Decision of inadmissibility in *As to the Admissibility of Application No. 19774/92 by Nicolaos Sampson against Cyprus*, European Commission on Human Rights, 9 May 1994, <https://hudoc.echr.coe.int/eng#%7B%22itemid%22:%5B%22001-2522%22%7D> (accessed 7 March 2025).

²⁰⁶ The author has written about the ongoing culture of impunity in post-1963 Cyprus in many newspaper articles and open letters based on primary sources and published in Greek. These include those in a series published between June 2019 and June 2020, namely: Κλέαρχος Α. Κυριακίδης, «Οι βιασμοί του 1974, «το κλίμα ατιμωρησίας» και ο ΟΗΕ: Αφιερωμένο στη Διεθνή Ημέρα για την Εξάλειψη της Σεξουαλικής Βίας σε Ένοπλες Συγκρούσεις», *Σημερινή της Κυριακής*, 23 Ιουνίου 2019, <https://simerini.sigmalive.com/article/2019/6/23/oi-biasmoi-tou-1974-to-klima-atimoresias-kai-o-oee/> · Κλέαρχος Α. Κυριακίδης, «Η «ζώνη ατιμωρησίας» και η «μαζική ροή παράνομων μεταναστών», *Σημερινή της Κυριακής*, 15 Ιουλίου 2019, <https://simerini.sigmalive.com/article/2019/7/15/e-zone-atimoresias-kai-e-mazike-roe-paranomom-metanaston/> · Κλέαρχος Α. Κυριακίδης, «Η δίωξη των χριστιανών, η «σοκαριστική ατιμωρησία» και η ΚΔ: Ανοικτή επιστολή προς τον Μπόρις Τζόνσον, τον νέο Πρωθυπουργό του ΗΒ», *Σημερινή της Κυριακής*, 4 Αυγούστου 2019, <https://simerini.sigmalive.com/article/2019/8/4/e-dioxe-ton-khristianon-e-sokaristike-atimoresia-kai-e-kd/> · Κλέαρχος Α. Κυριακίδης, «Οι Συμβάσεις της Γενεύης του 1949, η ΚΔ και ο ΟΗΕ», *Σημερινή της Κυριακής*, 11 Αυγούστου 2019, <https://simerini.sigmalive.com/article/2019/8/11/oi-sumbaseis-tes-geneues-tou-1949-e-kd-kai-o-oee/> · Κλέαρχος Α. Κυριακίδης, «Ο φαύλος κύκλος [της ανομίας] που διαβρώνει την ΚΔ», *Σημερινή της Κυριακής*, 27 Αυγούστου 2019, <https://simerini.sigmalive.com/article/2019/8/27/o-phaulos-kuklos-pou-diabronei-ten-kd/> · Κλέαρχος Α. Κυριακίδης, «Η φρίκη της Ναπάλμ στην Κυπριακή Δημοκρατία και στη Συρία», *Σημερινή της Κυριακής*, 17 Νοεμβρίου 2019, <https://simerini.sigmalive.com/article/2019/11/17/e-phrike-tes-napalm-sten-kupriake-demokratia-kai-ste-suria/> · Κλέαρχος Α. Κυριακίδης, «Η «κουλτούρα βιασμού τριγύρω μας», ο ΟΗΕ και η ΚΔ Αφιερωμένο στην ημέρα για την εξάλειψη της βίας κατά των γυναικών», *Σημερινή της Κυριακής*, 1 Δεκεμβρίου 2019, <https://simerini.sigmalive.com/article/2019/12/1/e-koultoura-biasmou-triguro-mas-o-oee-kai-e-kd/> · Κλέαρχος Α. Κυριακίδης, «Η Επαρχία Κερύνειας ως υποπτευόμενη σκηνή γενοκτονίας: Αφιερωμένο στη Διεθνή Ημέρα κατά της γενοκτονίας», *Σημερινή της Κυριακής*, 8 Δεκεμβρίου 2019, <https://simerini.sigmalive.com/article/2019/12/8/e-eparkhia-keruneias-os-upopteuomene-skene-genoktonias/> · Κλέαρχος Α. Κυριακίδης, «Η σεξουαλική εκμετάλλευση των παιδιών στο ΗΒ και στα κατεχόμενα», *Σημερινή της Κυριακής*, 19 Ιανουαρίου 2020, <https://simerini.sigmalive.com/article/2020/1/19/e-sexoualike-ekmetalleuse-ton-paidion-sto-eb-kai-sta-katekhomena/> · Κλέαρχος Α. Κυριακίδης, «Υπάρχει ατιμωρησία στην Τουρκία και στα κατεχόμενα;», *Σημερινή της Κυριακής*, 5 Ιουλίου 2020, <https://simerini.sigmalive.com/article/2020/7/5/uparkhei-atimoresia-sten-tourkia-kai-sta-katekhomena/> · &

possible impression – that those responsible for wrongdoing could possibly get away with committing crimes or breaking the rules, especially if they were well-connected. To be sure, this culture of impunity was and remains at variance with the rule of law together with the basic premise upon which it rests – that all sovereign states, governments, bodies and persons are subject to the law.²⁰⁷ Nevertheless, this was the culture in which the Naturalisation by Exception Scandal came to the fore.

1.4 Further signs of chronically bad governance, 1983-1999

Since 15 November 1983, Turkey has been responsible for what UN Security Council Resolution 541 (1983) branded, three days later, as ‘the declaration by the Turkish Cypriot authorities issued on 15 November 1983 which purports to create an independent State in northern Cyprus’.²⁰⁸ The same Resolution describes the ‘declaration’ as ‘legally invalid’, ‘calls for its withdrawal’ and, among other things, calls “upon all States not to recognise any Cypriot State other than the Republic of Cyprus ...’.²⁰⁹

Resolution 541 (1983) had the legal effect of precluding the *de jure* establishment of the so-called ‘Turkish Republic of Northern Cyprus’ (‘TRNC’). Nevertheless, Resolution 541 (1984) was repeatedly and consistently flouted, not least by Turkey. So much so that on 11 May 1984, the UN Security Council adopted Resolution 550 (1984) to declare that it is ‘[g]ravelly concerned about further secessionist acts in the occupied part of the Republic of Cyprus which are in violation of resolution 541 (1983)’ and to call ‘upon all states to respect the sovereignty, independent, territorial integrity, unity and [the then] non-alignment of the Republic of Cyprus ...’.²¹⁰ However, in common with Resolution 541 (1983), Resolution 550 (1984) has been repeatedly and consistently flouted, not least by Turkey.

Before 15 November 1983, Cyprus had already been saddled with the segregation inherited from colonial rule, a faulty constitution, a ‘frozen’ internal conflict, a ‘frozen’ international conflict, the forcible displacement citizens, an ongoing occupation and a culture of impunity.

Κλέαρχος Α. Κυριακίδης, «Υπάρχουν βασανιστήρια στην Τουρκία και στα κατεχόμενα; Αφιερωμένο στη Διεθνή Ημέρα Υποστήριξης των Θυμάτων Βασανιστηρίων», *Σημερινή της Κυριακής*, 28 Ιουνίου 2020, <https://simerini.sigmalive.com/article/2020/6/28/uparkhoun-basanisteria-sten-tourkia-kai-sta-katekhomena/> (accessed on various dates). Also see the following three open letters of the author: Κλέαρχος Α. Κυριακίδης, «Η σεξουαλική βία στα κατεχόμενα και η αδιαφορία του ΓΓ του ΟΗΕ: Ανοιχτή επιστολή προς την Τζέιν Χολ Λουτ», *Σημερινή της Κυριακής*, 28 Ιουνίου 2021, <https://simerini.sigmalive.com/article/2021/6/28/anoikhte-epistole-pros-ten-tzein-khol-lout/> · Κλέαρχος Α. Κυριακίδης, «Στη «νεκρή ζώνη», τι θα θριαμβεύσει – το κράτος δικαίου ή η ανομία; Ανοιχτή επιστολή προς τον ΓΓ του ΟΗΕ και τον Αρχηγό Αστυνομίας, τον Γενικό Εισαγγελέα και την Υπουργό Δικαιοσύνης και Δημοσίας Τάξεως της Κυπριακής Δημοκρατίας», *Σημερινή της Κυριακής*, 4 Σεπτεμβρίου 2023, <https://simerini.sigmalive.com/article/2023/9/4/ste-nekre-zone-ti-tha-thriambeusei-to-kratos-dikaiou-e-e-anomia/> · & Κλέαρχος Α. Κυριακίδης, «50 και πλέον χρόνια ατιμωρησίας, παρά τα 75 χρόνια των Συμβάσεων της Γενεύης: Ανοιχτή επιστολή στον Πρόεδρο, στον Αρχηγό Αστυνομίας και στον Γενικό Εισαγγελέα της Κυπριακής Δημοκρατίας», *Σημερινή της Κυριακής*, 18 Αυγούστου 2024, <https://simerini.sigmalive.com/article/2024/8/18/50-kai-pleon-khronia-atimoresias-para-ta-75-khronia-ton-sumbaseon-tes-geneues/> (accessed 31 August 2025).

²⁰⁷ See *inter alia* Lord Bingham, ‘The rule of law’, *Cambridge Law Journal*, 66 (1), March 2007, 67-85, <https://doi.org/10.1017/S0008197307000037> (accessed 27 March 2025), Tom Bingham, *The Rule of Law* (London: Penguin, 2010), *The Rule of Law Checklist* (Strasbourg: Venice Commission, 2016), www.venice.coe.int/images/SITE%20IMAGES/Publications/Rule_of_Law_Check_List.pdf and New Vision of the Secretary-General for the Rule of Law (New York, NY: UN, 31 July 2023), www.unodc.org/unodc/en/newyork/events/new-vision (accessed 27 March 2025).

²⁰⁸ Preamble, ‘Resolution 541(1983) / adopted by the Security Council at its 2500th meeting, on 18 November 1983’, <https://digitallibrary.un.org/record/58970?v=pdf> (accessed 1 March 2025).

²⁰⁹ Ibid, Operative Paragraphs 2 and 7.

²¹⁰ ‘Resolution 550(1984) / adopted by the Security Council at its 2539th meeting, on 11 May 1984’, *op. cit.*, Preamble and Operative Paragraph 4.

Now, due to the purported 'declaration' made on 15 November 1983 and the resultant *de facto* secession, it became more obvious than ever that Cyprus did not possess any social contract under which all *de jure* citizens cooperated with, owed their loyalty to and paid their taxes towards the *de jure* state to which they were attached by virtue of their citizenship. For these reasons, it became obvious that, by the close of 1983, Cyprus had acquired several of the traits of a failed,²¹¹ failing²¹² or weak²¹³ state.

In the years which followed 1983, during the final phase of the Presidency of Spyros Kyprianou, the successor to Makarios, one other thing became ever more obvious. On top of everything else, Cyprus had fallen victim to chronically bad governance resulting in the prevalence of chronically bad practices such as unconstitutionality and partyocracy, otherwise known as partyocracy.²¹⁴ Each of these bad practices was spotlighted in 1985.

Unconstitutionality was spotlighted by a court judgment handed down on 30 May 1985. In the case of *Costas Makrides v The Republic of Cyprus, through the Council of Ministers*, Mr Justice Pikiş held that an appointment made by the Council of Ministers to the civil service on 13 October 1973 was 'unconstitutional' and had to be 'annulled'.²¹⁵ To quote from the judgment written in English, as per the standard practice at the time, the decision 'was taken in excess of the powers of the Council of Ministers and in abuse of those of the Public Service Commission.' Subject to other provisions in the 1960 Constitution, Article 125.1 entrusted the Public Service Commission with the power 'to appoint, confirm, emplace on the permanent or pensionable establishment, promote, transfer, retire and exercise disciplinary control over, including dismissal or removal from office of, public officers.' Not surprisingly, therefore, the judge rejected the submission that the Council of Ministers was empowered by pre-1960 law, as the British Governor had been, to appoint civil servants. As the judge put it, 'the power that vested in the "Governor" to make appointments to a post in the civil service was obnoxious to the constitutional framework and incompatible with the provisions of Article 125.1 of the Constitution.' The judge reached a telling conclusion which bears emphasising, in view of what was to happen during the Naturalisation by Scheme when, one may infer, some civil servants engaged in, enabled or turned a blind eye to wrongdoing of one sort or another on an industrial scale:

'The allegiance of civil servants must be to the State as an organic entity and its democratic institutions. By sustaining constitutional order in this area, the civil

²¹¹ On the concept of the failed state, see *inter alia* Robert I. Rotberg, *When States Fail: Causes and Consequences* (Princeton, NJ: Princeton University Press, 2004), Ashraf Ghani and Clare Lockhart, *Fixing Failed States: A Framework for Rebuilding a Fractured World* (Oxford: Oxford University Press, 2008) and H. Christian Breede, *The Idea of Failed States: Community, Society, Nation, and Patterns of Cohesion* (Abingdon: Routledge, 2017). Also see Jonathan Di John, *Conceptualising the Causes and Consequences of Failed States: A Critical Review of the Literature: Working Paper No. 25* (London: Destin Development Studies Institute, London School of Economics, January 2008), Department for International Development, UK Government, <https://assets.publishing.service.gov.uk/media/57a08ba0ed915d3cfd000e30/wp25.2.pdf> and www.gov.uk/research-for-development-outputs/conceptualising-the-causes-and-consequences-of-failed-states-a-critical-review-of-the-literature (accessed 16 June 2024).

²¹² On the concept of the failing state, see, among other sources, *Weak and Failing States: Evolving Security Threats and U.S. Policy* (Washington DC: Congressional Research Service, 28 August 2008 updated edition), <https://crsreports.congress.gov/product/pdf/RL/RL34253> (accessed 16 June 2024).

²¹³ On the concept of the weak state, see, among other sources, *ibid.*

²¹⁴ On the meaning of partyocracy, see *inter alia* Timothy K. Kuhner, 'Plutocracy and Partyocracy: Oligarchies Born of Constitutional Interpretation', *Review of Constitutional Studies*, 21 (1), 2016, 115-142, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2862442 (accessed 16 January 2024).

²¹⁵ *Costas Makrides v The Republic of Cyprus, through the Council of Ministers* (1984) 3 CLR 677 (Pikiş J), Cyprus Bar Association, www.cylaw.org/cgi-bin/open.pl?file=apofaseis/aad/meros_3/1984/rep/1984_3_0677.htm (accessed 7 March 2025).

service is pledged to the rule of law. This order of things, constitutionally ordained, will be undermined by attempts to institutionalize, as was done in this case, participation of political government, in the selection of civil servants. It imports the risk of making the civil service subservient to the political government of the day and subject to political patronage. Such a departure from the Constitution cannot be countenanced except as unconstitutional, which is precisely how I have countenanced it in this case.²¹⁶

In a sense, this case was a prelude to the Naturalisation by Exception Scandal. After all, the case demonstrated that the Council of Ministers was potentially capable of violating the 1960 Constitution and disregarding the principles of good governance – all amidst a clientelistic and partitocratic socio-legal culture at odds with fundamental democratic values, such as respect for the rule of law, procedural fairness and meritocracy.

Partitocracy surfaced in earnest after the landmark parliamentary elections of 1970 when a handful of parties started to operate as if they formed a political cartel or oligarchy.²¹⁷ Partitocracy then intensified after the parliamentary elections held on 8 December 1985 when Parliamentarians elected Dr Vassos Lyssarides to serve as President of the House of Representatives. The reason is that on assuming this legislative role Dr Lyssarides did not surrender his pre-existing role as Leader of the United Democratic Union of the Centre ('EDEK'). For the next five and a half years or so, on account of the two 'hats' he wore as Leader of EDEK and President of the House of Representatives, Dr Lyssarides appeared to labour under an irreconcilable conflict of interests. Yet, he was neither the first nor the last senior party figure to appear to be conflicted in such a flagrant and wholly avoidable display of bad governance. This may be illustrated by the identity of the President of the House of Representatives on 11 July 2007, when the Naturalisation by Exception Scheme came into existence. It was Demetris Christofias. In addition to serving as President of the House of Representatives, Christofias served as Secretary-General of the Progressive Party of Working People ('AKEL'); as a Communist Party, AKEL has been led by a Secretary-General rather than by a leader or president. Just like Dr Lyssarides, Christofias appeared to be caught by an avoidable conflict of interest owing to the two 'hats' he wore at the same time. Among others who appear to have been caught by the very same conflict of interests were the immediate predecessor and the immediate successor of Christofias as President of the House – Spyros Kyprianou and Marios Garoyian respectively. Kyprianou and Garoyian each served as President of the House while simultaneously serving as President of the Democratic Party ('DIKO').

Over the decades, so many parties have benefited from the Presidency of the House of Representatives being held by the leader of a political party, among them AKEL and the Democratic Rally ('DISY') in addition to DIKO and EDEK. So much so that this bad practice has effectively become entrenched and normalised, despite being a blatant example of chronically bad governance, a manifestation of partitocracy in the legislative branch of government and a potential source of clientelism. In addition to any ethical questions presented by the President of the House of Representatives wearing two seemingly irreconcilable 'hats' at the same time, a practical question arises. During the lifespan of the Naturalisation by Exception Scheme from 11 July 2007 until 1 November 2020, was each

²¹⁶ Ibid.

²¹⁷ For a discussion of partitocracy as applied in Cyprus, see Paschalis M. Kitromilides, 'Partitocracy and democracy in Cyprus: Concluding reflections and questions' in Giorgos Charalambous and Christophoros Christophorou (eds.), *Party-Society Relations in the Republic of Cyprus: Political and Societal Strategies* (Abingdon: Routledge, 2015), 203-212, and other references to partitocracy in the same book.

holder of the Presidency of the House of Representatives primarily dedicated to serving the legislature, holding the executive branch of government to account and upholding the public interest? Or was each President of the House primarily dedicated to serving the political party which he led or to which he belonged?

Whatever the answer may be, one thing is certain. Despite emerging from British colonial rule, the House of Representatives in Nicosia did not adopt the standard practice of the British House of Commons under which a newly-elected Speaker is 'expected' to tender their resignation from their party²¹⁸ before displaying impartiality in the Speaker's Chair. *Erskine May's treatise*, the rule book of the House of Commons, is adamant on this issue:

'Confidence in the impartiality of the Speaker is an indispensable condition of the successful working of procedure, and many conventions exist which have as their object not only to ensure the impartiality of the Speaker but also to ensure that that impartiality is generally recognised.'²¹⁹

On 28 February 1988, Spyros Kyprianou was succeeded as President of Cyprus by George Vassiliou, the latter of whom pursued a policy in favour of Cypriot accession to the then European Economic Community ('EEC'), the transnational body which later metamorphosed into the European Community and the EU. With the economy of Cyprus having largely bounced back from the turmoil inflicted in 1974,²²⁰ the Vassiliou Administration submitted a formal application for Cyprus to become a new Member State – by means of a letter dated 3 July 1990.²²¹ Cyprus eventually acceded to the EU on 1 May 2004, albeit subject to the ongoing Turkish occupation and a special regime under which EU Law has been suspended in the parts of Cyprus over which its government has not been able to exercise effective control;²²² the latter is the euphemism routinely used by the EU to avoid referring to the occupied part of Cyprus, lest Turkey be antagonised.

Irrespective of one's personal views as to 'the process of creating an ever closer union among the peoples of Europe',²²³ there can be no doubt that Cypriot accession to the EU was the collective accomplishment of President Vassiliou (1988-93), President Clerides (1993-2003) and President Papadopoulos (2003-2008). To a greater or lesser extent, each of these Presidents was co-responsible for steering Cyprus into the EU on 1 May 2004 and

²¹⁸ 'Speaker of the House of Commons', Institute for Government, 10 January 2019, www.instituteforgovernment.org.uk/explainer/speaker-house-commons, as cited in David Torrance, *The office and role of speaker: Research Briefing Number CBP9974* (London: House of Commons Library, 9 July 2024), 31, <https://researchbriefings.files.parliament.uk/documents/CBP-9974/CBP-9974.pdf> and <https://commonslibrary.parliament.uk/research-briefings/cbp-9974/> (accessed 3 April 2025).

²¹⁹ *Erskine May's treatise on the law, privileges, proceedings and usage of Parliament: 25th edition* (London: UK Parliament, 2019), <https://erskinemay.parliament.uk/section/6005/the-speaker-as-presiding-officer-of-the-house-of-commons?highlight=speaker%20impartiality> (accessed 3 April 2025).

²²⁰ See Rodney Wilson, *Cyprus and the International Economy* (Basingstoke: Macmillan Press Ltd, 1992).

²²¹ Letter of George Iacovou, Foreign Minister of the Republic, 3 July 1990, Luxembourg Centre for Contemporary and Digital History, University of Luxembourg, www.cvce.eu/en/obj/cyprus_s_application_for_accession_to_the_eec_3_july_1990-en-00e7a9d4-8fd5-44f5-a3cd-329d4c43a9fd.html (accessed 2 July 2024).

²²² See *inter alia* George Christou, *The European Union and Enlargement: The Case of Cyprus* (Basingstoke: Palgrave Macmillan, 2004), George Vassiliou, 'The Accession of Cyprus to the EU' in George Vassiliou (ed.), *The Accession Story: The EU from 15 to 25 Countries* (Oxford: Oxford University Press, 2007), 117-143, Stéphanie Lauhé Shaelou, *The EU and Cyprus: Principles and Strategies of Full Integration* (Leiden: Martinus Nijhoff Publishers, 2010) and Constantin Stefanou (ed.), *Cyprus and the EU: The Road to Accession: 2018 Reissue* (Abingdon: Routledge, 2018).

²²³ Preamble and Article 1, Consolidated version of the Treaty on European Union (Current consolidated version: 15/03/2025), *op. cit.*

for helping to engineer the legislative as well as other reforms necessary to align Cypriot law with the *acquis communautaire*, i.e., the legal order of the EU. Nevertheless – and here is the crux of the matter – it appears that EU-inspired reforms did not result in the embedding of good governance in every part of the Cypriot Government, the wider public sector and other sectors. Nor did these reforms result in good governance infusing the consciousness or day-to-day practices of all Cypriot citizens.

On reflection, the post-1990 EU accession process was overshadowed by what turned out to be a doomed UN-inspired effort to reach a segregation-based ‘settlement’ of the so-called ‘Cyprus problem’ – by means of segregation-based ‘separate, simultaneous referenda’ held on 24 April 2004.²²⁴ More to the point for the purposes of understanding the Naturalisation by Exception Scandal, EU-inspired Cypriot reforms proved to be a double-edged sword. At first sight, by modernising the Cypriot legislative, administrative and regulatory landscapes, the reforms did what they were supposed to do, but at the expense of creating an illusion. On paper, to outward appearances and to outside observers unfamiliar with the clientelistic, partitocratic and impunity-laden social-legal culture of Cyprus, all seemed to be tickety-boo. Yet, the underlying realities were not.

Some external actors seemed to fall for the illusion and did not thereby take a hard line against Cyprus when a hard line was called for. An example is the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (‘the Select Committee’), a body of the Council of Europe. After a team of examiners from the Select Committee visited Cyprus, along with ‘colleagues from the Financial Action Task Force (FATF) and an examiner from the Offshore Group of Banking Supervisors (OGBS)’, from 27 until 30 April 1998, the Select Committee published a ‘Summary’ of its First Mutual Evaluation Report on Cyprus, dated 5 June 1998. This downplayed the negative while accentuating the positive. Worse still, it failed to make any express mention of how vulnerable Cyprus was in the face of emerging phenomena discussed later in this Working Paper – the proceeds of crime, corruption and other wrongdoing, including those spilling out of countries to which Cyprus was susceptible, such as Turkey, the Russian Federation (‘Russia’) and what was left of the Federal Republic of Yugoslavia (‘Yugoslavia’), to name but three.

The practice of downplaying the negative while accentuating the positive comes across in paragraphs 2 and 10 of the ‘Summary’ released by the Select Committee:

‘2. Criminality in Cyprus is relatively low by international standards. There is no tradition of narcotics production and limited narcotics use. The [v]ulnerability of Cyprus to money laundering activities of an international character flows in part from its geographical location adjacent to certain narcotics producing areas. Additionally Cyprus has an attractive onshore and offshore financial sector. In the offshore sector there are 37 banking units and more than 30,000 offshore companies have registered since 1975. The potential for abuse primarily arises at the layering stage. The attractiveness of Cyprus for laundering operations at the placement stage is diminished by virtue of the existence of foreign exchange regulations, the relatively limited role of cash operations in the Cyprus economy, and the absence of independent bureaux de change and casinos. ...

²²⁴ See *inter alia* Claire Palley, *An International Relations Debacle: The UN Secretary-General's Mission of Good Offices in Cyprus 1999-2004* (Oxford: Hart Publishing, 2005) and Klearchos A. Kyriakides, ‘Contra – The Political Workability of the Annan Plan’, in Hubert Faustmann & Andrekos Varnava (eds.), *Reunifying Cyprus: The Annan Plan and Beyond* (London: I.B. Tauris Ltd, 2009), 66-79.

'10. Overall, Cyprus is to be congratulated on its excellent legal structure. It now has the opportunity to build on this and develop a fully effective operational anti-money laundering system that can adapt to changing circumstances, including the likely removal of foreign exchange controls in the near future.'²²⁵

The Clerides Administration was likewise adept at downplaying the negative while accentuating the positive. On 10 June 1998, for example, *Politico* reported that Ioannis Kasoulides, the Cypriot Foreign Minister, had 'played down allegations that EU offshore companies have been moving to Cyprus *en masse* to take advantage of allegedly lax money laundering laws.' *Politico* quoted Kasoulides as claiming that '[t]he existence of offshore companies does not necessarily mean the island is used as a money laundering centre ...'.²²⁶ This narrative was soon contradicted when the US Congressional Research Service published an astonishing report entitled *International Crime: Russian Organized Crime's Role and U.S. Interests* and dated 30 October 1998. The report alleged that:

'Money laundering is a particular concentration of Russian criminal activity, especially in the United States. It is estimated that Russian gangs launder billions of dollars each year. Russian groups reportedly use shell companies, investments, and bank accounts in Cyprus, Switzerland, Austria, Liechtenstein, Persian Gulf emirates, and offshore banking centers. It is estimated that in Cyprus alone Russian criminal groups have laundered some \$12 billion per year.'²²⁷

The claim that that 'in Cyprus alone Russian criminal groups have laundered some \$12 billion per year' should have served as a wake-up call, especially in view of the dissolution of the Union of Soviet Socialist Republics ('USSR') in 1991 and the subsequent descent of Russia into bad governance,²²⁸ a descent which was accelerated by a recklessly rapid privatisation of state-owned assets during the chaotic Presidency of the hard-drinking Boris Yeltsin which lasted from 1991 until 1999.²²⁹ During those years, which overlapped with the Vassiliou Administration (1988-1993) and the Clerides Administration (1993-2003), Russia became plagued with what was routinely dubbed 'cowboy capitalism'²³⁰ and 'piratization'.²³¹ Even so, the Vassiliou and Clerides Administrations appeared to display a casual approach, despite or because of the fact that Cyprus-Russian ties had already started to be lubricated by eye-watering sums of money which were enabled by at least three factors.

²²⁵ 'Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures, European Committee on Crime Problems: First Mutual Evaluation Report on Cyprus: PC-R-EV (98) 11 Summ', Council of Europe, Strasbourg, 5 June 1998, paragraphs 2 and 10, <https://rm.coe.int/european-committee-on-crime-problems-comite-europeen-pour-les-probleme/1680715efe> and <https://www.coe.int/en/web/moneyval/jurisdictions/cyprus> (accessed 9 March 2025).

²²⁶ John Carr, 'Cleaning up the money launderers', *Politico*, 10 June 1998 www.politico.eu/article/cleaning-up-the-money-launderers/ (accessed 23 March 2025).

²²⁷ Francis T. Miko, *International Crime: Russian Organized Crime's Role and U.S. Interests* (Washington DC: Congressional Research Service, 30 October 1998), 9, <https://sgp.fas.org/crs/row/98-907.pdf> (accessed 9 March 2025).

²²⁸ Vladimir Gel'man, *The Politics of Bad Governance in Contemporary Russia* (Ann Arbor, MI: University of Michigan Press, 2022), <https://doi.org/10.3998/mpub.11621795> and <https://library.oapen.org/bitstream/handle/20.500.12657/54679/9780472902989.pdf?sequence=1&isAllowed=y> (accessed 11 March 2025).

²²⁹ See David Lane, *The Capitalist Transformation of State Socialism: The Making and Breaking of State Socialist Society, and What Followed* (Abingdon: Routledge, 2013).

²³⁰ See, for example, 'Russia's Cowboy Capitalists', *Business Standard*, 1 November 1997, www.business-standard.com/article/specials/russias-cowboy-capitalists-197100101023_1.html (accessed 17 March 2025).

²³¹ Marshall I. Goldman, *The Piratization of Russia: Russian Reform Goes Awry* (London: Routledge, 2003).

One enabling factor was the law of trusts inherited by Cyprus from the British,²³² a trust being an entity capable of being used for lawful purposes, as well as for unlawful purposes such as the dishonest concealment of the identity of a beneficial owner. A second enabling factor was the signing of a bilateral Cyprus-Russia double taxation agreement on 5 December 1998, before its entry into force on 17 August 1999.²³³ A third enabling factor was the proliferation of service providers in the private sector of Cyprus, some of whom recruited wealthy clients from Russia, including those with shady backgrounds. Thus, the foundations were laid for what was to follow during the lifespan of the Naturalisation by Exception Scheme. On the one hand, foreigners with shady backgrounds flocked to Cyprus in search of EU citizenship. On the other hand, the Papadopoulos, Christofias and Anastasiades Administrations each adopted a casual approach, despite or because of the eye-watering sums of money flowing in and out of Cyprus.

1.5 The alignment of Cyprus with pan-European as well as global efforts to counter economic crime, corruption and other wrongdoing, 1999-2003

On reflection, 1999 was a critical year in the post-1960 history of Cyprus as well as the post-1993 history of the Clerides Administration which lasted ten years. After all, 1999 was a year in which one development after another could have engineered a profound change of culture in Cyprus – in favour of good governance and against economic crime, corruption and other wrongdoing. Alas, the opportunity was missed.

To begin with, on 27 January 1999, Cyprus became one of the founding signatories of the Council of Europe Criminal Law Convention on Corruption.²³⁴ Its Preamble expressly mentions good governance by '[e]mphasising that corruption threatens the rule of law, democracy and human rights, undermines good governance, fairness and social justice, distorts competition, hinders economic development and endangers the stability of democratic institutions and the moral foundations of society ...'.²³⁵

On 1 May 1999, Cyprus became one of seventeen founding members of the Council of Europe's Group of States Against Corruption ('GRECO').²³⁶ Cyprus joined at the Committee of Ministers of the Council of Europe when the Cypriot representative joined representatives from Belgium, Bulgaria, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Lithuania, Luxembourg, Romania, Slovakia, Slovenia, Spain and Sweden in adopting Resolution (99) 5 Establishing GRECO in Strasbourg and approving its Statute. Article 1 of GRECO's Statute confirms that its '[t]he aim' of GRECO 'is to improve the capacity of its members to fight corruption by following up, through a dynamic process of mutual evaluation and peer pressure, compliance with their undertakings in this field.' To this end, Article 2 of the Statute stipulates that GRECO is to 'monitor' two matters – 'the observance of the Guiding Principles for the Fight against Corruption as adopted by the Committee of Ministers of the Council of Europe on 6 November 1997' and 'the implementation of international legal instruments to be adopted in pursuance of the

²³² Maurizio Lupoi, *Trusts: A Comparative Study* (Cambridge: Cambridge University Press, 2000).

²³³ 'Agreement for the Avoidance of Double Taxation with respect to Taxes on Income and Capital', Federal Tax Service of Russia, www.nalog.gov.ru/html/docs/in/kipr/kipr_in.doc (accessed 9 March 2025).

²³⁴ 'Criminal Law Convention on Corruption' www.coe.int/en/web/impact-convention-human-rights/criminal-law-convention-on-corruption#/Cyprus (accessed 18 March 2025).

²³⁵ 'European Treaty Series- No. 173 Criminal Law Convention on Corruption, Strasbourg, 27.1.1999', <https://rm.coe.int/168007f3f5> (accessed 18 March 2025).

²³⁶ 'Group of States against Corruption: Historical Background', Council of Europe, www.coe.int/en/web/greco/about-us/background (accessed 2 July 2024).

Programme of Action against Corruption, in conformity with the provisions contained in such instruments'.²³⁷

The 'Guiding Principles' envisage good governance. For example, whereas Principle 1 calls upon 'countries', including Cyprus, 'to take effective measures for the prevention of corruption and, in this connection, to raise public awareness and promoting ethical behaviour', Principle 9 calls upon them 'to ensure that the organisation, functioning and decision-making processes of public administration take into account the need to combat corruption, in particular by ensuring as much transparency as is consistent with the need to achieve effectiveness ...'.²³⁸ Even though the Clerides Administration deserves credit for bringing Cyprus into GRECO, that Administration did not do its utmost to apply all of the 'Guiding Principles' in practice. This is best illustrated by a juxtaposition.

After Cyprus joined GRECO on 1 May 1999, the Freedom of Information Bill received its Second Reading in the UK House of Commons on 12 July 1999. On the back of this development, the UK joined GRECO on 18 September 1999 and the Freedom of Information Act 2000 received Royal Assent on 30 November 2000.²³⁹ Given that Cyprus and the UK have sometimes followed each other's footsteps, as illustrated by the entry of the UK into GRECO a few months after the entry of Cyprus, it is noteworthy that Cyprus did not follow the example set by the UK in enacting freedom of information legislation as a signal of its determination to uphold the Principles espoused by GRECO. This failure is surprising if one bears in mind that in the UK a substantial part of the rationale behind the Freedom of Information Act 2000 rests on good governance. These are the opening words of the main body of the White Paper, which preceded the Freedom of Information Bill and was published in December 1997: 'Unnecessary secrecy in government leads to arrogance in governance and defective decision making.'²⁴⁰ In a similar vein are the words of Jack Straw MP, the then Home Secretary in the UK Government, when moving the Second Reading of the then Freedom of Information Bill on 12 July 1999: 'Unnecessary secrecy in Government and our public services has long been held to undermine good governance and public administration, and my party has long been committed to change.'²⁴¹

As 1999 unfolded, Cyprus continued to be dogged by allegations that it was a soft touch for criminals, including those engaged in corruption or money laundering in Russia. For example, at a committee hearing in the House of Representatives in Washington DC on 21

²³⁷ Resolution (99) 5 and the Statute of GRECO are in *Greco (99) 1: Agreement Establishing the Group of States Against Corruption - Greco - Document prepared by the Directorate of legal Affairs* (Strasbourg: Council of Europe, 12 May 1999) at 6-7 and 9-16 respectively, <https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=09000016806cd24f> and www.coe.int/en/web/greco (accessed 18 March 2025).

²³⁸ Council of Ministers: Resolution 97(24) on the Twenty Guiding Principles for the Fight Against Corruption: Adopted by the Committee of Ministers on 6 November 1997 at the 101st session of the Committee of Ministers, Council of Europe, 6 November 1997, <https://rm.coe.int/16806cc17c> and www.coe.int/en/web/greco (accessed 18 March 2025).

²³⁹ Freedom of Information Act 2000 c. 36, www.legislation.gov.uk/ukpga/2000/36/section/11 (accessed 18 March 2025).

²⁴⁰ *Your Right to Know: Freedom of Information: Presented to Parliament by the Chancellor of the Duchy of Lancaster, by Command of Her Majesty: Cm 3818* (London: Cabinet Office, December 1997), 1 (par. 1.1), <https://assets.publishing.service.gov.uk/media/5a7c5fcced915d6969f446d6/3818.pdf> (accessed 18 March 2025).

²⁴¹ Hansard, House of Commons Debates, Volume 340, 12 July 1999, column 714, <https://hansard.parliament.uk/commons/1999-07-12/debates/d749aa92-c515-4f1e-bd90-18b0aed8baec/FreedomOfInformationBill> (accessed 18 March 2025).

September 1999, Representative Douglas Kent Bereuter, a Republican from Nebraska, claimed that: 'All you have to do today is to go to Cyprus to see the impact of money laundering on its economy. It has become a center of money laundering for money coming out of the former Soviet Union, including Russia.'²⁴² In response to allegations such as this one, Cyprus created the appearance that it was serious about combating corruption. To take one example, on 20 October 1999, President Clerides acknowledged in public that corruption 'undermines the basic values of society', 'threatens the rule of law', 'does not respect borders' and 'does not discriminate between nations.'²⁴³ To take a second example, on 4 November 1999, Cyprus signed the Council of Europe Civil Law Convention on Corruption²⁴⁴ although Cyprus did not ratify it until 23 June 2005, a few months before the ratification entered into force vis-à-vis Cyprus on 1 October 2005.²⁴⁵ Nevertheless, such moves did not stop Cyprus from facing a barrage of Russia-related allegations.²⁴⁶

In that critical year, 1999, Russia-related allegations were accompanied by others such as those alleging or insinuating that Cyprus had been used for money laundering purposes by Slobodan Milosevic, the President of Yugoslavia. These allegations proliferated after 27 May 1999 when the International Criminal Tribunal for the Former Yugoslavia announced that President Milosevic plus four other 'senior officials' had been 'indicted for murder, persecution and deportation in Kosovo ...'.²⁴⁷ Despite this and other developments in 1999, the commitments made by Cyprus on paper did not immediately translate into effective actions in practice. Nor did those commitments coax every sector of Cyprus into activating a profound change of culture, which was grounded in good governance. Indeed, Cyprus failed its first real post-1999 test when one of the worst scandals in Cypriot history began to unfold in earnest in 2000 – the Cyprus Stock Exchange ('CSE') Scandal.

Having been formed in 1996, the CSE started to be plagued by problems in 1999. In a modern variant of a gold rush, people hurried to acquire shares in companies listed on the CSE, having been enticed to do so by fair means or foul. So much so that a 'bubble' started to swell. The statistics published by the Central Bank of Cyprus speak for themselves. 'While in 1998 the average daily number of transactions [on the CSE] stood at 297, representing a value of CYP1,4 million, in 1999 it surged to 11,915 transactions with a total value of CYP94,6 million.' No less astonishingly, 'the CSE general share price index

²⁴² 'Russian Money Laundering', transcript of a hearing of the US House of Representatives Committee on Banking and Financial Services', Washington DC, 21 September 1999, https://commdocs.house.gov/committees/bank/hba59889.000/hba59889_of.htm (accessed 17 March 2025).

²⁴³ 'Opening address by the president of the Republic of Cyprus Mr. Glafcos Clerides at the 4th Conference of Specialised Services in the fight against corruption, 20-22 October 1999', Archive of the Press & Information Office of the Ministry of the Interior of Cyprus, 20 October 1999, www.piopressreleases.com.cy/easyconsole.cfm?page=printRelease&s_id=438610&isImported=0 (accessed 17 March 2025).

²⁴⁴ Article 1, Civil Law Convention on Corruption, Strasbourg, 4.XI.1999, Council of Europe, <https://rm.coe.int/168007f3f6> (accessed 29 August 2024).

²⁴⁵ See *inter alia* Norman Kempster, 'Global Asset Search Is Expected as Result of Milosevic Charges', *Los Angeles Times*, 29 May 1999, www.latimes.com/archives/ (accessed 17 March 2025).

²⁴⁶ See, for example, paragraph 22 of the Memorandum by the Foreign & Commonwealth Office to the Select Committee on Foreign Affairs, as prepared on 14 December 1999 and published by the UK Parliament at <https://publications.parliament.uk/pa/cm199900/cmselect/cmfa/uc101/uc10102.htm> (with an Annex at <https://publications.parliament.uk/pa/cm199900/cmselect/cmfa/uc101/uc10103.htm> and supporting documents at <https://publications.parliament.uk/pa/cm199900/cmselect/cmfa/uc101/uc10101.htm>) (accessed 18 March 2025).

²⁴⁷ 'President Milosevic and Four other Senior Fry Officials Indicted for Murder, Persecution and Deportation in Kosovo', International Criminal Tribunal for the former Yugoslavia, 27 May 1999, www.icty.org/en/sid/7765 and 'Milosevic, Slobodan (IT-02-54)', International Criminal Tribunal for the Former Yugoslavia www.icty.org/en/case/slobodan_milosevic/ (accessed 17 March 2025).

rose by 273%, from 90,9 points in 1998 to 338,24 in 1999.²⁴⁸ It was obvious that something was amiss and that the ‘bubble’ could burst at any given moment. However, while there was money to be made, an expanding array of problems were not nipped in the bud in either a timely or an effective manner, as good governance demanded. Eventually, in January 2000, the ‘bubble’ started to burst,²⁴⁹ thus inflicting heavy losses on many investors including those who borrowed in the run-up to investing and losing their money.

As night follows day, the bursting of the bubble triggered allegations of fraud and at least one reported ministerial allegation that ‘the Russian mafia’ had been exploiting the CSE.²⁵⁰ Not surprisingly, in its Report, dated 13 November 2001, on the progress of Cyprus towards accession to the EU, the European Commission spoke of ‘the stock market crash of 2000’.²⁵¹ Nonetheless, in the aftermath of this tawdry episode, the wheels of criminal and civil justice did not appear to turn as effectively, as prolifically and as visibly as they ought to have done.²⁵² What, therefore, emerged in Cyprus was a widespread popular view that ‘injustice’ had prevailed in the interests of ‘bigshots’ with ‘connections’.²⁵³

To be sure, legislative, institutional and other reforms were introduced in Cyprus in response to the Cyprus Stock Exchange Scandal, in readiness for accession to the EU or both.²⁵⁴ Nevertheless, in the aftermath of the Scandal, there did not appear to be any stated sea-change in attitudes on the need to crack down on economic crime, corruption and other wrongdoing. No less seriously, an opportunity was missed to make root-and-branch improvements – as distinct from mere changes – to the governance, regulation and risk management practices²⁵⁵ of the public, private and other sectors of Cyprus, all of which emerged from ‘the stock market crash of 2000’ with their reputations impaired.

²⁴⁸ ‘The stock market bubble of 1999-2000’ in Athanasios Orphanides and George Syrichas (eds), *The Cyprus Economy: Historical Review, Prospects, Challenges* (Nicosia: Central Bank of Cyprus, 2012), 215-220 at 218, www.centralbank.cy/images/media/pdf/CBC_book_EN.pdf (accessed 3 July 2024).

²⁴⁹ See *inter alia* ‘Market plunges amid panic selling by small players’, *Cyprus Mail*, 11 January 2000, <https://archive.cyprus-mail.com/> (accessed 2 July 2024).

²⁵⁰ See *inter alia* ‘Police probing stock market fraud allegations’, *Cyprus Mail*, 22 February 2000, <https://archive.cyprus-mail.com/> (accessed 2 July 2024).

²⁵¹ ‘2001 Regular Report on Cyprus’ Progress Towards Accession: Brussels, 13.11.2001 SEC(2001) 1745, European Commission’, 25, European Commission, https://neighbourhood-enlargement.ec.europa.eu/system/files/2016-12/cy_en_0.pdf (accessed 2 July 2024).

²⁵² The reported cases arising from the Cyprus Stock Exchange Scandal include *Μακρίδης Χαράλαμπος v Cyber Group Ltd* (2005) 2 ΑΑΔ 57, Cyprus Bar Association, www.cylaw.org/cgi-bin/open.pl?file=apofaseis/aad/meros_2/2005/rep/2005_2_0057.htm (accessed 27 August 2024).

²⁵³ ‘Investor fury at stock market whitewash’, *Cyprus Mail*, 21 December 2005, <https://archive.cyprus-mail.com/> (accessed 16 September 2024).

²⁵⁴ An example of a reform is the introduction of the Cyprus Stock Exchange Corporate Governance Code, the first edition of which was published in September 2002: *Κώδικας Εταιρικής Διακυβέρνησης: 1η έκδοση* (Λευκωσία: Χρηματιστήριο Αξιών Κύπρου, Σεπτέμβριος 2002), www.cse.com.cy/el-GR/regulated-market/listing/corporate-governance/Editions-Governance-Code/Editions-Governance-Code/ (accessed 27 August 2024). For an ‘unofficial integrated translation’ of the 6th Edition ‘provided for information purposes only’, see *Corporate Governance Code: 6th Edition* (Nicosia: Cyprus Stock Exchange, April 2024), www.cse.com.cy/en-GB/regulated-market/listing/corporate-governance/Editions-Governance-Code/Editions-Governance-Code/ (accessed 27 August 2024).

²⁵⁵ See Marios Nerouppos, David Saunders, Costas Xiouros and Stavros A. Zenios, *The Risks of the Cyprus and Athens Stock Exchanges: Working Paper 02-05: RiskLab (Cyprus) Series* (Nicosia: HERMES Center of Excellence on Computational Finance & Economics, University of Cyprus, 1 May 2002), www.researchgate.net/profile/Stavros-Zenios/publication/255752504_The_Risks_of_the_Cyprus_and_Athens_Stock_Exchanges/links/0deec520a3bfed1c6f000000/The-Risks-of-the-Cyprus-and-Athens-Stock-Exchanges.pdf (accessed 12 July 2024).

For their part, senior figures in the Cypriot Government appeared to be in denial, as evidenced by their conspicuous tendency to steer clear of uncomfortable realities when speaking about Russia in public. An example of this tendency is the ‘Address’ given on 13 July 2000 by Nicos A. Rolandis, the Minister of Commerce, Industry & Tourism and a veteran politician who had previously served as Foreign Minister in the Kyprianou Administration. Entitled ‘Enhancing economic ties between Cyprus and Russia’, the subject matter of his ‘Address’ lent itself to a frank discussion about the commitments undertaken by Cyprus, for example by joining GRECO, about the nefariousness of economic crime, about the consequences of corruption, about the risks presented by Russian organised crime groups and about the steps which had to be taken across all sectors to address these risks, especially in view of the vast investment flows from Cyprus into Russia and *vice versa*, as shown on Image 7.

The EU is by far the main investor in Russia.

Origins and destinations of foreign investment inflows

Origins of investment inflows

Who is behind this sudden increase in investment? While hard to quantify precisely, it is likely that a significant part of it is *Russian capital* returning to the country via tax havens for "tax optimisation" purposes.

Table 1: Origins of foreign investment inflows into Russia (%)

	1995	2000	2002	2003	2004	2005	2006	3Q2007
UK	6	6	12	16	17	16	13	24
Netherlands	3	11	6	6	13	17	12	20
Cyprus	1	13	12	14	14	10	18	14
Luxembourg	0	2	6	8	21	26	11	9
France	4	7	6	13	6	3	6	5
Germany	10	13	20	15	4	6	9	4
Virgin Islands (UK)	1	1	7	5	2	2	4	2
Switzerland	15	7	7	4	4	4	4	9
USA	28	15	6	4	5	3	3	2
Others	33	25	19	17	15	15	28	23

Source: Rosstat and author's calculations.

Image 7: ‘Table 1: Origins of foreign investment inflows into Russia (%)’ in Lucio Vinhas de Souza, ‘Foreign investment in Russia’, *ECFIN [European Commission’s Directorate-General for Economic and Financial Affairs] Country Focus*, 5 (1), 3, 11 January 2008, 1-6 at 3, https://ec.europa.eu/economy_finance/publications/pages/publication10969_en.pdf (accessed 7 March 2025).

Notwithstanding the golden opportunity he had to discuss uncomfortable truths and demonstrate resolve in his capacity as Minister of Commerce, Industry & Tourism, Rolandis squandered it. Instead, as one can see from the transcript of his ‘Address’ published in English, Rolandis preferred to speak about other matters and to give emphasis to ‘the most important’ of the ‘issues’ he had raised during his recent visits to Moscow – ‘the Government’s efforts to promote high technology in Cyprus.’²⁵⁶ Rolandis was neither the first nor the last minister of Cyprus to speak about Russia in public while simultaneously steering clear of difficult issues which, in the interests of good governance, should have been brought to the forefront of the public dialogue as one means of addressing them.

²⁵⁶ ‘Address by Mr Nicos A. Rolandis, Minister of Commerce, Industry and Tourism, at a Dinner Organised by the Cyprus-Russian Business Association and the Cyprus-Russian Friendship Association – “Enhancing economic ties between Cyprus and Russia”, Hilton Hotel, 13.7.2000, at 20:30’, Archive of the Press & Information Office of the Ministry of the Interior of Cyprus, 13 July 2000, www.piopressreleases.com.cy/easyconsole.cfm?page=printRelease&id=447981&isImported=0 (accessed 18 March 2025).

Here, a word or two is needed on the context against which Rolandis spoke on 13 July 2000. Rolandis was doing what some other European politicians were doing at the time. He was trying to curry favour with Russia at the dawn of the Presidency of Vladimir Putin. Among the others to do so was Tony Blair, the Prime Minister of the UK. On 20 November 2000, for example, Blair had an ‘informal dinner’ with President Putin at a restaurant in Moscow where neither one wore a tie,²⁵⁷ something which was considered quite radical in political circles at the time. The context was also formed by the fact that Cyprus was one of several European countries, among them the UK, which were at the time competing with one other to attract inward investment flows from Russia, often as a prelude to investment flows heading back to Russia. See Image 7.

It is ironic that on 15 November 2000, only a few months after the Cypriot Minister of Commerce, Industry & Tourism had conspicuously said nothing about organised crime in his ‘Address’ on ‘Enhancing economic ties between Cyprus and Russia’, the UN oversaw a landmark development. This was the adoption of the UN Convention against Transnational Organized Crime, otherwise known as the Palermo Convention.²⁵⁸ In addition to highlighting the nexus between transnational organised crime and corruption, the Convention included provisions devoted to corruption such as Article 8 entitled ‘Criminalization of corruption’ and Article 9 entitled ‘Measures against corruption’.²⁵⁹ Cyprus signed the Convention on 12 December 2000, during the Presidency of Clerides. Then, during the Presidency of Papadopoulos, Cyprus ratified it on 22 April 2003, a few months before the ratification entered into force vis-à-vis Cyprus on 29 September 2003.²⁶⁰

That Cyprus signed the Palermo Convention on 12 December 2000 did not make much of an impact on the upper echelons of the Administration of US President Bill Clinton. In its ‘International Crime Threat Assessment’, dated 18 December 2000, the Clinton Administration was utterly scathing in its criticism of Cyprus and the acute vulnerabilities to which the latter had allegedly allowed itself to become exposed:

‘With a business environment that features a minimum of regulations and a location astride major commercial routes, Cyprus has been a regional center for arms trafficking, sanctions evasions, and trade in dual-use goods related to weapons of mass destruction. Nicosia’s focus on developing the island’s offshore business sector through corporate-friendly policies intended to lure legitimate businesses to Cyprus also attracted firms and individuals involved in illicit international trade and illicit financial transactions. Banking and corporate secrecy, little or no taxes, and simplified incorporation procedures have made it easy for states of concern, terrorist

²⁵⁷ ‘President Vladimir Putin and British Prime Minister Tony Blair had an informal dinner at a Moscow restaurant’, the Kremlin, 20 November 2000, en.kremlin.ru/events/president/news/39699 (accessed 8 June 2023).

²⁵⁸ *United Nations Convention Against Transnational Organised Crime and the Protocols Thereto* (New York: UN, 2004), www.unodc.org/documents/middleeastandnorthafrica/organised-crime/UNITED_NATIONS_CONVENTION_AGAINST_TRANSNATIONAL_ORGANIZED_CRIME_AND_THE_PROTOCOLS_THERETO.pdf (accessed 23 June 2024).

²⁵⁹ *Ibid.*

²⁶⁰ UN Treaty Collection list of signatories and state parties to the UN Convention Against Transnational Organised Crime, as adopted in New York on 15 November 2000, UN Treaty Collection, <https://treaties.un.org/Pages/showDetails.aspx?objid=0800000280050d3e&clang=en> (accessed 23 June 2024).

groups, and organized crime groups to set up numerous front companies to facilitate illicit arms transshipments, acquire pro scribed technologies, and launder funds.²⁶¹

The allegations of the Clinton Administration were followed by those of the Administration of US President George W. Bush after his inauguration on 20 January 2001. In *The Threat of Russian Organized Crime* published by the US Department of Justice in June 2001, the Bush Administration alleged that on the back of the 'ruthless exploitation of the riches of the Urals' in Russia and 'large-scale international fraud', it became possible for 'Urals-based criminal groups to gain footholds in Hungary, Belgium, the Netherlands, Cyprus, and the United Arab Emirates.'²⁶² For its part, the Clerides Administration addressed some of these concerns. Even so, this did not prevent Cyprus from facing one subsequent allegation after another, such as one in the *Financial Times* on 25 July 2002.²⁶³ This led, two days later, to the publication in English of an official press release with a self-explanatory title: 'The Central Bank [of Cyprus] refutes claims for being involved in money laundering'.²⁶⁴

The improvements made by the Clerides Administration were recognised by the *International Narcotics Control Strategy Report* issued by US State Department of the Bush Administration on 1 March 2003,²⁶⁵ one day after President Clerides had exited the Presidential Palace. For example, the *Report* noted that on 30 November 2001, Cyprus ratified the International Convention for the Suppression of the Financing of Terrorism adopted on 9 December 1999 and that 'implementing legislation' had 'amended the anti-money laundering law to criminalize the financing of terrorism';²⁶⁶ Cyprus had previously signed the Convention on 1 March 2001.²⁶⁷ Even so, the Clerides Administration continued to stop short of taking any audibly and visibly hard line against the proceeds of economic crime, corruption other wrongdoing which were spilling into Cyprus from Russia or elsewhere. The Clerides Administration preferred to give emphasis to other matters and to boast, as the Minister of Finance Takis Klerides did on 10 December 2002, that '[d]uring the last two decades, Cyprus has managed to exploit its comparative advantages and develop into a reputable international business centre' which, he claimed, 'is well regulated by international standards.'²⁶⁸ This claim flew in the face of 'the stock market crash of 2000'.

²⁶¹ 'International Crime Threat Assessment', US Customs Service *et al*, 18 December 2000, www.ojp.gov/pdffiles1/Digitization/189403NCJRS.pdf and www.ojp.gov/ncjrs/virtual-library/abstracts/international-crime-threat-assessment-december-2000 (accessed 17 March 2025).

²⁶² James O. Finckenauer and Yuri A. Voronin, *The Threat of Russian Organized Crime: June 2001: NCJ 187085* (Washington DC: National Institute of Justice, Office of Justice Programs, US Department of Justice, 2001), 18 and 22, www.ojp.gov/pdffiles1/nij/187085.pdf (accessed 9 March 2025).

²⁶³ Kerin Hope and Stefan Wagstyl, 'Defiant Cyprus bank that helped fund two wars', *Financial Times*, 25 July 2002.

²⁶⁴ 'The Central Bank refutes claims for being involved in money laundering', Archive of the Press & Information Office of the Ministry of the Interior of Cyprus, 27 July 2002, www.piopressreleases.com.cy/easyconsole.cfm?page=printRelease&s_id=472068&isImported=0 (accessed 18 March 2025).

²⁶⁵ *International Narcotics Control Strategy Report* (Washington DC: State Department, 1 March 2003), <https://2009-2017.state.gov/j/inl/rls/nrcrpt/2002/html/17952.htm> and <https://2009-2017.state.gov/j/inl/rls/nrcrpt/2002/index.htm> (accessed 21 March 2025).

²⁶⁶ *Ibid.*

²⁶⁷ 'International Convention for the Suppression of the Financing of Terrorism, New York', 9 December 1999', UN Treaty Collection, https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XVIII-11&chapter=18&clang=en (accessed 21 March 2025).

²⁶⁸ 'Speech by the Minister of finance Mr T. Klerides at the dinner organised by the Cyprus - Russian Business Association', Archive of the Press & Information Office of the Ministry of the Interior of Cyprus, 10 December 2002, www.piopressreleases.com.cy/easyconsole.cfm?page=printRelease&s_id=476756&isImported=0 (accessed 19 March 2025).

To sum up, for all of the blame which may be attributed to the Papadopoulos, Christofias and Anastasiades Administrations for their individual and collective responsibility for the Naturalisation by Exception Scandal as it unfolded from 11 July 2007 until 1 November 2020, the Clerides Administration bears a degree of responsibility as well for preparing the ground. So, too, do the Makarios, Kyprianou and Vassiliou Administrations which preceded it. From 28 February 1993 until 28 February 2003, the Clerides Administration inspired legislative reforms and other moves which helped Cyprus to modernise itself in readiness for accession to the EU. Nevertheless, despite ‘the stock market crash of 2000’, grave Russia-related allegations and credible expressions of concern which demanded an audibly and visibly robust reaction, the response of the Clerides Administration was insufficient. So much so that it helped to sustain a pre-existing institutional culture involving reckless risk-taking in parts of the private sector while some in the public sector appeared to look the other way or enable it. This was the unethical culture inherited by the Papadopoulos Administration and passed on to the Christofias Administration which, in turn, passed it on to the Anastasiades Administration. More to the point, this was the culture which caused or enabled the Naturalisation by Exception Scandal.

1.6 The alignment of Cyprus with pan-European and global efforts to counter economic crime and corruption, 2003-2007

From 28 February 2003 until 28 February 2008, the Papadopoulos Administration had to grapple with the doomed segregation-based UN-inspired effort which resulted in ‘separate, simultaneous referenda’ held on 24 April 2004. It also oversaw the completion of the preparations which enabled Cyprus to join the EU on 1 May 2004 and the euro area on 1 January 2008. For these reasons alone, the Papadopoulos Administration had every reason to activate a meaningful change of culture and a parallel change in practice – in favour of good governance. However, if the Papadopoulos Administration did activate some changes to this end, they did not go far enough and, in any event, they could not erase mistakes made in the past. Thus, from time to time, Cyprus continued to face grave allegations. Among these were those alleging that Cyprus had become embroiled in dubious financial transactions orchestrated by or on behalf of Slobodan Milosevic,²⁶⁹ who was now on trial in the International Criminal Tribunal for the Former Yugoslavia in The Hague,²⁷⁰ or other senior figures in Belgrade.²⁷¹

The Milosevic-related allegations started to peter out after 11 March 2006 when, in words of the International Criminal Tribunal for the Former Yugoslavia, ‘Milosevic was found lifeless on his bed in his cell at the United Nations Detention Unit in Scheveningen’ in the Netherlands, before the Medical Officer ‘confirmed’ that ‘Milosevic was dead.’²⁷² Even so, Cyprus continued to face questions, such those arising from the findings of *A Report on Money Laundering Predicate Crime in Serbia 2000-2005*. Co-prepared by the Organization for Security & Co-operation in Europe and the UN Interregional Crime & Justice Research Institute, ‘sponsored’ by the US Department of State in company with the US Department of

²⁶⁹ See *inter alia* Robert Windrem, ‘The pillage behind the war crimes: U.S. officials tell NBC News that Slobodan Milosevic’s transfer to NATO authorities was expedited by an investigation that implicated the former Yugoslav leader in the pilfering of hundreds of millions of dollars from his country’, NBC News, 24 October 2003.

²⁷⁰ ‘Milosevic, Slobodan (IT-02-54)’, International Criminal Tribunal for the former Yugoslavia, www.icty.org/en/case/slobodan_milosevic (accessed 22 March 2025).

²⁷¹ See *inter alia* ‘Weighing the Evidence: Lessons from the Slobodan Milosevic Trial’, Human Rights Watch, 13 December 2006.

²⁷² ‘Slobodan Milosevic Found Dead in His Cell at the Detention Unit’, 11 March 2006, International Criminal Tribunal for the former Yugoslavia, www.icty.org/en/sid/8794 (accessed 22 March 2025).

Justice and dated October 2006, the *Report* shone a spotlight onto the murky side of Serbian-Cypriot relations. One of the questions it asked was this: ‘can the size of ‘goods and services’ imported from Cyprus as reported by the NBS [*i.e.*, *the National Bank of Serbia*] be considered an indication of the size of ‘dirty’ or at least unrecorded money flowing out of Serbia?’²⁷³ The question stemmed from the findings of the *Report* such as the following: ‘In the course of the period examined net inflows [into Serbia] from Cyprus (mainly in the form of FDI) have increased sharply and in 2005 Cyprus has become the largest investor in Serbia.’²⁷⁴ What does all this have to do with the Naturalisation by Exception Scandal? The answer is that, in part, the Scandal emerged against a background formed by vast investment flows into Cyprus from Russia, Serbia and other jurisdictions which triggered allegations and expressions of concern which suggested that all was not well with the governance of certain parts of the public, private and other sectors of Cyprus.

The Papadopoulos Administration reacted by doing what its predecessor had tended to do. It aligned Cyprus with major instruments of international law and thereby maintained the illusion that Cyprus was serious about clamping down on economic crime, corruption and other wrongdoing. The illusion may be illustrated with reference to the approach of the Papadopoulos Administration to the UN Convention Against Corruption after it was adopted on 31 October 2003.²⁷⁵ Cyprus became one of the first signatories on 9 December 2003, a few months after the inauguration of President Papadopoulos on 28 February 2003. Even so, Cyprus did not get round to ratifying the Convention until 23 February 2009. That was almost two years after the commencement of the Naturalisation by Exception Scheme on 11 July 2007, almost twelve months after Christofias had succeeded Papadopoulos as President on 28 February 2008 and just weeks after the enactment of the relevant domestic legislation on 31 December 2008.²⁷⁶ Several EU Member States did not wait that long to ratify the UN Convention Against Corruption. For instance, France, the UK and Denmark ratified it on 11 July 2005, 9 February 2006 and 26 December 2006 respectively.²⁷⁷

Even though the UN Convention Against Corruption does not expressly mention the concept, it amounts to a recipe for good governance, for instance through the ‘Statement of purpose’ in Article 1 under which ‘[t]he purposes’ of the Convention are stated as being: ‘[t]o promote and strengthen measures to prevent and combat corruption more efficiently and effectively’; ‘[t]o promote, facilitate and support international cooperation and technical assistance in the prevention of and fight against corruption, including in asset recovery’;

²⁷³ *A Report on Money Laundering Predicate Crime in Serbia 2000-2005: October 2006 (Last Update: January 2007): Sponsored by: US Department of State [and] US Department of Justice* (Vienna & New York: Organization for Security and Co-operation in Europe and UN Interregional Crime and Justice Research Institute, 2006), 34,

www.unicri.eu/topics/organized_crime_corruption/archive/money_laundering_serbia/MoneyLaunderingSerbia2000-2005.pdf (accessed 22 March 2025).

²⁷⁴ *Ibid.*, 33.

www.unicri.eu/topics/organized_crime_corruption/archive/money_laundering_serbia/MoneyLaunderingSerbia2000-2005.pdf (accessed 22 March 2025).

²⁷⁵ *United Nations Convention Against Corruption* (Vienna: UN Office on Drugs & Crime, 2004), iii-iv at iii, www.unodc.org/documents/brussels/UN_Convention_Against_Corruption.pdf (accessed 7 June 2024).

²⁷⁶ Ο περί της Σύμβασης των Ηνωμένων Εθνών κατά της Διαφθοράς (Κυρωτικός) Νόμος του 2008 (Ν. 25(III)/2008), Cyprus Bar Association, www.cylaw.org/nomoi/arith/2008_3_025.pdf and www.cylaw.org/nomoi/indexes/2008_3_25.html (accessed 25 March 2025).

²⁷⁷ UN Treaty Collection list of signatories and state parties to the UN Convention Against Corruption, as adopted in New York on 31 October 2003, UN Treaty Collection, https://treaties.un.org/pages/viewdetails.aspx?src=ind&mtmsg_no=xviii-14&chapter=18&clang=en (accessed 11 June 2024).

and '[t]o promote integrity, accountability and proper management of public affairs and public property.'²⁷⁸ From the moment that Cyprus signed the UN Convention Against Corruption on 9 December 2003, these 'purposes' should have been brought to the forefront of the lexicon of the Papadopoulos Administration as part of an energetic government-led effort to infuse Cyprus with an anti-corruption culture. Alas, they were not.

Within two years of the adoption of the UN Convention Against Corruption came Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (which was, much later, repealed and replaced on 25 June 2017).²⁷⁹ Its first substantive provision came straight to the point: 'This Directive aims to prevent the use of the Union's financial system for the purposes of money laundering and terrorist financing.'²⁸⁰ The Directive belatedly prompted the House of Representatives of Cyprus to enact Law No. 188(I)/2007²⁸¹ in 2007, in the same year as the Naturalisation by Exception Scheme came into being. In common with 'the purposes' of the UN Convention Against Corruption, the aim of the Directive should have reached the very forefront of the lexicon of the Papadopoulos Administration. Alas, it did not.

On top of all these developments came another one on 15 June 2009, after the Christofias Administration had replaced the Papadopoulos Administration on 28 February 2008. The UN published the *Technical Guide to the United Nations Convention Against Corruption* ('the *Technical Guide*'). Spread over more than 230 pages, this was 'the result of a collaborative effort' by the UN Office on Drugs & Crime and the UN Interregional Crime & Justice Research Institute and 'designed to promote the implementation of the Convention by States Parties.'²⁸² It contains a string of practical recommendations, each one of which is linked to an Article in the UN Convention Against Corruption. Moreover, unlike the Convention, the *Technical Guide* expressly invokes the concept of good governance. For example, in its analysis of Article 13, the *Technical Guide* contends that '[p]reventing and controlling corruption is a means to the promotion of good governance and wider reform to public services to make them more efficient and effective ...'.²⁸³ Perhaps most importantly of all, the *Technical Guide* builds upon the provisions of the UN Convention Against Corruption by recommending that 'all public officials should benefit from suitable courses on professional ethics, not only upon recruitment but also as part of in-service training and especially for the posts most exposed to risks of corruption.' To this end: 'Adequate information to staff on their rights and duties, and on the risks of corruption or misconduct

²⁷⁸ Article 1 (a), (b) and (c), *United Nations Convention Against Corruption*.

²⁷⁹ Document 32005L0060: Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (in force until 25 June 2017), EU Eur-Lex, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32005L0060> (accessed 19 June 2024).

²⁸⁰ Ibid, Article 1.1.

²⁸¹ Ο περί της Παρεμπόδισης και Καταπολέμησης της Νομιμοποίησης Εσόδων από Παράνομες Δραστηριότητες Νόμος του 2007 (188(I)/2007), Cyprus Bar Association, www.cylaw.org/nomoi/enop/non-ind/2007_1_188/full.html, i.e., the Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007-2021, Law No. 188 (I) / 2007. An unofficial translation appears at 'The Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007-2021: Law No. 188(I)/2007', Central Bank of Cyprus, www.centralbank.cy/images/media/pdf/The-Prevention-and-Suppression-of-Money-Laundering-Laws-of-2007-2021-unofficial-consolidation.pdf (accessed 18 June 2024).-

²⁸² *Technical Guide to the United Nations Convention Against Corruption* (Vienna: United Nations Office on Drugs and Crime, 2009), xvii, www.unodc.org/documents/treaties/UNCAC/Publications/TechnicalGuide/09-84395_Ebook.pdf and <https://star.worldbank.org/publications/technical-guide-united-nations-convention-against-corruption> (accessed 25 March 2025).

²⁸³ Ibid, 61.

attaching to the performance of their functions, will help emphasize the importance of the ethical conduct expected of every official and foster a culture of integrity.' For instance: 'Involving staff on annual corruption reviews would engage them in awareness. It will also enable them to identify areas of concern and possible prevention measures.'²⁸⁴ These were reasonable, feasible and realistic recommendations which should have been implemented across the Government and wider public sector of Cyprus.

In the light of all this, at least three sets of questions arise.

Firstly, why did Cyprus sign the UN Convention Against Corruption on 9 December 2003 but wait until 23 February 2009 before ratifying it and bringing it into force on 25 March 2009? Did this delay have any adverse effect on the fight against corruption during the formative stages of the Naturalisation by Exception Scheme from 11 July 2007 onwards?

Secondly, after Cyprus joined GRECO on 1 May 1999 and the EU on 1 May 2004, were the principles of good governance rigorously applied in the Cypriot Government and the wider public sector? To this end, did that Government take effective, audible and visible steps to stamp out malign phenomena conducive to economic crime and corruption, such as clientelism and partitocracy?

Thirdly, by 11 July 2007, were civil servants in the Cypriot Government adequately trained in order to meet the challenges presented by wealthy applicants for Cypriot citizenship, including those from countries which were tainted by the proceeds of economic crime, corruption or other wrongdoing? After the publication of the *Technical Guide to the United Nations Convention Against Corruption* on 15 June 2009, was this *Guide* used in support of the training of civil servants and the fostering of 'a culture of integrity'?

The historians of the future will be in a better position than the author to address these questions. In the meantime, there is one basic lesson to be drawn from this chapter. In the interests of good governance, it is not enough for any domestic law to be enacted or for any international treaty to be ratified. The provisions of any such text must be applied in practice and, if not, it must be enforced. Otherwise, the text may become a dead letter.

²⁸⁴ Ibid, 16.

CHAPTER 3: THE HEYDAY OF THE NATURALISATION BY EXCEPTION IN SCHEME, 2007-2019

The numbers in Table 2 can only be taken as a general indication of the stock of investment activity identified with a given country. This does not represent an accumulated stock of direct investment because these figures include portfolio and "other" investment and do not reflect any withdrawal of funds or decreases in value of assets. Although the U.S. fell behind the Netherlands and Cyprus in terms of direct investment in 2005 and 2006, this is largely due to Royal Dutch/Shell's USD 11 billion investment in Sakhalin and returning Russian capital from Cyprus. Note that although Germany and the UK continue to show a larger stock of total investment than the U.S., a large proportion of their investment consists of "other" investment, primarily trade credits.

Table 2: Top Investors - Accumulated Basis (Amounts in USD Million)

Country	Jan.-Sept.2005		Jan.-Sept.2006	
	Total FDI		Total FDI	
Cyprus	17,576	12,682	28,096	21,238
Netherlands	15,586	12,085	22,488	17,894
Luxembourg	16,101	399	19,532	547
UK	9,642	1,802	11,428	2,830
Germany	9,321	2,587	10,319	3,036
USA	7,157	4,361	7,641	4,795
France	3,483	424	3,320	987
Virginia Islands (UK)	2,151	1,382	3,199	1,639
Switzerland	2,179	1,015	2,615	1,272
Japan	N/A	N/A	2,566	213
The Bahamas	1,801	639	N/A	N/A
All Others	11,477	5,954	18,794	9,684
Total	96,474	43,330	129,998	64,135

Source: Federal Service for State Statistics (FSSS)

Image 8a: 'Table 2: Top Investors [in Russia] – Accumulated Basis (Amounts in USD Million)' in '2007 Investment Climate Statement - Russia', US State Department, February 2007, <https://2001-2009.state.gov/e/eeb/ifd/2007/88898.htm> and <https://2001-2009.state.gov/e/eeb/ifd/2007/index.htm> (accessed 22 March 2025).

Table 1 shows flows of foreign investment by country for the first nine months of 2007, compared to the same period in 2006. The first nine months of 2007 showed a 2.5 times increase in total foreign investment over the same period in 2006. According to Russian statistical practice, total foreign investment numbers include direct investment (FDI), portfolio investment, and "other" investment (largely trade credits). Cyprus consistently figures high as an investor because most investment coming from Cyprus is actually returning Russian capital.

Table 1: Top Ten Investors - By Year (in USD million)

Country	Jan-Sept. 2006		Jan-Sept. 2007	
	Total	FDI	Total	FDI
UK	5,479	382	20,729	299
Netherlands	5,196	2,861	17,270	12,638
Cyprus	5,186	2,650	11,881	2,560
Luxembourg	1,570	198	8,123	N/A
Switzerland	1,558	N/A	4,487	102
Ireland	N/A	N/A	4,412	N/A
France	2,533	264	4,405	248
Germany	1,982	312	3,447	530
USA	1,220	302	1,989	207
Virgin Islands (UK)	832	184	1,383	352
All Others	9,253	3,475	9,810	2,708
Total	35,323	10,268	87,936	19,644

Image 8b: 'Table 1: Top Investors [in Russia] – By Year (Amounts in USD million)' in '2008 Investment Climate Statement - Russia', US State Department, February 2008, <https://2001-2009.state.gov/e/eeb/ifd/2008/101005.htm> and <https://2009-2017.state.gov/e/eeb/ifd/2008/index.htm> (accessed 22 March 2025).

Today, the reputation of the Naturalisation by Exception Scheme lies in tatters. It was not always thus. For many of the thirteen years of its existence, the Scheme was the flagship

of the broader Cyprus Investment Programme which had other strings to its bow, including a scheme enabling non-citizens of Cyprus to obtain ‘a golden visa’ granting them the right to reside in Cyprus.²⁸⁵ However, the focus of this chapter is on the Naturalisation by Exception Scheme as it unfolded from its inception in 2007 until 2019. Bearing in mind the pre-2007 history outlined in Chapter 2, the primary purposes of Chapter 3 are to outline the history of the Naturalisation by Exception Scheme, identify some of the red flags which were raised during its lifespan and adduce evidence to suggest that the Scheme operated amidst chronically bad governance.

3.1 The revelations made by President Papadopoulos on 24 May 2007

On reflection, it is instructive to read the official transcript, in English, of an ‘Address by the President of the Republic [of Cyprus], Mr. Tassos Papadopoulos, at a dinner co-hosted by the Cyprus Chamber of Commerce and Industry and the Cypriot – Russian Association’ on 24 May 2007, less than two months before the Council of Ministers initiated the Naturalisation by Exception Scheme on 11 July 2007. President Papadopoulos said nothing about economic crime, corruption or other wrongdoing. Nor did he say anything about the need to prevent the proceeds from entering or exiting the banking system of Cyprus. In the interests of good governance, President Papadopoulos should have summoned the moral courage to speak about these matters and issue a warning that the Cypriot Government would not tolerate any abuse of the Cypriot banking system. Such a warning was warranted, especially in view of the gargantuan investment flows from Cyprus into Russia, as illustrated by Images 8a and 8b, and *vice versa*.

By contrast, in his ‘Address’ of 24 May 2007, what President Papadopoulos appeared to do was to let the cat out of the bag. He disclosed that, having come under pressure from President Putin, he was open to the possibility of a relaxation of the domestic rules applicable to ‘the admission of citizens from countries which are not full EU members into European space.’²⁸⁶ To put these words into context, President Papadopoulos recalled:

‘When I paid a visit to Moscow in January 2006, I had the honour to have a long meeting with the President of the Russian Federation, Mr. Vladimir Putin, and the respective delegations of our two countries, in Kremlin.

‘It came as a pleasant surprise for all of us when, after welcoming us, President Putin’s first words expressed his admiration and appreciation of the Greek culture, the long history of Cyprus and the centuries long relations between the Russian and Cypriot peoples.

‘Therefore, the next point raised by the President of the Russian Federation did not come as a surprise: “Because of this”, President Putin went on, “I hope you realize

²⁸⁵ For the iteration of this scheme as it exists at the time of writing, see ‘Immigration Permits for Investors: Criteria for granting an Immigration Permit within the scope of the expedited procedure to applicants who are third country nationals and invest in Cyprus, 4th Revision, May 2023’, Deputy Ministry of Migration and International Protection of Cyprus, May 2023, www.mip.gov.cy/dmmip/md.nsf/immigrationpfi_en/immigrationpfi_en?OpenDocument (accessed 31 August 2025).

²⁸⁶ ‘Address by the President of the Republic, Mr. Tassos Papadopoulos, at a dinner co-hosted by the Cyprus Chamber of Commerce and Industry and the Cypriot – Russian Association’, Archive of the Press & Information Office of the Ministry of the Interior of Cyprus, 24 May 2007, www.piopressreleases.com.cy/en/easyconsole.cfm?page=printRelease&s_id=245452&isImported=1 (accessed 31 August 2025).

the bitterness and disappointment Russian citizens and myself feel for the difficulties, hard time and even obstacles Russian citizens face to obtain visas as well as residence and work permits in Cyprus, which is one of the destinations of preference for both tourists and businessmen because, among other reasons, we consider Cyprus a traditionally hospitable country towards Russians.”

‘Each time I had the honour to meet President Putin, irrespective of the length of our meetings and the object of our discussion, he would always start our conversation by asking “Have you not yet resolved the first and only problem I have with Cyprus?”, albeit with a smile and in a teasing mood. Indeed, there is no other “problem-issue” in our relations with Russia, be they political or economic.

‘I hope, however, that all of you Russian friends who are living and working in Cyprus are aware that our Government is not responsible for any of the problems or hard time caused, nor are these the result of political or procedural decisions on our part.

‘It is our obligation and responsibility as a full member of the EU to strictly apply the relevant EU Directives and decisions. The fact that Cyprus is an island does not exempt us from the obligation all member states have to follow the EU Directives as regards the admission of citizens of other countries into European space.

‘I also hope you are aware that one of the top priorities of the Government of Cyprus and myself is to come up with legal procedures and measures to overcome the difficulties. I am certain that all of you now know, at first hand, that we have brought about radical changes and have taken practical measures to minimize, if not to eradicate the difficulties and hard time caused by the EU Directives as regards the admission of citizens from countries which are not full EU members into European space.’²⁸⁷

Having in mind these Cypriot Presidential disclosures made on 24 May 2007, one is entitled to ask whether the Naturalisation by Exception Scheme was inspired, in whole or in part, by any lobbying exerted by President Putin upon President Papadopoulos. If that is a matter for conjecture, some related details are unmistakably in the public domain.

Firstly, one of the press releases of the Kremlin confirms that President Putin met President Papadopoulos in the Kremlin on 23 January 2006 and that, among other things, President Putin openly proclaimed that ‘we must continue consultations and talks based on the arrangements we have already reached in order to extend the visa-free regime to others as well.’ For his part, President Papadopoulos responded by opting to ‘express’ his ‘satisfaction concerning the fact that two intergovernmental agreements between the Russian Federation and the Republic of Cyprus came into effect.’ One, he divulged, ‘provides that holders of service or diplomatic passports can travel with out visas’ and ‘the second ‘provides that citizens of our countries can travel under concessionary terms.’ In a sign of how willing he was to butter up his Russian counterpart, President Papadopoulos added: ‘We are making all necessary efforts to simplify and facilitate the visa regime, in particular the Cypriot party practically never refuses to grant a visa—only in one percent of the cases.’²⁸⁸ To be sure, these Cypriot Presidential remarks were limited to the issue of

²⁸⁷ Ibid.

²⁸⁸ ‘Beginning of the Meeting with President of Cyprus Tassos Papadopoulos’, the Kremlin, 23 January 2006, en.kremlin.ru/events/president/transcripts/23401 (accessed 15 April 2025).

visas, but they do clearly indicate that President Papadopoulos was keen to accommodate the requirements of the Kremlin.

Secondly, after the inception of the Naturalisation by Exception Scheme on 11 July 2007, Cypriot citizenship was reportedly acquired by Russian ‘oligarchs’ with alleged ties to President Putin and by other citizens of Russia. Since the termination of the Scheme on 1 November 2020, some of these persons have reportedly lost their Cypriot citizenship and have seen their names leaked to the media. For the ethical reasons explained in the Introduction, the author will not name the persons concerned. Subject to this caveat, what the author can say is that if the reports are accurate, one may infer that some ‘oligarchs’ and other Russians benefited from the wrongdoing spawned by the Scheme, something which explains why they ended up having their Cypriot citizenship eventually taken away.

3.2 The rationale behind the Naturalisation by Exception Scheme

At the heart of the Naturalisation by Exception Scheme was a simple idea. It was the one implicit in the guidelines of the Civil Registry & Migration Department of the Ministry of the Interior, dated 24 May 2013, as published in English by Government of Cyprus. The idea was that citizenship of Cyprus – and, by extension, citizenship of the EU – could be acquired by any non-citizen of Cyprus from anywhere in the world who was able to satisfy certain ‘criteria’, meet certain ‘terms and conditions’ and submit certain ‘documents’.²⁸⁹ In practice, however, the Scheme was beyond the reach of almost all non-citizens of Cyprus. To all intents and purposes, the Scheme was only open to any person who could afford to satisfy its requirements or who was a family member of such a person. These included multi-millionaires and billionaires with unsavoury backgrounds.

Among the ‘terms and conditions’ of the Civil Registry & Migration Department was one requiring every applicant to ‘have a clean criminal record’ and a name which was ‘not ... included on the list of persons whose property is ordered to be frozen within the boundaries of the European Union.’²⁹⁰ However, unlike, say, a prudent employer who asks for written references from appropriate referees before considering any application from any prospective employee, the Civil Registry & Migration Department did not appear to require any prospective applicant for citizenship of Cyprus to provide any references, let alone any commenting on the honesty and integrity of the applicant. This was a grave shortcoming.

Bearing in mind that the Naturalisation by Exception Scheme was predicated on the making of sizeable investments in Cyprus by wealthy prospective applicants, almost all of whom were likely to be non-citizens of the EU with some possibly hailing from sovereign states mired in economic crime, corruption or other wrongdoing, this omission was not consistent

²⁸⁹ ‘Scheme for Naturalisation of Investors in Cyprus by Exception: on the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2013’, Embassy of the Republic in New Delhi, India, 24 May 2013, www.mfa.gov.cy/mfa/HighCom/HighCom_NewDelhi.nsf/0/3b47ca2c895b614b42257a62003a4440?OpenDocument&ExpandSection=1&print (accessed 21 June 2024) and Civil Registry & Migration Department, Ministry of the Interior of Cyprus, 24 May 2013 www.mip.gov.cy/dmmip/md.nsf/All/597CF2E1D86AD9ABC22587CF00408816?OpenDocument (accessed 31 August 2024).

²⁹⁰ ‘Scheme for Naturalisation of Investors in Cyprus by Exception: on the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2013’, Embassy of the Republic in New Delhi, India, 24 May 2013, www.mfa.gov.cy/mfa/HighCom/HighCom_NewDelhi.nsf/0/3b47ca2c895b614b42257a62003a4440?OpenDocument&ExpandSection=1&print (accessed 21 June 2024) and Civil Registry & Migration Department, Ministry of the Interior of Cyprus, 24 May 2013 www.mip.gov.cy/dmmip/md.nsf/All/597CF2E1D86AD9ABC22587CF00408816?OpenDocument (accessed 31 August 2024).

with the principles of good governance or the related principles of risk management.²⁹¹ Nor was this omission consistent with the obligations which Cyprus had agreed to be bound by. By 23 February 2009, when Cyprus belatedly ratified the UN Convention Against Corruption after signing it on 9 December 2003, these obligations had burgeoned. In addition to those under the UN Convention Against Corruption, the obligations included those under the Council of Europe Criminal Law Convention on Corruption, the International Convention for the Suppression of the Financing of Terrorism, the UN Convention against Transnational Organized Crime and Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

3.3 The institutional actors involved in the Naturalisation by Exception Scheme

Chronologically, the Naturalisation by Exception Scheme existed from 11 July 2007 until 1 November 2020. As a result, it came into existence at the fag end of the Presidency of the late Tassos Papadopoulos of DIKO, which lasted from 28 February 2003 until 28 February 2008. The Scheme then unfolded during the whole of the Presidency of the late Demetris Christofias of AKEL from 28 February 2008 until 28 February 2013. The Scheme then reached its zenith before plummeting to its nadir during the Presidency of Nicos Anastasiades of DISY, which lasted from 28 February 2013 until 28 February 2023.

The Nicolatos Report records the numbers of naturalisations by exception for each of these three Presidencies followed by a reiteration of the total number 'naturalised outside the legal framework'. These 'numbers' are listed as follows, as translated freely by the author:

- '- 1.1.2007– 29.2.2008, Papadopoulos Presidency – 5 naturalisations
- '- 1.3.2008 – 28.2.2013, Christofias Presidency – 228 naturalisations
- '- 1.3.2013 – 17.8.2020, Anastasiades Presidencies – 6,546 naturalisations

'Specifically, of the total of 6,779 natural persons who have been naturalised, 53.24% (members of the investor's family as well managers) were naturalised outside the legal framework and, accordingly, were naturalised in violation of the Law. ...'.²⁹²

At first glance, the Anastasiades Presidency is the most culpable of the three. By a long stretch, that is indeed so. Nevertheless, for the reasons presented in this Working Paper, the Presidencies of Papadopoulos, Christofias and Anastasiades must collectively shoulder the bulk of the responsibility for the wrongdoing generated by the Naturalisation by Exception Scheme.

On closer inspection, multiple organs of governance were directly or indirectly associated with the Naturalisation by Exception Scheme. Chief among these was the Council of

²⁹¹ On the principles of risk management, albeit from the standpoint of the UK, see *Management of Risk in Government: A framework for boards and examples of what has worked in practice - A Non-Executives' Review* (London: Cabinet Office and Civil Service, 18 January 2017), https://assets.publishing.service.gov.uk/media/5a7f9e16e5274a2e8ab4d43c/170110_Framework_for_Management_of_Risk_in_Govt_final_.pdf and www.gov.uk/government/publications/management-of-risk-in-government-framework and 'Guidance: Orange Book: This guidance establishes the concept of risk management', Government Finance Function and HM Treasury, 29 May 2013 as updated, www.gov.uk/government/publications/orange-book (accessed 12 July 2024).

²⁹² Nicolatos Report, *op. cit.*, 764.

Ministers of Cyprus under the convenorship of the Presidency. The author has intentionally used the word ‘convenorship’; this is because of the phraseology of two Articles in the 1960 Constitution.²⁹³ Other Articles make clear that in relation to the Council of Ministers the role of the President is not limited to convening its meetings. To take one example, under Article 56: ‘The agenda of any meeting of the Council of Ministers is prepared by the President of the Republic at his discretion and is communicated to all concerned prior to such meeting. ...’.²⁹⁴ To take a second example, under Article 48.a the constitutional powers of the President extend to ‘designation and termination of appointment of Greek Ministers’,²⁹⁵ all of whom are *ex officio* members of the Council of Ministers.

All of this is by way of background to a key point. Under the convenorship of three successive Presidents – Papadopoulos, Christofias and Anastasiades – the Council of Ministers had a central role to perform in the Naturalisation by Exception Scheme, in accordance with the Cyprus Civil Registry Law 141(I)/2002 as amended from time to time since 2002.²⁹⁶ The centrality of the Council of Ministers to the Scheme may be gleaned from an unofficial translation of the Cyprus Civil Registry Law 141(I)/2002 dating back to December 2012, as published by the UN High Commissioner for Refugees. As it stood at the time, section 111 did not expressly refer to naturalisation by exception, but section 111 was entitled ‘citizenship pursuant to naturalisation’ and it expressly stated that whereas the Minister of the Interior was empowered to grant a certificate of naturalisation, this was subject to rejection by the Council of Ministers:

‘Where an application in the prescribed form and manner is submitted to the Minister [*who is defined by section 2(1) of the Law as ‘the Minister of Interior’*] by any foreign national, adult of full capacity, and the Minister is satisfied that he fulfills the criteria for naturalization pursuant to the provisions of Schedule Three, the Minister may grant to this person a certificate of naturalization. The person, to whom the certificate of naturalization is granted and upon an official declaration of faith as specified in the form of Schedule Two, becomes a citizen of the Republic pursuant to naturalization, from the date the certificate of naturalization is granted to him:

‘Provided that, following a suggestion by the Minister in any specific case or category of cases, the Council of Ministers may reject the application for a certificate of naturalization, unless the applicant renounces the citizenship of any other country he may have.’²⁹⁷

Eleven years after the enactment of Cyprus Civil Registry Law 141(I)/2002, Law 36(I)/2013 of 30 April 2013 amended section 111 by means of a new section, section 111A, which expressly referred to naturalisation ‘in very exceptional cases’ and elevated the role as well as the power of the Council of Ministers.²⁹⁸ This helps to account for the warning typed in bold at the very bottom of the aforementioned guidelines of the Civil Registry & Migration

²⁹³ Articles 48 b and 55, 1960 Constitution, *op. cit.*

²⁹⁴ Article 56, 1960 Constitution, *ibid.*

²⁹⁵ Article 48.a, 1960 Constitution, *ibid.*

²⁹⁶ Ο Περί Αρχείου Πληθυσμού Νόμος του 2002 (141(I)/2002), Cyprus Bar Association, www.cylaw.org/nomoi/enop/non-ind/2002_1_141/full.html (accessed 20 June 2024).

²⁹⁷ *Ibid.*, section 111.

²⁹⁸ Ο περί Αρχείου Πληθυσμού (Τροποποιητικός) Νόμος του 2013 (Ν. 36(I)/2013), Cyprus Bar Association, www.cylaw.org/nomoi/arith/2013_1_036.pdf (accessed 20 June 2024).

Department, dated 24 May 2013: **‘None of the above affect the absolute discretion of the Council of Ministers in taking a Decision.’**²⁹⁹

The amendments introduced in 2013 formed part of a succession of reforms, the gist of which was summarised in English in the following way by the Audit Office of Cyprus in its *Special Report*, dated 24 September 2020:

‘Within the framework of measures taken to encourage direct foreign investments and attract natural persons of high income levels to establish themselves and their businesses in Cyprus, in 2013, the Council of Ministers radically reviewed the programme that had been effective since 2007 and devised the “Cyprus Investment Programme” in order to grant Cypriot citizenship, through naturalization by exception to non-Cypriot investors/businesspersons. Amendments to the Programme followed in 2014, 2016, 2018, 2019 and 2020, which gradually made the programme stricter in regard to the investigations carried out, but more relaxed in regard to the economic criteria concerning the investment in immovable properties, developments and infrastructure projects. The last amendment to the Programme was introduced recently after the House of Representatives voted the relevant Regulations which were published in August 2020.’³⁰⁰

Apart from the Council of Ministers and the Presidency acting as the convenor of its meetings, the other organs of governance with critical roles included the Ministry of the Interior which had day-to-day responsibility for the Naturalisation by Exception Scheme and the Civil Registry & Migration Department within that Ministry which administered the Scheme in practice. Also involved were other organs of governance, such as the Ministry of Finance, the Tax Department within that Ministry, the Cyprus Investment Promotion Agency which helped to publicise the Scheme³⁰¹ and the House of Representatives in Nicosia. The House was formally involved in the Scheme in at least two ways. One was as the maker of legislation, including the relevant amendments to the Cyprus Civil Registry Law 141(I)/2002.³⁰² The second was as a check on the executive branch of government, particularly by means of parliamentary committees. This second role was indirectly if ineffectually facilitated by the two provisions in the 1960 Constitution:

‘1. The President or the Vice-President of the Republic may address the House of Representatives by message, or transmit to the House of Representatives their views through the Ministers.

²⁹⁹ ‘Scheme for Naturalisation of Investors in Cyprus by Exception: on the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2013’, Embassy of the Republic in New Delhi, India, 24 May 2013, www.mfa.gov.cy/mfa/HighCom/HighCom_NewDelhi.nsf/0/3b47ca2c895b614b42257a62003a4440?OpenDocument&ExpandSection=1&print (accessed 21 June 2024).

³⁰⁰ *Audit of Granting of the Cypriot Citizenship within the framework of the Cyprus Investment Programme: Audited Entities: Ministry of Interior [and] Tax Department: Special Report No. ΥΠΕΣ/01/2020* (Nicosia: Audit Office of the Republic, 24 September 2020), [www.audit.gov.cy/audit/audit.nsf/28701B451330DAE8C22585F8003DFC56/\\$file/Audit_MOI_FIN_01_2020.pdf](http://www.audit.gov.cy/audit/audit.nsf/28701B451330DAE8C22585F8003DFC56/$file/Audit_MOI_FIN_01_2020.pdf) (accessed 31 May 2024).

³⁰¹ See, for example, *Cyprus Investors Guide: A Step by Step Guide to your Investment* (Nicosia: Cyprus Investment Promotion Agency, 2017), 28, Cyprus Trade Centre, Embassy of the Republic in Athens, Greece, www.cyprustradecenter.gr/wp-content/uploads/2017/01/INVESTORS-GUIDE-130001.pdf (accessed 16 June 2024).

³⁰² Ο Περὶ Αρχείου Πληθυσμού Νόμος του 2002 (141(I)/2002), Cyprus Bar Association, www.cylaw.org/nomoi/enop/non-ind/2002_1_141/full.html (accessed 20 June 2024).

'2. The Ministers may follow the proceedings of the House of Representatives or any Committee thereof, and make a statement to, or inform, the House of Representatives or any Committee thereof, on any subject within their competence.'³⁰³

The use of the verb 'may' is the source of the ineffectuality alluded to earlier. It means that whereas the President and all Ministers appointed by him have a discretionary power to address the House of Representatives, not one of them is under any constitutional obligation to be accountable to the House in the way that the Prime Minister and other Ministers are obliged to be accountable to the UK Parliament under the Westminster model.

Against this defective and deficient constitutional background, the Naturalisation by Exception Scheme amounted to a public-private partnership with the aim or effect of attracting wealthy foreign investors to Cyprus, lining the pockets of those providing services to those investors, nourishing the property market and otherwise boosting the economy. This explains why multiple actors in the private sector publicised the Scheme or contributed to its operation in practice. Chief among these were estate agents and property developers as well as accountants, lawyers and providers of financial services. What this underscored were at least two realities. The first was that prospective applicants normally required the services of such providers in the hope of exploiting the Scheme, jumping over bureaucratic obstacles and overcoming any bad governance, maladministration or other chronic problems *en route* to citizenship by naturalisation. The second was that substantial parts of the private sector stood to gain from the Scheme.

In an economy resting on the free market, there is nothing intrinsically wrong in the private sector promoting any scheme offered by the public sector. However, what appeared to go wrong was that the Naturalisation by Exception Scheme gave rise to the commission of wrongdoing on an industrial scale, due to repeated failures to follow the law and, it would appear, repeated failures to uphold the principles of good governance. Compounding these failures were others such as the ostensible failure of the House of Representatives to hold the executive to account when the Scheme was being abused.

3.4 Signs of bad governance, 2007-13

The Naturalisation by Exception Scheme was presented as resting on a legal basis in the sense that it emanated from Decision No. 65.824, dated 11 July 2007,³⁰⁴ as taken by the Council of Ministers under the convenorship of President Papadopoulos.³⁰⁵ Indeed, according to the Nicolatos Report, as translated freely into English by the author, Decision No. 65.824 was the 'first decision' relating to the Naturalisation by Exception Scheme and 'is particularly important'. One reason is that subsequent Decisions were modelled on this 'first decision'. Another reason is that for 'several years' these Decisions were accompanied by 'a lack of satisfactory legislation and [a lack of satisfactory] regulations'.

³⁰³ Articles 79.1 and 79.2, 1960 Constitution, *op. cit.*

³⁰⁴ The Nicolatos Report, *op. cit.*, 16, 25, 38, 39, 198, 488, 527 and 764.

³⁰⁵ Απόφαση Υπουργικού Συμβουλίου αρ. 65.824 ημερομηνίας 11.07.2007, Κριτήρια και όροι για κατ' εξαίρεση πολιτογράφηση αλλοδαπών επενδυτών/επιχειρηματιών, με βάση την παράγραφο 2(στ) του Τρίτου Πίνακα των περί Αρχείου Πληθυσμού Νόμων του 2002-2003, as cited in *Factual analysis of Member States Investors' Schemes granting citizenship or residence to third-country nationals investing in the said Member State: Deliverable B.I Investors' Citizenship Schemes in Cyprus [a Report prepared by Maria Kyprianou for Milieu Ltd under contract JUST/2016/RCIT/FW/RIGH/0152 (2017/06)]* (Brussels: Milieu Ltd, June 2018), 1, https://best-citizenships.com/wp-content/uploads/2020/05/CY_Deliverable-BI_final_compressed.pdf (accessed 16 June 2024).

This ‘created huge gaps and problems’ as well as ‘corresponding opportunities for those (of various shapes and sizes) who were adroit enough to exploit these inherent weaknesses ...’.³⁰⁶ These criticisms are worded carefully but utterly damning. As such, they tally with one of the themes of this Working Paper – that Cyprus has been tainted by a chronic shortage of eunomia and a chronic surplus of bad governance.

As intimated by the Nicolatos Report and some of the academics to have shone a spotlight onto the Naturalisation by Exception Scheme, wrongdoing was enabled by an institutional culture in which abuses, illegalities and excesses were able to thrive,³⁰⁷ contrary to the rule of law and the principles of good governance, such as Principles 4, 5 and 6 of the 12 Principles, i.e., those to do with ‘Openness and Transparency’, the ‘Rule of Law’ and ‘Ethical Conduct’ respectively. In an indicative sign of this culture, it has been alleged that Decision No. 65.824 was not published in the Official Gazette, the official newspaper of Cyprus.³⁰⁸ For his part, the author has been unable to trace any copy on the rather cumbersome official website of the Ministry of Finance where past editions of the Official Gazette are archived.³⁰⁹ There is no record of Decision No. 65.824 in the seemingly redacted official list of Decisions taken by the Council of Ministers on 11 July 2007, as published by the Council of Ministers on its official website.³¹⁰ With respect to the meeting of the Council of Ministers held on 11 July 2007, six Decisions have been entered in the list alongside supporting details including the edition of the Official Gazette where each Decision has been published and supporting documentation. These are Decisions 65.817, 65.832, 65.833, 65.834, 65.835 and 65.839.³¹¹ However, Decision 65.824 is missing from the list published by the Council of Ministers. Whatever the reason may be, the absence of Decision 65.824 from the list is not compatible with Principle 4 entitled ‘Openness and Transparency’. Nor is it consistent with Article 46 of the 1960 Constitution:

‘The decisions of the Council of Ministers shall be taken by an absolute majority and shall, unless the right of final veto or return is exercised by the President or the Vice-President of the Republic or both in accordance with Article 57, be promulgated immediately by them by publication in the official Gazette of the Republic in accordance with the provisions of Article 57.’³¹²

Given what is now known about the Naturalisation by Exception Scandal and the Putin-Papadopoulos discussions referred to earlier in this chapter, the ostensible failure to publish Decision No. 65.824 is *prima facie* suspicious. What is likewise suspicious is a saga which unfolded under the Presidency of Christofias but whose details did not come to light until 10 September 2024. On that date, a panel of three judges in the Supreme Constitutional Court of Cyprus dismissed the appeal brought by six appellants, Rami Makhlof, a cousin of Bashar Al-Assad, the then autocratic President of the Syrian Arab Republic, and five other appellants, all Syrian nationals forming part of the same family who challenged the legality of a decision of the Council of Ministers to annul the grant of Cypriot citizenship, by

³⁰⁶ Nicolatos Report, *op. cit.*, 16-17.

³⁰⁷ *Ibid.* 17.

³⁰⁸ *Ibid.*, 1 (footnote 2).

³⁰⁹ «Αρχείο – Παλαιότερα Τεύχη», i.e., ‘Archive – Older Editions’ in «Επίσημη Εφημερίδα της Κυπριακής Δημοκρατίας», i.e., ‘Official Gazette of the Republic of Cyprus’, Ministry of Finance, www.mof.gov.cy/mof/gpo/gazette.nsf/dmlgazette_archive_gr/dmlgazette_archive_gr?OpenForm (accessed 21 June 2024).

³¹⁰ «Αποφάσεις 2007» (‘Decisions 2007’), Council of Ministers of Cyprus, www.cm.gov.cy/cm/cm.nsf/index_07/index_07?OpenForm (accessed 16 June 2024).

³¹¹ *Ibid.*

³¹² Article 46, sixth paragraph, 1960 Constitution, *op. cit.*

naturalization, to each one. The judgment provides further evidence to suggest that the Naturalisation by Exception Scheme was caused or enabled by bad governance. Accordingly, it would be remiss of the author not to offer some reflections on it.³¹³

The starting point is what happened on 4 January 2011, only weeks before Syria was plunged into conflict in March 2011.³¹⁴ The Council of Ministers approved the grant of citizenship by naturalisation to Rami Makhlof (also spelt Makhlof and in other ways but generally spelt hereafter as 'Makhlof'); other approvals followed. The Council of Ministers took this decision despite the question marks hovering over the appropriateness of granting Cypriot citizenship to Makhlof. Some of these question marks flowed from facts already in the public domain by the time when the Council of Ministers approved the grant of citizenship to Makhlof on 4 January 2011.

According to a press release published online by the US Department of the Treasury on 21 February 2008, Rami Makhlof, also known by other names including Rami Makhlof, had been 'designated' on grounds resting on a number of allegations.³¹⁵ That press release was supplemented by a notice of the same date published online by the Office of Foreign Assets Control ('OFAC') in the US Department of the Treasury. The notice concerned 'MAKHLUF, Rami (a.k.a. MAKHLOUF, Rami; a.k.a. MAKHLOUF, Rami Bin Mohammed; a.k.a. MAKHLOUF, Rami Mohammad)'. It alerted the public to his addition to the Specially Designated Nationals List (SDN List) of the OFAC.³¹⁶ Accompanying the press release and notice both dated 21 February 2008 was a related notice devoted to Makhlof, of the same date, signed by Adam J. Szubin, Director of OFAC. One week later, on 28 February 2008, that related notice was published online in the *Federal Register*.³¹⁷

Some though not all of these details are recorded in the judgment of the Supreme Constitutional Court of Cyprus. What is expressly recorded in the judgment, as translated freely by the author, is that 'the Director of the Department of Civil Registry & Immigration ... informed the then Minister of the Interior [*i.e.*, *Neoklis Sylikiotis*], by a note dated 27.01.2010, that in February 2008 the US government had issued an order by which it had frozen all the assets of appellant 1 [*i.e.*, *Makhlof*] within its territory and prohibited American citizens from entering into any financial transaction with him, due to his [alleged] involvement in corruption scandals.' The Director also alleged to the Minister of the Interior that 'appellant 1, using his close relationship with the President of Syria, Bashar al-Assad,

³¹³ *Rami Makhlof κ.α. v. Κυπριακής Δημοκρατίας Υπουργικού Συμβουλίου κ.α., Έφεση Κατά Απόφασης Διοικητικού Δικαστηρίου Αρ. 21/17*, 10/9/2024 (Judgment delivered by Karakanna J on behalf of Liatsos P, Karakanna J and Kalliergou J), Cyprus Bar Association, www.cylaw.org/cgi-bin/open.pl?file=supremeAdministrative/2024/202409-21-17ASD.html&qstring=MAKHLOUF and www.cylaw.org/supremeAdministrative/index_2024.html (accessed 9 March 2025).

³¹⁴ For two overviews of the relevant chronology, see 'Syria Conflict Overview: 2011-2021: Updated August 3, 2023', Congressional Research Service, <https://crsreports.congress.gov/product/pdf/IF/IF11080> and Philip Loft and Esme Kirk-Wade, *The Syrian civil war: timeline, UK aid and statistics: Research Briefing Number 9381* (London: House of Commons Library, 19 December 2024), <https://researchbriefings.files.parliament.uk/documents/CBP-9381/CBP-9381.pdf> and <https://commonslibrary.parliament.uk/research-briefings/cbp-9381/> (accessed 9 March 2025).

³¹⁵ 'Rami Makhlof Designated for Benefiting from Syrian Corruption', US Department of the Treasury, 21 February 2008, <https://home.treasury.gov/news/press-releases/hp834> (accessed 2 March 2025).

³¹⁶ 'Syria designation / SDGT change', Office of Foreign Assets Control, US Department of the Treasury, 21 February 2008, <https://ofac.treasury.gov/recent-actions/20080221> (accessed 9 March 2025).

³¹⁷ 'Department of the Treasury: Office of Foreign Assets Control: Additional Designation of Individual Pursuant to Executive Order 13460', Federal Register / Notices, 73 (40), 28 February 2008 / Notices 10857, US Government Publishing Office, www.govinfo.gov/content/pkg/FR-2008-02-28/pdf/E8-3777.pdf (accessed 9 March 2025).

of whom he is a cousin, as well as other unfair means, managed to secure preferential contracts and other business privileges and advantages.’ Consequently, ‘[t]he Director’s recommendation was that the application of appellant 1 be rejected.’³¹⁸

Despite the insertion of Makhlouf’s name on OFAC’s SDN List on 21 February 2008, the proof to that effect readily available online and the note, dated 27 January 2010, of the Director of the Department of Civil Registry & Immigration of Cyprus, who recommended the rejection of the application of Makhlouf, ‘the Minister of Interior’, to quote from the judgment, ‘submitted a proposal to the Council of Ministers on 28.12.2010 calling for the grant of naturalization by exception to appellant 1 and his wife ...’. The Minister of the Interior did so on the grounds that they were ‘both considered to offer the highest level of services to the Republic of Cyprus’ due to their ‘business activities’ and because ‘the public interest justifies the naturalisation of the applicants.’ On 4 January 2011, with the House of Representatives ‘already informed’, the Council of Ministers decided to approve the naturalisation of Makhlouf for essentially the same reasons as those given by the Minister. According to the judgment, Makhlouf ‘had deposits, with a five-year maturity, in Cypriot banks, amounting to €17,300,000 and real estate worth €320,000.’³¹⁹

The decision of the Council of Ministers of Cyprus, dated 4 January 2011, did not age well. On 9 May 2011, by means of a Decision ‘concerning restrictive measures against Syria’, the Council of the EU followed the path already taken by the US Department of the Treasury by imposing restrictive measures on Makhlouf. Among other allegations, the European Council claimed that Makhlouf was ‘principal overseer of violence against demonstrators’ and ‘cousin of President Bashar Al-Assad’ who ‘provides funding to the regime allowing violence against demonstrators.’³²⁰ Thereafter, via a decision taken on 10 August 2011 but reaffirmed on 29 May 2013, after an investigation, the Council of Ministers annulled the citizenship of each of the appellants, including Makhlouf. On 10 September 2024, the Supreme Constitutional Court of Cyprus rejected the appeal against these annulments.

In its judgment, the Supreme Constitutional Court did ‘not consider it appropriate to comment on why the then Minister of the Interior forwarded a Proposal to the Council of Ministers that the specific person and his dependents be naturalised, while the recommendation of the Director of the Migration Department, dated 27.01.2010, which was based on evidence, was that the application for naturalisation should be rejected.’ Subject to that caveat, the Court did opt to ‘note in parenthesis’ that ‘in the proposal submitted by the then Minister of the Interior to the Council of Ministers, with notification to the House of Representatives, for the naturalisation of appellant 1, no reference is made to the Note of the Director of the Department of Civil Registry and Migration, who, for the reasons stated above, recommended the rejection of appellant 1’s request. It remains unknown to the Court whether the Council of Ministers was informed of the content of the Note.’

Despite raising their eyebrows in these ways, the judges of the Supreme Constitutional Court of Cyprus went to considerable lengths to avoid casting any aspersions on the then Minister of the Interior and the Council of Ministers of which he was a member. For example, the Court noted ‘that the annulment of the naturalisation of appellant 1 was not

³¹⁸ *Rami Makhlouf κ.α. ν. Κυπριακής Δημοκρατίας Υπουργικού Συμβουλίου κ.α., ορ. cit.*

³¹⁹ *Ibid.*

³²⁰ ‘Council Decision 2011/273/CFSP of 9 May 2011 concerning restrictive measures against Syria (OJ L 121, 10.5.2011, p. 11)’, <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2011D0273:20111114:EN:PDF> (accessed 2 March 2025).

based on the [alleged] corruption offenses attributed to him by the American authorities, which were known to the Minister of the Interior at the time of appellant 1's naturalization, but on other [alleged] illegalities.' The Court, therefore, reiterated that 'the contested decision was based on the [alleged] financing of the violent suppression of the demonstrations of the civilian population in Syria, an event that took place at a later stage, after his naturalisation.' For these and other reasons, the Court opted to 'conclude that there is no issue of any breach of the principles of good faith and good administration' on the part of the Council of Ministers. Nor was there any abuse of power attributed to it.³²¹

Be all that as it may, what makes the case involving Makhlouf so emblematic of chronically bad governance is what was divulged by Neoklis Sylikiotis, the Minister of the Interior of Cyprus, in remarks of his recorded in an official press release of 20 July 2011. To translate freely from the press release, Sylikiotis made the revelations quoted below:

'According to a letter from the Ministry of Foreign Affairs [of Cyprus], dated 1 July 2011, with an official receipt stamp from the Ministry of Interior on 8 July 2011, Mr. Rami Makhlouf is on the list of persons on whom the EU has imposed restrictive measures due to the situation in Syria. These restrictive measures, which, as far as I am aware, have not yet been posted on the EU website, include restrictions on the free entry of certain individuals into EU countries and the freezing of their bank accounts. These individuals are considered by the EU to be involved in the violent repression of the protests of Syrian citizens against the Assad regime or to be providing financial support to the regime. For your information, these individuals have not yet been registered on the relevant list of either Interpol or Europol, which is why the Aliens and Immigration Service (IAS) has not had any information to date.

'The letter in question from the Ministry of Foreign Affairs [*i.e.*, *the one dated 1 July 2011*] reached my office today [*i.e.*, *on 20 July 2011*], and I have immediately given instructions to begin the process of revoking Mr. Makhlouf's Cypriot citizenship.'³²²

Bad governance may be inferred from at least two aspects of these Ministerial revelations which, to repeat, were recorded in an official press release of 20 July 2011.

Firstly, in the age of email, it is farcical that the letter from the Ministry of Foreign Affairs of Cyprus, dated 1 July 2011, did not officially reach the Ministry of the Interior of Cyprus until 8 July 2011 and it did not then reach the office of the Minister of the Interior until 20 July 2011. Given that the letter was of potential importance to national security, the integrity of the Naturalisation by Exception Scheme and the reputation of Cyprus, it should not have taken twenty days for the letter to have reached the desk of the Minister of the Interior.

Secondly, in the age of the internet, it is hard to accept the Minister of the Interior's claim of 20 July 2011 that in so far as he was 'aware' the 'restrictive measures' applicable to Makhlouf and others had 'not yet been posted on the EU website'. Restrictive measures were adopted by a Decision of the Council of the EU made on 9 May 2011 and published in the 10 May 2011 edition of the Official Journal of the EU on the EU's official europa.eu

³²¹ *Rami Makhlouf κ.α. v. Κυπριακής Δημοκρατίας Υπουργικού Συμβουλίου κ.α., op. cit.*

³²² «Δηλώσεις του Υπουργού Εσωτερικών για την παραχώρηση κυπριακής υπηκοότητας στον κ. Ραμί Μακλούφ», Archive of the Press & Information Office of the Ministry of the Interior of Cyprus, 20 July 2011, www.piopressreleases.com.cy/easyconsole.cfm/page/easyconsole.cfm?page=printRelease&s_id=348120&isImported=1 (accessed 9 March 2025).

website.³²³ The Decision of the Council of the EU made on 9 May 2011 was followed by a related Decision of the Council of the EU, Implementing Decision 2011/302/CFSP, on 23 May 2011 and published in the 24 May 2011 edition of Official Journal of the EU on the same europa.eu website.³²⁴ In paragraph (2) of the latter Decision, it states that '[i]n view of the gravity of the situation in Syria, additional persons should be included in the list of persons and entities subject to restrictive measures set out in the Annex to Decision 2011/273/CFSP' and the details relating to 'Person 9' in that 'list' include the name of Rami Makhlouf who is described as '[a] Syrian businessman', '[an] associate of Maher Al-Assad', '[a] cousin of President Bashar Al-Assad' and someone who 'provides funding to the regime allowing violence against demonstrators.'³²⁵ Thus, details regarding the EU restrictive measures imposed on Makhlouf were put into the public domain on the official website of the EU on 10 and 24 May 2011. That was weeks before the Minister of the Interior indicated, on 20 July 2011, that as far as he was 'aware', the 'restrictive measures' applicable to Makhlouf and others had 'not yet been posted on the EU website'.

It should not go unmentioned that it was in the context of escalating conflict in Syria that the Christofias Administration was responsible for the catastrophic explosion at the Evangelos Florakis Naval Base at Mari on 11 July 2011.³²⁶ This wholly avoidable disaster led to the death of thirteen people, the temporary shutting down of the semi-shattered Vassilikos Power Station and the resignation as well as the successful prosecution of the late Costas Papacostas, the then Minister of Defence. The disaster also led to a damning report of inquiry dated 30 September 2011.³²⁷ If one reads the 643 pages of the report, in tandem with an academic study,³²⁸ one finds that among the causes of the disaster at Mari were a lack of transparency, a failure to foresee the foreseeable, a parallel failure to engage in effective risk management and other features of chronically bad governance.

During the Cypriot Presidency of the European Council from 1 July until 31 December 2012, the Christofias Administration had every opportunity to show leadership in terms of promoting good governance, fighting economic crime and combating corruption, particularly but not only in the context of Cyprus-Russia relations. Even so, the Christofias Administration wasted the opportunity. When he appeared before the European Parliament

³²³ 'Council Decision 2011/273/CFSP of 9 May 2011 concerning restrictive measures against Syria (OJ L 121, 10.5.2011, p. 11)', <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2011D0273:20111114:EN:PDF> (accessed 2 March 2025).

³²⁴ 'Decision of the European Council, Implementing Decision 2011/302/CFSP of 23 May 2011 implementing Decision 2011/273/CFSP concerning restrictive measures against Syria (OJ L 136, 24.5.2011, p. 91)', <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02011D0302-20110523> (accessed 9 March 2025).

³²⁵ Ibid, paragraph (2).

³²⁶ 'Statement by the Government Spokesman [Stefanos Stefanou] on the explosion at the Naval Base Evangelos Florakis [on 11 Ιουλίου 2011]', Archive of the Press & Information Office of the Ministry of the Interior of Cyprus, 12 July 2011, www.piopressreleases.com.cy/easyconsole.cfm/page/easyconsole.cfm?page=printRelease&s_id=347601&isImported=1 (accessed 9 March 2025).

³²⁷ Πόλυς Πολυβίου, *Πόρισμα μονομελούς ερευνητικής επιτροπής για τη διεξαγωγή έρευνας σχετικά με την έκρηξη που επισυνέβη την 11η Ιουλίου 2011 στη Ναυτική Βάση «Ευάγγελος Φλωράκης» στο Μαρί* (Λευκωσία, Μονομελούς Ερευνητικής Επιτροπής, 30 Σεπτεμβρίου 2011), <https://media.philenews.com/porisma.pdf> and as archived by the Wayback Machine from the version published by the Cyprus News Agency on 5 March 2011 at <https://web.archive.org/web/20111005090635/http://media.cna.org.cy/pdf/PORISMA.pdf> (accessed 9 March 2025).

³²⁸ Panos Constantinides, 'The Failure of Foresight in Crisis Management: A Secondary Analysis of The Mari Disaster', *Technological Forecasting and Social Change*, 80 (9), 1657-1673, January 2012, <https://doi.org/10.1016/j.techfore.2012.10.017> (accessed 17 October 2024).

on 4 July 2012 to explain 'our general political objective for the six-month Cypriot Presidency' and 'four main priorities', President Christofias did not expressly touch on any of these issues.³²⁹ By contrast, some Members of the European Parliament ('MEP') did. An example is Kristiina Ojuland MEP of the Alliance of Liberal & Democratic Parties for Europe Party. Addressing the European Parliament on the same day as Christofias, Ojuland issued the following call:

'As a rapporteur on the proposal for a recommendation to the Council on establishing common visa restrictions for Russian officials involved in the Sergei Magnitsky case, I would like to call on the Cyprus Presidency to take our recommendation aboard and engage in combating corruption and impunity in Russia. Good neighbourly relations should not be based on discreet and submissive silence when witnessing such serious breaches of domestic and international law.'³³⁰

A further opportunity was presented on 14 December 2012 when the member countries of the Commonwealth adopted the Commonwealth Charter. Having joined the Commonwealth as far back as 13 March 1961, Cyprus should have brought its new Charter to the forefront of the public dialogue so that all those in all sectors of Cyprus could be aware of the 16 'core values and principles' promoted by it. One of these is Number VIII, entitled 'Good Governance', by which Cyprus and other member countries of the Commonwealth declare the following: 'We reiterate our commitment to promote good governance through the rule of law, to ensure transparency and accountability and to root out, both at national and international levels, systemic and systematic corruption.'³³¹

At least two questions arise. Firstly, after the approval of the Commonwealth Charter on 14 December 2012 (during the Presidency of Christofias) and after its signing on 11 March 2013 (during the Presidency of Anastasiades), did the Government of Cyprus take any audible as well as visible steps to publicise the Commonwealth Charter with the aim of imprinting it into the conscience of the public? Secondly, after 14 December 2012 and 11 March 2013, did the Government of Cyprus use the Commonwealth Charter, including its 'commitment to promote good governance through the rule of law', as a stimulant to ensure that all personnel in the Government were adequately trained so that they could understand what is meant by good governance, why it inter-relates with the rule of law and how these concepts may not only help 'to root out ... systemic and systematic corruption' but may also help to prevent any replication of 'the stock market crash of 2000', the disaster at Mari in 2011 or any of the other crises and catastrophes of the past?

The author infers that the answer to each of these two questions is 'no'. After all, he has found no mention of the Commonwealth Charter in the English and Greek language versions of the gov.cy website of the Government of Cyprus. Nor has he found any mention in the online archive of press releases at www.piopressreleases.com.cy, as

³²⁹ 'Verbatim report of proceedings: Wednesday, 4 July 2012 - Strasbourg: Programme of activities of the Cyprus Presidency (debate)', European Parliament, www.europarl.europa.eu/doceo/document/CRE-7-2012-07-04-ITM-003_EN.html (accessed 27 March 2025).

³³⁰ Ibid.

³³¹ *The Commonwealth Charter: Presented to Parliament by the Secretary of State for Foreign and Commonwealth Affairs by Command of Her Majesty: March 2013: Cm 8572* (London: Her Majesty's Stationery Office, 2013), 2 and 4, https://assets.publishing.service.gov.uk/media/5a79f892ed915d6d99f5c36e/Cm_8572.pdf and www.gov.uk/government/publications/the-commonwealth-charter (accessed 13 March 2025).

maintained by Press & Information Office of the Ministry of the Interior, the mouthpiece of the Government of Cyprus.³³²

3.5 Mounting causes for concern, 2013-20

During the thirteen years of its existence, the Naturalisation by Exception Scheme was sustained by legislation enacted by the House of Representatives³³³ and by Decisions taken by the Council of Ministers such as the ones dated 11 July 2007 and 24 May 2013. The latter was taken during the first months of the Presidency of Nicos Anastasiades which began on 28 February 2013. The Council of Ministers included this Decision in its published list of Decisions taken on 24 May 2013. It is listed as Decision No. 75.148 and as has been published in the edition of the Official Gazette published on 26 July 2013.³³⁴ This stands in material contrast with the seemingly suspicious non-publication of Decision No. 65.824, dated 11 July 2007, as taken by the Council of Ministers under the convenorship of President Papadopoulos, which heralded the onset of the Scheme.

Despite the publication of Decision No. 75.148, dated 24 May 2013, the Nicolatos Report produces credible evidence to imply that the Anastasiades Administration maintained one of the signs of bad governance previously exhibited by the Papadopoulos and Christofias Administrations. Even though potentially relevant passages have been redacted from it,³³⁵ the Nicolatos Report pronounces that the Council of Ministers, as it existed during the Papadopoulos, Christofias and Anastasiades Administrations, adopted a general practice of keeping the Attorney-General detached from the Naturalisation by Exception Scheme.³³⁶ This is surprising given the legal complications arising from the Scheme and the role accorded to the Attorney-General by Article 113 of the 1960 Constitution:

‘The Attorney-General of the Republic assisted by the Deputy Attorney General of the Republic shall be the legal adviser of the Republic and of the President and of the Vice-President of the Republic and of the Council of Ministers and of the Ministers and shall exercise all such other powers and shall perform all such other functions and duties as are conferred or imposed on him by this Constitution or by law.’³³⁷

³³² The author could not find any reference to the Commonwealth Charter after searching for any official Cypriot Government press releases incorporating the Greek word «Κοινοπολιτεία» (i.e., ‘Commonwealth’) or the English word ‘Commonwealth’ from from 14 December 2012 when the Commonwealth Charter was approved until 11 March 2013 when the Commonwealth Charter was formally signed. The search was conducted on the online Archive of the Press & Information Office of the Ministry of the Interior of Cyprus at www.piopressreleases.com.cy/easyconsole.cfm/page/search on 16 March 2025.

³³³ For an official set of guidelines written in English and summarising the requirements of the relevant law as it existed on 20 October 2016, see ‘Scheme for Naturalisation of Investors in Cyprus by Exception on the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2015: Guidelines for the Submission of an application for the acquisition of an Immigration Permit’, Civil Registry & Migration Department, Ministry of the Interior of the Republic, 20 October 2016, [www.moi.gov.cy/moi/crmd/crmd.nsf/All/B84AAABE3728811AC22587CF00408822/\\$file/SCHEME%20FOR%20INVESTORS%20NATURALISATION%2013%209%202016_IMMIGRATION%20PERMIT.pdf](http://www.moi.gov.cy/moi/crmd/crmd.nsf/All/B84AAABE3728811AC22587CF00408822/$file/SCHEME%20FOR%20INVESTORS%20NATURALISATION%2013%209%202016_IMMIGRATION%20PERMIT.pdf) (accessed 13 June 2024).

³³⁴ Decision No. 75.148 of 24 May 2013 in «Αποφάσεις 2013» (‘Decisions 2013’), Council of Ministers of Cyprus, www.cm.gov.cy/cm/cm.nsf/index_13/index_13?OpenForm (accessed 21 June 2024).

³³⁵ Nicolatos Report, *op. cit.*, 461-463.

³³⁶ *Ibid.*, 456-463.

³³⁷ Article 113, 1960 Constitution, *op. cit.*

If the Nicolatos Report is correct, the Attorney-General does not appear to have been routinely instructed to advise in relation to the Naturalisation by Exception Scheme until 2015, eight years or so after its inception. Even then, the legal advice tendered by the Attorney-General was not necessarily followed. On this, the Nicolatos Report does not apportion responsibility to the Council of Ministers but to ‘the Executive Branch’ generally.³³⁸ This is revealing. It points to a collective multi-year cross-Government failure to give primacy to the seeking, the receiving and the following of appropriate legal advice in line with Principle 5 of the Council of Europe’s 12 Principles of Good Democratic Government, i.e., the one devoted to the rule of law. It also points to something – potentially malevolent – a governmental determination, over eight years or so, to withhold certain Scheme-related details from the Attorney-General, the constitutionally-ordained legal adviser of the Republic of Cyprus, its President, the Council of Ministers and its Ministers.

The Nicolatos Report draws attention to alleged failings or shortcomings on the part of other organisations such as supervisory and regulatory bodies. It suffices to quote one emblematic passage of the Nicolatos Report, as translated freely by the author:

‘From the testimony that has been presented, it is evident that, despite the statutory existence of supervisory authorities since 2008 for issues to do with illegal money, no substantial control was carried out by the competent supervisory authorities for the purposes of the Cyprus Investment Authority Program or otherwise. The effort to supervise debtors actually started only after a relevant demand by the Troika [*i.e., in the context of ‘the financial crisis’ of 2012-13*]. We consider, therefore, that the conclusion to be drawn is that before 2015 no serious audit of lawyers, accountants or their firms was conducted regarding the Cyprus Investment Program.’³³⁹

For these and for other reasons presented in the Nicolatos Report, collective multi-year cross-Government failures were matched by comparable failures outside the four corners of the Government of Cyprus. These failures had aggravating features which may help to account for the collective multi-year failure to uphold all 12 Principles. One is that throughout almost all of its existence from 2007 until 2020 Cyprus formed part of the euro area. In and of itself, Cypriot entry into the euro area should have resulted in the conscious, consistent and conspicuous promotion of good governance in all sectors of Cyprus. However, this does not appear to have happened, with hideous consequences.

Cyprus entered the euro area on 1 January 2008 in a move with immense geoeconomic ramifications which supplemented the immense geopolitical ramifications of accession to the EU on 1 May 2004.³⁴⁰ Whatever one’s views may be as to the merits of each of these outcomes, the fact remains that in order to join the euro area Cyprus had to satisfy certain prerequisites collectively known as ‘convergence criteria’. One of these ‘criteria’ expressly required Cyprus to maintain ‘sound public finances’ in order ‘to ensure they are sustainable’.³⁴¹ This implicitly required Cyprus to adhere to the principles of good

³³⁸ Nicolatos Report, *op. cit.*, 463.

³³⁹ *Ibid.*, 331.

³⁴⁰ See Stéphanie Laulhé Shaelou and Phoebus Athanassiou, ‘Cyprus’s EU Membership, Twenty Years On: A Statement of Motives and an Assessment of Benefits’, *European Foreign Affairs Review*, 29 (3), 2024, 231-246 <https://doi.org/10.54648/eerr2024011> and the European Commission’s annual *Convergence Report*, the 2024 edition is which is available on the European Commission website at https://economy-finance.ec.europa.eu/publications/convergence-report-2024_en (accessed 16 September 2024).

³⁴¹ ‘Convergence criteria for joining’, European Commission, https://economy-finance.ec.europa.eu/euro/enlargement-euro-area/convergence-criteria-joining_en Also see *inter alia* Panos C. Afxentiou, ‘Convergence, the Maastricht Criteria, and Their Benefits’, *The Brown Journal of World Affairs*,

governance, including Principle 10 of the 12 Principles which is entitled 'Sound Financial Management'. Be that as it may, in yet another sign of the chronically bad governance afflicting Cyprus during the lifetime of the Citizenship by Exception Scheme, Cyprus failed to adhere to these principles in the years after it joined the euro area on 1 January 2008. Evidence to this effect is to be found in 'the financial crisis' of 2012-13, which was even more serious than 'the stock market crash of 2000'.

Without doubt, 'the financial crisis' began to reach its ruinous peak from late 2012 until early 2013 – at the sunset of Christofias Administration and at the dawn of the Anastasiades Administration. In common with 'the stock market crash of 2000' which preceded it, 'the financial crisis' of 2012-13 was caused by an array of factors. Among them were unethical practices and unwise decisions which were enabled by unsound financial management, unsatisfactory risk management, slipshod supervision, ineffective regulation and other features of bad or weak governance in the private and public sectors. This is one of the conclusions to be drawn from the academic literature³⁴² and from a text published in English – the 118-page *Final Report*, dated October 2013, of the Independent Commission on the Future of the Cyprus Banking Sector ('the Independent Commission').³⁴³

While the Independent Commission gives emphasis to what went wrong in certain banks, it is no less blistering in its criticism of the culpability of elements of the public sector. For instance, it assesses '[t]hat over the period 2004-2010, Cyprus' banks grew dangerously large through a combination of aggressive management and weak governance, compounded by a failure by the public authorities to appreciate the risks that the banks were running, and therefore to take effective measures to rein them in.'³⁴⁴ For these and other reasons, the Independent Commission reaches the following conclusion:

'Cyprus' extraordinary banking crisis was due to failures at several levels: national fiscal policy, macro-prudential oversight, banking supervision, and the governance of

VII (I), Winter/Spring 2000, 245-254,

<https://faculty.sites.iastate.edu/tesfatsi/archive/econ353/tesfatsion/MaastrichtConvergenceCriteria.Afxentiou.pdf> (accessed 16 September 2024).

³⁴² On the causes and consequences of the financial crisis, see *inter alia* in chronological order *International Monetary Fund: Staff Country Reports: Cyprus: IMF Country Report No. 13/125* (Washington DC: International Monetary Fund, May 2013), www.elibrary.imf.org/view/journals/002/2013/125/002.2013.issue-125-en.xml, Sofronis Clerides, 'The Collapse of the Cypriot Banking System: A Bird's Eye View', *Cyprus Economic Policy Review* 8 (2), 2014, 3-35, www.ucy.ac.cy/erc2/wp-content/uploads/sites/125/2023/08/CyEPR_Vol8_No2_A1_12_2014.pdf, John Theodore and Jonathan Theodore, *Cyprus and the Financial Crisis: The Controversial Bailout and What it Means for the Eurozone* (Basingstoke: Palgrave Macmillan, 2015), Demetra Arsalidou and Maria Krambia-Kapardis, 'Weak corporate governance can lead to a country's financial catastrophe: the case of Cyprus', *Journal of Business Law*, 4, 2015, 361-382, https://mariakrambiakapardis.wordpress.com/wp-content/uploads/2014/07/journal-of-business-law_2015.pdf and Scott Brown, Demetra Demetriou and Panayiotis Theodosiou, 'Banking Crisis in Cyprus: Causes, Consequences and Recent Developments', *Multinational Finance Journal*, 22 (1/2), 2018, 63-118, www.mfsociety.org/modules/modDashboard/uploadFiles/journals/MJ~0~p1dg2hfl4fdhu1i4g1a4vu441ejj4.pdf (accessed 16 September 2024).

³⁴³ David Lascelles (Chairman), David Green, George Charalambous and Pierre de Weck, *Independent Commission on the Future of the Cyprus Banking Sector: Final Report and Recommendations* (Nicosia: Independent Commission on the Future of the Cyprus Banking Sector, October 2013), www.centralbank.cy/images/media/pdf/LSE_ICFCBS_Final_Report_10_13.pdf and www.centralbank.cy/en/independent-commission-on-the-future-of-the-cyprus-banking-sector (accessed 16 September 2024).

³⁴⁴ *Ibid*, 3 (paragraph 3.4.1).

the banks themselves, as well as in banking practices, particularly lending, all happening within an exceptionally difficult economic and political environment.³⁴⁵

After ‘the financial crisis’ of 2012-13, steps were certainly taken to learn lessons, implement reforms and otherwise respond to what had gone wrong.³⁴⁶ However, these steps did not go far enough. This is demonstrated by the spectacular ‘collapse’ of the Cooperative Credit System in 2018 and the searing findings of the *Report of the Investigative Committee into the Collapse of the Cooperative Credit System*, as published on 6 March 2019, whose main body is spread over 776 pages.³⁴⁷ In common with ‘the stock market crash of 2000’ and the Mari disaster of 2011, the ‘financial crisis’ of 2012/13, the ‘collapse’ of the Cooperative Credit System in 2018 must surely be viewed as another consequence of chronically bad governance which was exposed before the Naturalisation by Exception Scandal started to be exposed in earnest in 2020.

Another aggravating feature is that during the lifespan of the Naturalisation by Exception Scheme vast investment flows poured into Russia from Cyprus and *vice versa*, as evidenced by Images 9a and 9b respectively. These flows were accompanied by mounting evidence that Cyprus had been exploited by foreign organised crime groups. Yet, successive governments of Cyprus appeared to remain in denial. For example, when the ‘financial crisis’ prompted a deluge of allegations and related questions as to whether Cyprus was ‘a hub for Russian money laundering’,³⁴⁸ the Cypriot Government appeared to be dismissive. Good governance demanded an open mind. However, on 6 March 2013, the Government Spokesman, Christos Stylianides, did not appear to display one: ‘As regards money laundering,’ Stylianides thundered, ‘this is mere defamation, which, due to misinformation and other politics, has been, for some time now, traumatizing Cyprus’ reputation as a financial centre.’ As if to ram home this message, it was folded into an official press release with a title which reflected his dismissive stance: ‘Government Spokesman: Defaming allegations on money laundering in Cyprus’.³⁴⁹

³⁴⁵ Ibid, 26 (paragraph 3.18).

³⁴⁶ See, for instance, the transcripts of the speeches delivered by successive holders of the office of Governor of the Central Bank of Cyprus at ‘Previous Governors’ Speeches’ at www.centralbank.cy/en/the-governor/previous-governors/previous-governor-s-speeches and ‘Governor’s Speeches’ at www.centralbank.cy/en/the-governor/governor-speeches (accessed 16 September 2024).

³⁴⁷ Γεώργιος Αρέστης (Πρόεδρος), Γεώργιος Χαραλάμπους και Γεώργιος Γεωργίου (Μέλη), *Έκθεση Ερευνητικής Επιτροπής για την Κατάρρευση του Συνεργατικού Πιστωτικού Συστήματος* (Λευκωσία, Κυπριακή Δημοκρατία, 1 Μαρτίου 2019), i.e., Georgios Arestis (Chairman), Georgios Charalambous and Georgios Georgiou (Members), *Report of the Investigative Committee into the Collapse of the Cooperative Credit System* (Nicosia, Republic of Cyprus, 1 March, 2019), www.pio.gov.cy/assets/pdf/newsroom/2019/03/EKTHESI%20EREYNITIKIS%20EPITROPIS%20GIA%20SYNERGATISMO.pdf attached to «Το ΓΤΠ δίνει στη δημοσιότητα την έκθεση της Ερευνητικής Επιτροπής για την κατάρρευση του Συνεργατικού Πιστωτικού Συστήματος», i.e., ‘the PIO places in the public domain the Report of the Investigative Committee into the Collapse of the Cooperative Credit System’, Press and Information Office, Ministry of the Interior of Cyprus, 6 March 2019, www.pio.gov.cy/ανακοινωθεντα-αρθρο.html?id=6409#flat and www.pio.gov.cy/%CE%B1%CE%BD%CE%B1%CE%BA%CE%BF%CE%B9%CE%BD%CF%89%CE%B8%CE%AD%CE%BD%CF%84%CE%B1-%CE%AC%CF%81%CE%B8%CF%81%CE%BF.html?id=6409#flat (accessed 21 June 2024) and as archived by the Wayback Machine on 16 November 2019 at <https://web.archive.org/web/20191116033008/www.pio.gov.cy/assets/pdf/newsroom/2019/03/EKTHESI%20EREYNITIKIS%20EPITROPIS%20GIA%20SYNERGATISMO.pdf> (accessed 31 August 2025).

³⁴⁸ Deepa Babington, ‘In Cyprus port, Russian money flows freely’, Reuters, 23 February 2013.

³⁴⁹ ‘Government Spokesman: Defaming allegations on money laundering in Cyprus’, Archive of the Press & Information Office of the Ministry of the Interior of Cyprus, 6 March 2013, www.piopressreleases.com.cy/include/document_loader_ajax.cfm?s_id=366862&isImported=1&cf_containerId=Window366862-

Table 1: Top Ten Investors - By Year (in USD million)

Country	Jan-Sept. 2009		Jan-Sept. 2008	
	Total	FDI	Total	FDI
Luxembourg	8,905	N/A	6,267	N/A
Netherlands	8,348	1,066	8,911	4,942
Germany	5,507	1,635	6,528	1,847
Cyprus	5,231	2,092	15,304	4,320
UK	4,231	317	12,550	870
Japan	1,641	N/A	N/A	N/A
France	1,600	537	5,079	671
USA	1,279	92	2,098	216
Virgin Islands (UK)	1,129	359	2,643	1,595
Ireland	595	N/A	999	N/A
All Others	16,272	3,877	15,411	4,740
Total	54,738	9,975	75,792	19,201

Image 9a: 'Table 1: Top Investors [in Russia] – By Year (in USD million)' in '2010 Investment Climate Statement – Russia', US State Department, March 2010, <https://2009-2017.state.gov/e/eb/rls/othr/ics/2010/138134.htm> (accessed 12 March 2025).

Direct Investment from/in Counterpart Economy Data Saved to this PC

From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

Inward Direct Investment			Outward Direct Investment		
Total Inward	173,709	100%	Total Outward	174,029	100%
Russian Federation	16,789	9.7%	Russian Federation	26,734	15.4%
Netherlands	13,862	8.0%	Netherlands	6,550	3.8%
Germany	9,301	5.3%	Luxembourg	6,353	3.6%
Brit Virgin Islands	4,831	2.8%	United Kingdom	2,938	1.7%
United Kingdom	4,267	2.4%	Norway	1,379	0.8%

*0" reflects amounts rounded to +/- USD 500,000.

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Image 9b: 'Direct Investment from/in Counterpart Economy Data' in '2017 Investment Climate Statements: Cyprus', US State Department, March 2017, www.state.gov/reports/2017-investment-climate-statements/cyprus/ (accessed 12 March 2025).

The Government Spokesman's press release of 6 March 2013 did not stem the outpouring of concerns. This is demonstrated by what happened on 24 April 2013. The Council of Europe published a 75-page text with the following title: *Special Assessment of the Effectiveness of Customer Due Diligence Measures in the Banking Sector in Cyprus: Report produced by a team of international experts under the auspices of the Committee of*

[body& cf nodebug=true& cf nocache=true& cf clientid=AB4991F8CCFB8A9AC1E7E0720F688646& cf rc=0](https://www.coe.int/t/e/banking/2013/04/130424_sadme_banking_cyprus_en.pdf) (accessed 13 March 2025).

*Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) in response to a request by the President of the Eurogroup Working Group.*³⁵⁰ Even though it focuses on the banking sector in Cyprus, the *Special Assessment* draws attention to inadequate compliance with anti-money laundering laws and inadequate regulatory oversight for which, one may infer, ultimate responsibility rests with successive Cypriot governments mired in chronically bad governance.

The chief findings of the *Special Assessment* are that '[s]ubstantial international business, which is mainly tax-driven, is conducted in and through the Cypriot banking sector', that this form of business 'involves various features such as complex corporate structures, cross-border transactions with counter-parties in various jurisdictions, introduced business, the use of nominee shareholders/directors, trusts, client accounts and cash-collateralised loans' and that '[t]hese features are inherently vulnerable to misuse for money laundering (ML) and financing of terrorism (FT) purposes and pose the highest ML/FT risk to the banking sector in Cyprus.'³⁵¹ Having made these and other findings, the *Special Assessment* reaches certain conclusions. To take an example: 'With regard to individual components of CDD [*i.e.*, *Customer Due Diligence*], weaknesses in the establishment of the business and economic profile of the customer have been identified.'³⁵² To take another example: 'Some of the banks do not appear to have adequate measures in place to identify cases where an existing customer becomes or is subsequently found to be a PEP [*i.e.*, *Politically Exposed Person*].' Indeed: 'Measures to identify 'immediate family members' or 'close associates' of PEPs and to obtain information on the source of wealth of PEPs are generally weak.'³⁵³

Even though the *Special Assessment* does not explore the effect, if any, of these 'weaknesses' upon the Naturalisation by Exception Scheme, one may infer that these 'weaknesses' did have a bearing and that some beneficiaries of the Scheme wrongfully acquired citizenship on the back of them. More to the point, the *Special Assessment* offers invaluable insights into one of the features of bad governance in public sector – a lack of transparency and efficiency at the Registrar of Companies, a public authority operating, at the time of writing, under the auspices of the Ministry of Energy, Commerce & Industry. For instance, even though '[a]t the end of February 2013, 270,741 companies were included on the register [maintained by the Registrar of Companies], 56,815 of them being registered since the start of 2010', the *Special Assessment* reports that 'no statistics are available' although 'it is thought that the majority of companies formed in Cyprus for non-Cypriot residents in recent years have been formed for Russian persons.'³⁵⁴ This revelation is breathtaking. Yet it is yet another sign of the chronically bad governance which caused or enabled the Naturalisation by Exception Scandal.

Another sign of chronically bad governance is the experience of the author when he went in search of any annual report and publication scheme of the Ministry of Energy, Commerce & Industry, the Ministry with departmental responsibility for the Registrar of Companies. After seemingly being unable to find any such text on the website of the Ministry, the author

³⁵⁰ *Special Assessment of the Effectiveness of Customer Due Diligence Measures in the Banking Sector in Cyprus: Report produced by a team of international experts under the auspices of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) in response to a request by the President of the Eurogroup Working Group* (Strasbourg: MONEYVAL, 24 April 2013), <https://rm.coe.int/special-assessment-of-the-effectiveness-of-customer-due-diligence-meas/168071611d> (accessed 14 March 2025).

³⁵¹ *Ibid.*, 5 (par. 2).

³⁵² *Ibid.*, 11 (par. 23).

³⁵³ *Ibid.*, 50 (par. 162).

³⁵⁴ *Ibid.*, 8 (par. 15).

appeared to find the publication scheme via a search conducted on Google. However, when he clicked on the relevant link provided by Google, namely a link on the website of the Ministry incorporating the Greek words for ‘publication scheme’, energy.gov.cy/primary-menu/583/σχέδιο-δημοσίευσης.html, the following message appeared on the screen of the author: ‘Your connection isn’t private Attackers might be trying to steal your information from energy.gov.cy (for example, passwords, messages, or credit cards). ...’.³⁵⁵ Eventually, after further searching, the author managed to trace the 7-page Publication Scheme of the Ministry, dated December 2020,³⁵⁶ but it contained no reference to any annual report!

A further aggravating feature has to do with the US. From the summer of 2013 onwards, US law enforcement authorities started to secure a number of guilty pleas following its investigations into the now disbanded Taiwanchik-Trincher Organization.³⁵⁷ On 30 April 2014, upon the sentencing of two defendants who had ‘pled guilty to conspiring to commit racketeering’, the US Attorney’s Office, Southern District of New York, explained that the Taiwanchik-Trincher Organization ‘was a criminal enterprise with strong ties to Russia and Ukraine’ which ‘operated a high-stakes, illegal sports gambling business out of New York City that catered primarily to Russian oligarchs living in Ukraine and Russia.’ What is the relevance of this to Cyprus? The answer lies in a disclosure made by the same US Attorney’s Office on 30 April 2014:

‘Between 2006 and April 2012, the enterprise laundered approximately \$100 million in proceeds from their gambling operation in Russia and Ukraine through shell companies and bank accounts in Cyprus; and of this \$100 million, approximately \$50 million was subsequently sent from Cyprus into the United States. Once the money had been transferred to the United States, it was either laundered through additional shell companies or invested in legitimate investments, such as hedge funds and real estate.’³⁵⁸

To repeat, these disclosures were made on 30 April 2014. That was soon after the original Russian invasion of Ukraine in February 2014 and the subsequent imposition of a Russia-focused EU sanctions regime in response.³⁵⁹ In response, one might have expected the

³⁵⁵ These words appeared after the author clicked on energy.gov.cy/primary-menu/583/σχέδιο-δημοσίευσης.html on 14 March 2025).

³⁵⁶ «Σχέδιο δημοσίευσης», Ministry of Energy, Commerce and Industry, December 2020, www.energy.gov.cy/assets/modules/wnp/articles/202304/186/editor/scediodimosieusis.pdf (accessed 14 March 2024).

³⁵⁷ See *inter alia* ‘Defendants Plead Guilty In Manhattan Federal Court To Participating In Racketeering Conspiracy With Russian-American Organized Crime Enterprise Operating International Sportsbook And To Participating In A Gambling Ring’, US Attorney’s Office, Southern District of New York, Department of Justice, 14 November 2013, as updated on 18 May 2015, www.justice.gov/usao-sdny/pr/defendants-plead-guilty-manhattan-federal-court-participating-racketeering-conspiracy and ‘Two More Defendants Plead Guilty In Manhattan Federal Court In Connection With Russian-American Organized Crime Gambling Enterprise’, US Attorney’s Office, Southern District of New York, Department of Justice, 15 November 2013, as updated on 18 May 2015, www.justice.gov/usao-sdny/pr/two-more-defendants-plead-guilty-manhattan-federal-court-connection-russian-american (accessed 12 March 2025).

³⁵⁸ ‘Two Defendants Sentenced For Participating In Racketeering Conspiracy With Russian-American Organized Crime Enterprise Operating International Sportsbook That Laundered Over \$100 Million’, US Attorney’s Office, Southern District of New York, Department of Justice, 30 April 2014, as updated on 13 May 2015, www.justice.gov/usao-sdny/pr/two-defendants-sentenced-participating-racketeering-conspiracy-russian-american (accessed 12 March 2025).

³⁵⁹ For authoritative details relating to the period since 2014, see *inter alia* ‘EU sanctions against Russia’, European Council / Council of the EU, www.consilium.europa.eu/en/policies/sanctions-against-russia/ and ‘Sanctions adopted following Russia’s military aggression against Ukraine: Latest update: 14 May 2024’,

Ministry of the Interior and Council of Ministers of Cyprus to have been meticulous in their scrutiny of every application made under the Naturalisation by Exception Scheme. Yet, as documented by the Nicolatos Report, the approach adopted was not meticulous in all cases. To take just one redacted example, a '2018 naturalisation' case was shot through with shortcomings and procedural irregularities, one of which was a glaring failure by the Ministry of the Interior to perform a check 'at the relevant time via World Check and/or via the internet'. Had such a check been carried out, the Ministry would have established that the investor 'had been in detention', presumably pre-trial detention, something which may have resulted in further investigations resulting in the investor being denied Cypriot citizenship. The investor was eventually 'convicted, years after his naturalisation, for criminal offenses which are serious', thus justifying the reopening of the case.³⁶⁰

In addition to being meticulous, the Cypriot Government should have done at least three other things in response to the 'financial crisis' of 2012/13, the original Russian invasion of Ukraine in February 2014, the subsequent imposition of a Russia-focused EU sanctions regime and the mounting evidence that the proceeds of crime had been channelled from Russia to Cyprus as well as *vice versa*. One was to take an audibly and visibly hard line against economic crime, corruption and other wrongdoing. The second was to take audible and visible steps to find out whether the governance of Cyprus was subject to any vulnerabilities which were being exploited by those involved in economic crime, corruption and other wrongdoing. The third was to take audible and visible steps to modify the relationship of Cyprus with Russia.

To be sure, the Government of Cyprus unquestionably took certain steps, as evidenced by an update of MONEYVAL, dated 16 November 2015, which recorded sorely needed but sorely late developments, such as the commencement of a National Risk Assessment Project for Cyprus in July 2015.³⁶¹ Even so, these steps did not go far enough, did not result in any material change of culture and did not adversely affect bilateral Cyprus-Russia relations. Those relations appeared to go from strength to strength, as evidenced by the Russia-Cyprus Joint Action Plan for 2015–2017 and the bilateral memoranda of understanding on economic, science and technology cooperation formally concluded during an official Cypriot Presidential visit to Russia on 25 February 2015.³⁶²

When President Putin and President Anastasiades spoke at a press conference held in Novo-Ogaryovo in Moscow Region on 25 February 2015,³⁶³ neither President offered even the merest of hints that bilateral relations were tainted by any economic crime, corruption or other wrongdoing which needed to be grappled with in the interests of good governance. Nor did either President refer to the need for compliance with international obligations in

European Commission, https://finance.ec.europa.eu/eu-and-world/sanctions-restrictive-measures/sanctions-adopted-following-russias-military-aggression-against-ukraine_en (accessed 18 June 2024).

³⁶⁰ Nicolatos Report, *op. cit.*, 556.

³⁶¹ *Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism: 4th round evaluation of Cyprus: Biennial update: MONEYVAL(2015)47* (Strasbourg: Council of Europe, 16 November 2015), 4, 13, 14, and 17, <https://rm.coe.int/moneyval-moneyval-2015-47-4th-round-evaluation-of-cyprus-biennial-upda/16807358f7> (accessed 14 March 2025).

³⁶² 'Russian-Cypriot talks: Vladimir Putin met with President of the Republic of Cyprus Nicos Anastasiades, who is in Russia on an official visit', the Kremlin, 25 February 2015, en.kremlin.ru/events/president/news/47737 (accessed 14 March 2023).

³⁶³ 'The President of the Republic and the President of the Russian Federation give Joint Press Conference', Archive of the Press & Information Office of the Ministry of the Interior of Cyprus, 25 February 2015, www.piopressreleases.com.cy/easyconsole.cfm/page/easyconsole.cfm?page=printRelease&s_id=542459&is_imported=1 and 'Press statement and replies to journalists' questions following Russian-Cypriot talks', the Kremlin, 25 February 2015, en.kremlin.ru/events/president/transcripts/47739 (accessed 14 March 2025).

these fields, such as those under the UN Convention Against Corruption, to which Russia and Cyprus had been state parties since 9 May 2006 and 23 February 2009 respectively.³⁶⁴ On the contrary, each President created the appearance of sweetness and light. This was despite the staggering sums mentioned by President Putin on 25 February 2015. To quote from the translation published by the Kremlin on that day, President Putin declared:

'In investment cooperation, we have traditionally had good results, very high results indeed. Cyprus is in second place in terms of investment in Russia's economy, with \$65 billion. We know that a large part of this is repatriated capital, but that it is coming via Cyprus is already not a bad thing. It is good when our money comes back to work in our economy.

'Russian investment in Cyprus has also reached the solid figure of \$33 billion and accounts for more than 80 percent of all foreign investment in Cyprus.'³⁶⁵

It did not take long for some investigative journalists to cotton on to the perceived nexus between the vast investment flows from Russia to Cyprus and the issuance of Cypriot – and EU – citizenship to certain Russians. Such journalists reported on questionable decisions, practices or developments, some of which may well have fallen within the four corners of the domestic law of Cyprus as it existed at the time but nonetheless raised ethical, moral or other questions. Among such journalists were those at the *Guardian* newspaper in the UK. On 17 September 2017, it published an article with a self-explanatory title: 'Cyprus 'selling' EU citizenship to super rich of Russia and Ukraine: Passports issued under 'golden visa' scheme raises €4bn since 2013, according to papers seen by the *Guardian*'.³⁶⁶ On the same day, the *Guardian* published a related article but with a different title: 'The billionaires investing in Cyprus in exchange for EU passports: Businesspeople and those with political influence from Russia and Ukraine among hundreds granted citizenship for money'.³⁶⁷

The revelations in the *Guardian* were followed by others, such as those made by the US Department of the Treasury in a Report, dated 6 August 2018, to the US Congress 'Regarding Interagency Efforts in the United States to Combat Illicit Finance Relating to the Russian Federation'. Reflecting on what it presented as a change of tack on the part of the first Trump Administration, which had replaced the second Obama Administration on 20 January 2017, the US Department of the Treasury expressly linked Cyprus and 'its permissive citizenship by investment program' to 'a large volume of suspicious Russian funds and investments ...':

'The [Trump] Administration has prioritized engagement with jurisdictions with high volumes of Russian financial flows, including the United Kingdom, Cyprus, and Latvia, to advance U.S. objectives on Russia. ...

³⁶⁴ '14. United Nations Convention against Corruption: New York, 31 October 2003: STATUS AS AT : 14-03-2025 09:15:50 EDT', https://treaties.un.org/pages/viewdetails.aspx?src=treaty&mtdsg_no=xviii-14&chapter=18 (accessed 14 March 2025).

³⁶⁵ 'Press statement and replies to journalists' questions following Russian-Cypriot talks', 25 February 2015, en.kremlin.ru/events/president/transcripts/47739 (accessed 14 March 2025).

³⁶⁶ Sara Farolfi, David Pegg and Stelios Orphanides, 'Cyprus 'selling' EU citizenship to super rich of Russia and Ukraine: Passports issued under 'golden visa' scheme raises €4bn since 2013, according to papers seen by the *Guardian*', *Guardian* (online edition), 17 September 2017.

³⁶⁷ Sara Farolfi, David Pegg and Stelios Orphanides, 'The billionaires investing in Cyprus in exchange for EU passports: Businesspeople and those with political influence from Russia and Ukraine among hundreds granted citizenship for money', *Guardian* (online edition), 17 September 2017.

'Senior officials from [the US] State [Department] and [the US Department of the] Treasury have engaged Cypriot authorities extensively over the past year and a half to underscore concerns that Cyprus continues to host a large volume of suspicious Russian funds and investments, and have pressed Cypriot officials to harden its financial system against these threats. Vulnerabilities Cyprus presents include its permissive citizenship by investment program, its weak supervision of Administrative Service Providers, and lax company formation requirements, which are exploited by illicit actors to set up front companies and to use these fronts to open bank accounts and access the international financial system.'³⁶⁸

After expressing these concerns about Cyprus, including the one about 'its permissive citizenship by investment program', the Department of the Treasury acknowledged that '[a]lthough Cyprus remains a jurisdiction of concern from the perspective of Russian money laundering, the Administration is seeing some signs of progress ...'. An example of such 'progress' is offered by what happened in May 2018 when 'Cyprus issued a circular instructing its banks to address certain illicit finance risks from shell companies, in particular the challenges in verifying customers' background.'³⁶⁹ One may ask why it took so long for such an elementary step to be taken. A charitable explanation may be that the step was taken in response to EU Law which, by May 2018, had become substantially more austere in the twin fields of anti-money laundering³⁷⁰ and sanctions against Russia.³⁷¹

As the months rolled by, concerns continued to be raised about the Naturalisation by Exception Scheme. On 2 October 2018, for instance, concerns were raised by the European Parliamentary Research Service in *Citizenship by Investment (CBI) and Residency by Investment (RBI) schemes in the EU: State of play, issues and impacts*. From this publication, one can also sense a palpable Cypriot institutional inclination towards secrecy, rather than transparency. This comes across strikingly in two Tables which compare the situation in different EU Member States. In each of those two Tables, there are no entries regarding Cyprus except three words: 'No data available'.³⁷²

On 30 October 2018, yet more concerns were raised in a joint publication of two non-governmental organisations, Transparency International and Global Witness. Its title

³⁶⁸ 'Unclassified Report to Congress Pursuant to Section 243 of the Countering America's Adversaries Through Sanctions Act of 2017: Regarding Interagency Efforts in the United States to Combat Illicit Finance Relating to the Russian Federation', US Department of the Treasury, 6 August 2018, 11 and 12, https://home.treasury.gov/sites/default/files/2018-08/U_CAATSA_243_Report_FINAL.pdf (accessed 18 June 2024).

³⁶⁹ Ibid, 12.

³⁷⁰ See, in particular, Document 32015L0849: Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (Text with EEA relevance), EU Eur-Lex, <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A32015L0849> (accessed 19 June 2024).

³⁷¹ 'Timeline - EU sanctions against Russia', European Council / Council of the EU, www.consilium.europa.eu/en/policies/sanctions-against-russia/timeline-sanctions-against-russia/ (accessed 28 December 2024).

³⁷² Amandine Scherrer and Elodie Thirion, *Citizenship by Investment (CBI) and Residency by Investment (RBI) schemes in the EU: State of play, issues and impacts: PE 627.128* (Brussels: European Parliamentary Research Service, October 2018), 19 (Table 1 – Percentage of RBI granted, compared to the total of granted first time residence permits) and 37 (Table 3 – Total amount (non-exhaustive) of investment through CBI/RBI schemes in selected Member States), [www.europarl.europa.eu/RegData/etudes/STUD/2018/627128/EPRS_STU\(2018\)627128_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2018/627128/EPRS_STU(2018)627128_EN.pdf) (accessed 28 March 2025).

incorporated a pertinent question: *European Gateway: Inside the Murky World of Golden Visas: Has Europe Opened its doors ... to the criminal and corrupt?*³⁷³ Coincidentally, but revealingly, this joint publication was published on the very same day that the Ministry of Finance of Cyprus published the *National Assessment of Money Laundering and Terrorist Financing Risks* ('the *National Assessment*'). The second of these texts represents a key piece of evidence in support of the thesis advanced by the author in this Working Paper. The reason is that the *National Assessment* expressly mentions Russia only once – merely as a party to one of 64 Double Taxation Treaties 'in force'.³⁷⁴

Notwithstanding its name, therefore, the *National Assessment of Money Laundering and Terrorist Financing Risks* fails to make any express mention of any risk emanating from Russia or from any Russian citizens, companies, organised crime groups or other entities. The *National Assessment* likewise fails to make any express mention of any risks, be they from Russia or elsewhere, to which the Naturalisation by Exception Scheme was exposed. These failures are inexplicable. By 30 October 2018, the date when the *National Assessment* was published, not only was Russia the source of so many financial flows pouring into Cyprus, the destination of so many flows heading in the opposite direction and so many corresponding risks. Russia was also the source of additional risks, such as those arising from the imposition of EU sanctions. By failing to discuss these risks at a critical moment in the history of the Naturalisation by Exception Scheme, the *National Assessment* failed to engage in proper risk management which is a cornerstone of good governance, anti-money laundering and counter-terrorist financing.³⁷⁵ Among other things, proper risk management requires any risk assessment to identify, observe, assess and analyse risks as well as vulnerabilities, before coming up with viable options for eliminating, mitigating or managing them.³⁷⁶ In relation to Russia and the Naturalisation by Exception Scheme, the *National Assessment* did not achieve any of these outcomes. Nor did the *National Assessment* do so in relation to other risks, such as those emanating from Turkey.³⁷⁷ These failures constitute cast-iron additional evidence of chronically bad governance.

The publication of the *National Assessment* did not stem the concerns which continued to be generated by the Naturalisation by Exception Scheme. The European Commission was among the bodies to raise concerns. It did so in public in a report dated 23 January 2019

³⁷³ *European Gateway: Inside the Murky World of Golden Visas: Has Europe Opened its doors ... to the criminal and corrupt?* (Washington DC: Transparency International & Global Witness, 2018), 3, 25 and 27, https://transparency.eu/wp-content/uploads/2018/10/REPORT-European-Getaway-Inside-the-Murky-World-of-Golden-Visas_web.pdf and www.transparency.org/en/publications/golden-visas (accessed 31 May 2024).

³⁷⁴ *National Assessment of Money Laundering and Terrorist Financing Risks* (Nicosia: Ministry of Finance of Cyprus, October 2018), 54, www.gov.cy/app/uploads/sites/11/2024/08/20181030-CY_CONCISE_NATIONAL_RISK_ASSESSMENT-1.pdf and www.gov.cy/mof/en/national-risk-assessment-of-money-laundering-and-terrorist-financing-risks-cyprus/ (accessed 11 June 2023).

³⁷⁵ See *Building an effective Anti-money laundering ecosystem: From reactive to proactive risk management: Position paper* (Brussels: Accountancy Europe, May 2021), www.accountancyeurope.eu/wp-content/uploads/2022/12/Building-an-effective-AML-ecosystem.pdf (accessed 12 July 2024).

³⁷⁶ See *inter alia* Stephen Asbury and Edmund Jacobs, *Dynamic Risk Assessment: The Practical Guide to Making Risk-Based Decisions with the 3-Level Risk Management Model* (Abingdon: Routledge, 2014) and *The Orange Book Management of Risk – Principles and Concepts* (London: Head of the Government Risk Profession and the Risk Centre of Excellence, 2023), https://assets.publishing.service.gov.uk/media/6453acadc33b460012f5e6b8/HMT_Orange_Book_May_2023.pdf and www.gov.uk/government/publications/orange-book (accessed 12 July 2024).

³⁷⁷ The *National Assessment* includes only one express reference to Turkey: 'Since early 1980s and as part of the efforts to revitalise the economy, following the blow effected from the military invasion by Turkey in 1974, it has been an inter temporal governmental goal to develop Cyprus as a hub for international business, taking advantage of the stable and robust legal framework, convenient time zone for three continents, economic climate, technology and expertise of human resources.' *National Assessment, op. cit.*, 3.

and entitled 'Investor Citizenship and Residence Schemes in the European Union'. In the 24 pages of this report, the European Commission observed that 'Bulgaria, Cyprus and Malta are the only Member States [of the EU] which operate investor citizenship schemes'.³⁷⁸ In the opinion of the European Commission, what made these schemes particularly risky was that 'applicants' were able to 'acquire citizenship of Bulgaria, Cyprus or Malta – and hence Union citizenship – without ever having resided in practice in the Member State'.³⁷⁹ In 'the case of Malta and Cyprus', any 'applications' did 'not' even 'need to be submitted in person' but could 'be submitted by agents ...'.³⁸⁰

The European Commission credited Cyprus with certain reforms such as 'the establishment of a Supervisory and Control Committee' and 'the introduction of a code of conduct for its investor citizenship scheme'.³⁸¹ Even so, the European Commission did not consider these measures to be enough. It, therefore, used the 'Conclusions' of its Report to sum up its principal concerns:

'Investor citizenship and residence schemes pose risks for the Member States and the Union as a whole, including in terms of security, money laundering, corruption, circumvention of EU rules and tax evasion.

'The abovementioned risks are further accentuated by shortcomings in the **transparency and governance** of such schemes. The study commissioned by the Commission shows that the information available on both investor citizenship and residence schemes operated by Member States is incomplete. For instance, clear statistics on applications received, accepted and rejected are missing or insufficient. Furthermore, there are no mechanisms to ensure cooperation between the Member States on investor citizenship schemes, notably on security checks. The Commission has concerns about the risks inherent in investor citizenship and residence schemes and about the fact that the risks are not always sufficiently mitigated by the measures taken by Member States.'³⁸²

With these words published on 23 January 2019, the European Commission identified the essence of what was wrong with the Naturalisation by Exception Scheme: it was exposed to 'risks' which were inherent in its *raison d'être* which was to offer Cypriot and EU citizenship to wealthy investors who may have had no prior ties to Cyprus or the EU; those 'risks' were 'accentuated by shortcomings', such as those to do with 'transparency and governance'; and 'risks' were 'not ... sufficiently mitigated' by 'measures'. However, to critics, such as Sven Giegold MEP, the approach of the European Commission was only 'half-hearted'.³⁸³ Giegold had a point. Even though successive Cypriot governments bear most of the blame for the Naturalisation by Exception Scandal, the European Commission

³⁷⁸ 'Brussels, 23.1.2019 COM(2019) 12 final: Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Investor Citizenship and Residence Schemes in the European Union {SWD(2019) 5 final}, European Commission, 3 January 2019, 3, https://commission.europa.eu/document/download/8606453f-7ee7-432b-b49d-f4b9feebee97_en?filename=com_2019_12_final_report.pdf and <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52019DC0012> (accessed 15 June 2024).

³⁷⁹ Ibid, 4.

³⁸⁰ Ibid, 12.

³⁸¹ Ibid, 19.

³⁸² Ibid, 23.

³⁸³ Jennifer Rankin and Juliette Garside, 'EU crackdown on golden visas criticised as 'half-hearted': Campaigners say action plan falls short of Europe-wide measures that are required', *Guardian*, 23 January 2019, www.theguardian.com/world/2019/jan/23/eu-crackdown-golden-visas-criticised-half-hearted (accessed 30 March 2025).

does not come out of it with too much credit. The European Commission should have been far more proactive far sooner.

As 2019 unfolded, the Naturalisation by Exception Scheme continued to come under scrutiny as the Cypriot Government continued to put on a brave face. A good example is provided by a broadcast of DW of Germany, as circulated on 18 July 2019. In this, Harris Georgiades, the Finance Minister of Cyprus, assures viewers that Cypriot citizenship was only being ‘offered after the most detailed, in-depth scrutiny and background checks’, but he went on to clarify that the Cypriot Government was ‘willing to engage’ in any ‘discussion’ over any proposed reforms.³⁸⁴ A second example is provided by the results of an ‘investigation’ published by Reuters on 16 October.³⁸⁵ According to Reuters, its ‘investigation’ prompted the Cypriot Government to order the initiation of a ‘probe’.³⁸⁶

On the back of all this, the Council of Ministers in Nicosia introduced yet more measures. An example is Decision 88.506, as taken by the Council of Ministers on 6 November 2019, before it was published in a nod to the principle of transparency.³⁸⁷ On the same day, Constantinos Petrides, the Minister of the Interior, issued a related set of ‘Remarks ... regarding the Council of Ministers’ decision on Cyprus’ Investment Program’; these were translated and published in English.³⁸⁸ Consistent with Decision 88.506, the Minister announced ‘[t]he initiation of the procedure to withdraw the citizenship of the Republic of Cyprus, always in accordance with the current legislation, granted to 26 [unnamed] persons, who have been naturalised by exception.’³⁸⁹ This appeared to be a cumbersome way of saying that 26 persons had not been entitled to Cypriot citizenship but had received citizenship anyway and that the process had begun to strip them of that citizenship.

By the end of 2019, the credibility of the Naturalisation by Exception Scheme was hanging by a thread. Even so, the Cypriot Government and House of Representatives soldiered on, subject to frantic measures designed to shore it up. However, as is now known, inappropriate applicants continued to slip through the net and be naturalised.³⁹⁰ At least three lessons may be drawn from this chapter. One is that good governance goes hand in hand with good risk management. The second is that good governance requires seemingly plausible allegations and causes for concern to be taken seriously. But the third is that in a democratic society ethical investigative journalism has a critical role to perform.

³⁸⁴ ‘Cyprus: Golden passports’, DW, 18 July 2019, www.dw.com/en/cyprus-golden-passports/video-49604741 and ‘Cyprus: Golden EU passports | Focus on Europe’, DW, 20 July 2019, www.youtube.com/watch?v=gsaNgQug6yc (accessed 30 March 2025).

³⁸⁵ Clare Baldwin and Andrew R.C. Marshall, ‘Khmer Riche: How relatives and allies of Cambodia’s leader amassed wealth overseas’, Reuters, 16 October 2019.

³⁸⁶ Michele Kambas, ‘Cyprus to probe how Cambodian elite obtained EU passports’, Reuters, 23 October 2019.

³⁸⁷ «Απόσπασμα από τα Πρακτικά της Συνεδρίας του Υπουργικού Συμβουλίου Ημερομηνίας 6/11/2019: Έλεγχος προσώπων που πολιτογραφήθηκαν στο πλαίσιο του Κυπριακού Επενδυτικού Προγράμματος. Αρ. Απόφασης 88.506», i.e., ‘Excerpt from the Minutes of the Meeting of the Council of Ministers dated 6/11/2019: Control of naturalised persons in the context of the Cyprus Investment Program. No. Decision 88.506’, Council of Ministers of Cyprus, [www.cm.gov.cy/cm/cm.nsf/All/007BF7793005E413C22584B3003D5A87/\\$file/88.506.pdf?OpenElement](http://www.cm.gov.cy/cm/cm.nsf/All/007BF7793005E413C22584B3003D5A87/$file/88.506.pdf?OpenElement) (accessed 17 June 2024).

³⁸⁸ ‘Remarks by the Minister of Interior regarding the Council of Ministers’ decision on Cyprus’ Investment Program, 06/11/2019’, Press & Information Office of the Ministry of the Interior of Cyprus, 6 November 2019, www.pio.gov.cy/en/press-releases-article.html?id=10506#flat (accessed 15 June 2024).

³⁸⁹ Ibid, paragraph II. Also see ‘Cyprus strips ‘golden’ passports from 26 investors’, BBC News, 7 November 2019, www.bbc.com/news/world-europe-50331697 (accessed 15 June 2024).

³⁹⁰ For some examples from the year 2019, see the Nicolatos Report, *op. cit.*, 774, 776, 777 *et al.*

CHAPTER 4: THE DISINTEGRATION, DISCONTINUANCE AND DISSECTION OF THE NATURALISATION BY EXCEPTION SCHEME, 2020-2021

Table 3: Sources and Destination of FDI
Direct Investment from/in Counterpart Economy Data, 2018
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

Inward Direct Investment			Outward Direct Investment		
Total Inward	\$428.4	100%	Total Outward	\$436.8	100%
Not Specif./Confidential	\$169.2	39.5%	Not Specif./Confidential	\$212.1	48.5%
Luxembourg	\$56.2	13.1%	Russian Fed.	\$108.7	24.9%
Russian Fed.	\$51.7	12.1%	British Virgin Isl.	\$34.6	7.9%
Jersey	\$38.6	9.0%	Netherlands	\$19.9	4.5%
Netherlands	\$20.7	4.8%	UK	\$15.5	3.5%

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment
Portfolio Investment Assets, 2018
Top Five Partners (Millions, current US Dollars)

Total			Equity Securities			Total Debt Securities		
All Countries	\$22.4	100%	All Countries	\$9.3	100%	All Countries	\$13.1	100%
Russian Fed.	\$5.3	23.7%	Russian Fed.	\$4.8	51.6%	Luxembourg	\$1.2	9.2%
Luxembourg	\$2.3	10.3%	Ireland	\$1.3	14.0%	Ireland	\$0.9	6.9%
Ireland	\$2.2	9.8%	Luxembourg	\$1.1	11.8%	United States	\$0.9	6.9%
United States	\$1.7	7.6%	United States	\$0.8	8.6%	France	\$0.7	5.3%
France	\$0.8	3.6%	Cayman Isl.	\$0.2	2.1%	Netherlands	\$0.6	5.0%

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EXECUTIVE SUMMARY

1. Openness To, and Restrictions Upon, Foreign Investment
2. Bilateral Investment Agreements and Taxation Treaties
3. Legal Regime
4. Industrial Policies
5. Protection of Property Rights
6. Financial Sector
7. State-Owned Enterprises
8. Responsible Business Conduct
9. Corruption
10. Political and Security Environment

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Image 10a: 'Table 3' and 'Table 4' in '2020 Investment Climate Statements – Cyprus', US State Department, 9 September 2020, www.state.gov/reports/2020-investment-climate-statements/cyprus/ (accessed 15 March 2025).

Table 3: Sources and Destination of FDI
Direct Investment from/in Counterpart Economy Data (as of October 1, 2019)
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

Inward Direct Investment			Outward Direct Investment		
Total Inward	550,209	100%	Total Outward	473,141	100%
Cyprus	157,802	36%	Cyprus	203,532	43%
Netherlands	57,810	11%	Netherlands	58,463	12%
Luxembourg	41,666	8%	Austria	26,049	6%
Bermuda	35,405	5%	Switzerland	19,929	4%
Germany	17,583	4%		19,274	5%

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment
Portfolio Investment Assets (as of October 1, 2019)
Top Five Partners (Millions, US Dollars)

Total			Equity Securities			Total Debt Securities		
All Countries	76,326	100%	All Countries	7,529	100%	All Countries	68,797	100%
Ireland	22,096	29%	United States	2,252	30%	Ireland	21,784	32%
Luxembourg	16,480	22%	Jersey	1,353	18%	Luxembourg	15,981	23.2%
UK	8,234	11%	Cyprus	940	12%	UK	8,047	12%
Netherlands	5,393	7%	Luxembourg	499	6%	Netherlands	4,904	7%
U.S.	5,099	6%	Netherlands	490	6%	U.S.	2,847	4%

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Image 10b: 'Table 3' and 'Table 4' in '2020 Investment Climate Statements – Russia', US State Department, 9 September 2020, www.state.gov/reports/2020-investment-climate-statements/russia/ (accessed 15 March 2025).

The year 2020 has gone down in history for a host of reasons. It was the year in which the UK formally exited the EU,³⁹¹ the World Health Organization decided to recharacterise

³⁹¹ Nigel Walker, *Brexit timeline: events leading to the UK's exit from the European Union: Briefing Paper Number 7960* (London: House of Commons Library, 6 January 2021),

COVID-19 as a pandemic³⁹² and the US was gripped by a bitterly contested set of federal elections, one result of which was the victory of Joseph R. Biden, Jr, over President Donald J. Trump in the Presidential election held on 3 November.³⁹³ As for Cyprus, it fell under the glare of the world's media in 2020 for another reason. The Naturalisation by Exception Scheme became the subject of a steady stream of new allegations which escalated into a torrent leading to what may be seen as the disintegration and discontinuance of the Scheme followed by its dissection by the Nicolatos Investigatory Committee.

4.1 The first wave of Al Jazeera exposés and other developments

On 12 February 2020, fresh concerns were raised in an excoriating 266-page *Report*, dated December 2019, by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). The *Report* was published alongside a press release entitled 'Cyprus should pursue money laundering from criminal proceeds generated outside of the country more aggressively'. The very first sentence of the press release reiterates MONEYVAL's '[call] on the Cypriot authorities to pursue more aggressively money laundering from criminal proceeds generated outside of Cyprus, and take a more proactive approach to the freezing and confiscation of foreign proceeds.'³⁹⁴

In its actual *Report*, MONEYVAL acknowledges that 'some elements in the Cypriot AML/CFT [*j.e.*, *Anti-Money Laundering / Countering the Financing of Terrorism*] regime ... are functioning adequately ...'. Even so, MONEYVAL identifies 'various major shortcomings which hinder the effectiveness of the Cypriot AML/CFT regime'. In the passage of the Executive Summary of its *Report* devoted to 'Key Findings', MONEYVAL summarises the nature of these 'shortcomings' in disapproving if diplomatic ways which broadly correspond with the thesis advanced in this Working Paper:

'1. The competent authorities are not yet sufficiently pursuing money laundering from criminal proceeds generated outside of Cyprus, which pose the highest threat to the Cypriot financial system.

'2. The competent authorities have not been very proactive at freezing and confiscating foreign criminal proceeds at their own initiative, although they have been instrumental in assisting other countries.

'3. Cyprus has not conducted a formal assessment of risks posed by legal persons, despite having a developed company formation and administration business. This has reduced the authorities' ability to implement more targeted mitigating measures to ensure the transparency of legal persons.

<https://researchbriefings.files.parliament.uk/documents/CBP-7960/CBP-7960.pdf> and <https://commonslibrary.parliament.uk/research-briefings/cbp-7960/> (accessed 31 March 2025).

³⁹² 'WHO Director-General's opening remarks at the media briefing on COVID-19 - 11 March 2020', World Health Organization, 11 March 2020, www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020 (accessed 15 March 2025).

³⁹³ *Federal Elections 2020 Election Results for the U.S. President, the U.S. Senate and the U.S. House of Representatives* (Washington DC: Federal Election Commission, October 2022), www.fec.gov/resources/cms-content/documents/federaelections2020.pdf and www.fec.gov/introduction-campaign-finance/election-results-and-voting-information/federal-elections-2020/ (accessed 31 March 2025).

³⁹⁴ 'Cyprus should pursue money laundering from criminal proceeds generated outside of the country more aggressively', MONEYVAL, 12 February 2020, www.coe.int/en/web/moneyval/-/cyprus-should-pursue-money-laundering-from-criminal-proceeds-generated-outside-of-the-country-more-aggressively (accessed 19 June 2024).

'4. There are weaknesses in the implementation of preventive measures by the trust and corporate services sector as a whole. This has major implications for the availability of beneficial ownership information of legal persons/arrangements registered in Cyprus and the reporting of suspicious transaction reports.

'5. While significant strides have been made by Cyprus to implement a comprehensive supervisory framework for trust and corporate services providers, further progress is required, with certain areas requiring major improvement.

'6. The risk in the real estate sector has increased exponentially since it has become the preferred choice of investment vehicle to acquire citizenship under the Cyprus Investment Programme. These risks have not been properly been mitigated – the implementation of preventive measures by, and the supervisory framework of, the sector display significant weaknesses.

'7. The risks related to the Cyprus Investment Programme have not been assessed comprehensively.

'8. Administrative service providers did not demonstrate a uniform level of understanding of the risks of TFS [*i.e.*, *Targeted Financial Sanctions*] evasion. Given Cyprus's status as an international financial centre and the role played by administrative service providers as gatekeepers, the fact that some service providers may not always be in a position to identify individuals or entities who may seek to conceal their identity behind complex structures to evade sanctions constitutes a significant vulnerability.

'The application of a risk-based approach to the non-profit sector was still at a nascent stage at the time of the on-site visit.'³⁹⁵

Within the main body of its Report dated December 2019 but published on 12 February 2020, MONEYVAL offers detailed insights into the vulnerabilities and risks associated with what it named the Cyprus Investment Programme ('CIP') of which the Naturalisation by Exception Scheme was an integral part:

'As an international financial centre (IFC), Cyprus is primarily exposed to external money laundering (ML) threats as non-residents may seek to transfer criminal proceeds to or through Cyprus, particularly through the Cypriot banking system or may seek to use trust and company service providers, known in Cyprus as administrative service providers (ASPs), to facilitate their aims. The Cyprus Investment Programme (CIP) is inherently vulnerable to abuse for ML purposes, as is real estate, both in general and as the apparent preferred investment to acquire citizenship. ...'³⁹⁶

³⁹⁵ *Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL): Anti-money laundering and counter-terrorist financing measures: Cyprus: Fifth Round Mutual Evaluation Report: December 2019* (Strasbourg: Council of Europe, 2019), 4-5, <https://rm.coe.int/anti-money-laundering-and-counter-terrorist-financing-measures-cyprus-/16809c3c47> and www.coe.int/en/web/moneyval/jurisdictions/cyprus (accessed 18 June 2024).

³⁹⁶ *Ibid*, 5.

In another sign of chronically bad governance, the CIP was not subjected to any comprehensive cross-governmental risk assessment, at least according to MONEYVAL. This was despite the CIP being ‘inherently vulnerable’ and a magnet attracting as much as 6.64 billion euros during the period 2013-2018.³⁹⁷ To quote MONEYVAL:

‘The assessment team has considered the CIP from the perspective of whether ML [*i.e.*, *Money Laundering*] and FT [*i.e.*, *Financing of Terrorism*] risks are understood (and not from any other perspective). Risks of the programme are understood by Cyprus to some extent, although it has not been subject to a “whole of government” comprehensive AML/CFT [*i.e.*, *Anti-Money Laundering/Counter-Terrorist Financing*] assessment. ... Overall, the level of information required, the checks undertaken and the flow of information between authorities leaves a gap which is vulnerable to exploitation.’³⁹⁸

If anything, by writing about ‘a gap which is vulnerable to exploitation’, MONEYVAL underestimated the true scale of what was wrong. From 11 July 2007 until 12 February 2020, when MONEYVAL released its report, the CIP was dogged with gaps and vulnerabilities. Part of the explanation lay in the way in which the Naturalisation by Exception Scheme was handled within the CIP. However, another part of the explanation lay in chronically bad governance throughout those years.

On reflection, the beginning of the end of the Naturalisation by Exception Scheme was signalled by what happened on 23 April 2020. Didier Reynders, the European Commissioner for Civil Liberties, Justice & Home Affairs, appeared before a committee of the European Parliament, albeit online. In front of MEPs, he disclosed that the European Commission was ‘in dialogue’ with three Member States’ about ‘investment citizenship schemes’ and ‘our recommendation’ which ‘is to organise a phasing out’.³⁹⁹ The Commissioner did not disclose which ‘three Member States’ he had in mind. Even so, it is not unreasonable to infer that Cyprus was one of them, alongside Bulgaria and Malta.

It was against this backdrop that the Qatar-based Al Jazeera Investigative Unit Investigative Unit (‘Al Jazeera’) entered the stage, with dramatic consequences. On 23 and 25 August 2020, it released the first elements of what turned out to be a sensational but controversial series of exposés into the Naturalisation by Exception Scheme. The first major Al Jazeera exposé was one in a report dated 23 August 2020 with a striking title: ‘Exclusive: Cyprus sold passports to criminals and fugitives’.⁴⁰⁰ One by one over the next few days, Al Jazeera published other exposés.⁴⁰¹ Collectively, the exposés came to be known as the ‘Cyprus

³⁹⁷ Ibid, 18.

³⁹⁸ Ibid, 29.

³⁹⁹ ‘EP [European Parliament] Committee on Civil Liberties, Justice and Home Affairs: joint debate with participation of Didier Reynders, European Commissioner: ID: I-189883’, Audiovisual Service, European Commission, 23 April 2020, <https://audiovisual.ec.europa.eu/en/video/I-189883> and Transparency International, 24 April 2020, <https://x.com/anticorruption/status/1253656672041656321> (accessed 15 March 2025).

⁴⁰⁰ ‘Exclusive: Cyprus sold passports to criminals and fugitives’, Al Jazeera Investigative Unit, 23 August 2020 and James Kleinfeld and Al Jazeera Investigative Unit, ‘Explainer: What are The Cyprus Papers? Al Jazeera has obtained over 1,400 Cypriot passport applications, revealing they were sold to criminals and fugitives’, Al Jazeera Investigative Unit, 23 August 2020.

⁴⁰¹ ‘How rich Russians turned Cyprus into ‘Moscow on the Med’: The Cyprus Papers reveal that in just two years, 1,000 wealthy Russians bought ‘golden passports’ from Cyprus’, Al Jazeera, 25 August 2020, ‘Cyprus cashes in as haven for elites fearful of home countries The Cyprus Papers reveal 500 Chinese and more than 350 Arabs bought Cypriot passports, granting them EU access’, Al Jazeera Investigative Unit, 26 August 2020 and ‘The Cyprus Papers’, Al Jazeera, August 2020.

Papers'. As the EU Agency for Law Enforcement Cooperation ('Europol') later explained in December 2021 in a *Spotlight* entitled *Shadow Money: The International Networks of Illicit Finance*, the 'Cyprus Papers' was 'a leak of government documents related to the Cyprus Investment Program (CIP) obtained by Al Jazeera and released in August 2020'.⁴⁰²

Good governance required the Government of Cyprus to do at least two things in response. One was to treat seriously *both* the leak of documents known as the 'Cyprus Papers' *and* the leak-based allegations of Al Jazeera. The second, pending the outcome of all Cypriot state investigations, was to retain an open mind. Nevertheless, at a press conference held in the Presidential Palace in Nicosia on 26 August 2020, Nicos Nouris, the Minister of the Interior, did not appear to do either. The evidence is to be found in his televised 'opening statement' delivered in Greek,⁴⁰³ the summary published in a press release written in Greek,⁴⁰⁴ the full transcript published in a separate press release likewise written in Greek⁴⁰⁵ and a translation of the transcript published by his Ministry in English.⁴⁰⁶

On the one hand, the Minister of the Interior put in a stout defence of the Government and provided a critical analysis of the allegations faced by it, which he was entitled to do. On the other hand, the Minister lashed out at Al Jazeera and, in places, appeared to be rushing to judgment or prejudging the outcomes of any ongoing Cypriot state investigations, including those being conducted by his own Ministry. To quote the allegations made in opening words of the 'opening statement' of the Minister, as translated into English:

'During the last days we are witnessing an orchestrated attempt by the Al Jazeera network, which, having succeeded in getting hold of classified documents of the Republic of Cyprus, has launched an attack against our country through distortion, deception and sensationalism. Investigative journalism, which we respect, is one thing but propaganda is something altogether different, aiming by design to cause political and financial harm to the country.

'From the beginning the Interior Ministry has been investigating all the information published by Al Jazeera.'⁴⁰⁷

To try to justify the conduct of the Government, the Minister of the Interior went on the offensive, delivering a string of rebuttals, allegations and counter-allegations:

⁴⁰² *Europol Spotlight: Shadow Money: The International Networks of Illicit Finance* (The Hague: European Union Agency for Law Enforcement Cooperation, December 2021), 12, www.europol.europa.eu/cms/sites/default/files/documents/Shadow%20money%20-%20the%20international%20networks%20of%20illicit%20finance_1.pdf (accessed 15 March 2025).

⁴⁰³ A substantial part of the statement, but not the opening words, was filmed at posted at «Ο Νίκος Νουρής απαντά στις αποκαλύψεις του Al Jazeera», Alpha News Live Youtube channel, 26 August 2020, www.youtube.com/watch?v=CiHM5CfOleo (accessed 29 March 2025).

⁴⁰⁴ «Δηλώσεις του Υπουργού Εσωτερικών σε συνέντευξη Τύπου για το θέμα του Κυπριακού Επενδυτικού Προγράμματος και των πολιτογραφήσεων», Ministry of the Interior of Cyprus, 26 August 2020, www.pio.gov.cy/ανακοινωθέντα-άρθρο.html?id=15357#flat (accessed 29 March 2025).

⁴⁰⁵ «Διάσκεψη Τύπου Υπουργού Εσωτερικών Για τα Cyprus Papers», Ministry of the Interior of Cyprus, 26 August 2020, <https://moi.gov.cy/moi/moi.nsf/All/06F2EA96EA3E8965C22585D00045BD5F?OpenDocument&highlight=jazeera> (accessed 29 March 2025).

⁴⁰⁶ 'Opening statement by the Minister of the Interior Nicos Nouris at a press conference on the Cyprus Investment Programme [held on 26 August 2020]', Ministry of the Interior of Cyprus, 27 August 2020, <https://moi.gov.cy/moi/moi.nsf/All/7B8328ED7477F247C22585D1001E2B51?OpenDocument> (accessed 29 March 2025).

⁴⁰⁷ Ibid.

'I would like to remind you of yet another thing. The administration of Nicos Anastasiades inherited a scheme of granting Cypriot nationality for which no specific control framework existed even for Politically Exposed Persons, indeed of uncertain financial benefit for the Republic.

'Therefore, the strengthening of supervision and control mechanisms for the system has been and still is a *sine qua non* for this administration.'⁴⁰⁸

These words amounted to an allegation that on 28 February 2013 the Christofias Administration bequeathed to the Anastasiades Administration a faulty scheme which was riven with shortcomings owing to bad governance, something which, in and of itself, made the scheme worthy of scrutiny by investigative journalists. However, the Minister of the Interior did not quite see it that way. Instead, he issued what could be interpreted as a veiled threat which was not only directed towards the journalists at Al Jazeera but towards any others who might have been thinking about following in their footsteps:

'We would not be a constituted state if the mass leakages of such a large number of classified state documents did not worry us. It is claimed at the home front that those who leaked them are serving the well-perceived public interest. Whoever leaks classified documents, indeed to manipulated foreign centres, cannot portray himself/herself as the defender of the public interest of his country.

'Anyone with the public interest at heart, could have served it by acting properly through the procedures defined by the constitution.

'Instructions have already been issued and control processes are under way in all of the services involved in the handling and circulation of the specific documents.

'The government will await the findings of these investigations.'⁴⁰⁹

Without wishing to condone any wrongdoing, the author cannot resist drawing attention to an irony. It was the 'mass leakages' («μαζικές διαρροές») mentioned by the Minister of the Interior on 26 August 2020 that triggered a chain of events resulting in the exposure of the 'mass illegality' («μαζική παρανομία») discussed by Mr Justice Nicolatos (Ret'd) upon the publication of the Nicolatos Report on 7 June 2021.⁴¹⁰

The press conference held on 26 August 2020 did not deter Al Jazeera from continuing to focus on the beleaguered Naturalisation by Exception Scheme and the CIP of which it formed part. Two days later, Al Jazeera published yet another sensational exposé under the following title: 'Exclusive: Cyprus sold passports to 'politically exposed persons': Leaked documents show Cyprus passport scheme allowed political figures 'vulnerable to corruption'

⁴⁰⁸ Ibid.

⁴⁰⁹ Ibid.

⁴¹⁰ 'Remarks of the President of the Investigative Committee, Mr. Myron Nicolatos, during the presentation of the Report of the Investigative Committee established to investigate the exceptional naturalisation of foreign investors and entrepreneurs from 2007-17.8.2020', *op. cit.*

to buy EU citizenship'.⁴¹¹ On the same day, in its weekly newsletter, Transparency International weighed in with its own contribution to the public dialogue.⁴¹²

On the back of these developments, President Anastasiades made an announcement on 2 September 2020, after the completion of a 55-page investigatory report of the same date by a three-member committee commissioned by the Council of Ministers by means of Decision No. 88.506 of 6 November 2019.⁴¹³ In the light of that report – which was not published, subject to redactions, until 29 December 2020 – President Anastasiades disclosed that at the Council of Ministers on 3 September 2020 he would submit, though the competent Minister, a proposal calling on the Attorney-General to appoint a new three-member investigative committee with terms of reference to be determined by the Attorney-General but with a focus on the CIP as it existed from 2007 until 31 July 2020 when a new legislative framework had been approved by the House of Representatives. The President clarified that this proposal would not preclude the Auditor-General from exercising his constitutional powers to audit the Tax Department of Cyprus to ascertain whether the relevant investments had received the appropriate tax treatment.⁴¹⁴ What followed, on 7 September, was the formal publication of an order issued by the Attorney-General of Cyprus, George L. Savvides; the order commissioned the Nicolatos Investigative Committee⁴¹⁵ whose members were sworn into office on 9 September 2020.⁴¹⁶

Why did this chain of events from 2 until 9 September 2020 not take place long before it was precipitated by the exposés of Al Jazeera in August 2020? Pending the declassification of the relevant public records which may provide the answer, there is enough evidence in the public domain to make three related points.

Firstly, in the chain of events from 2 until 9 September 2020, President Anastasiades appointed many of the key actors, including all the Ministers in the Council of Ministers, the Attorney-General and the Auditor-General. While President Anastasiades was empowered

⁴¹¹ 'Exclusive: Cyprus sold passports to 'politically exposed persons': Leaked documents show Cyprus passport scheme allowed political figures 'vulnerable to corruption' to buy EU citizenship', Al Jazeera Investigative Unit, 28 August 2020.

⁴¹² 'The underworld of EU Golden Visas, Cyprus Papers Edition', Transparency International, 28 August 2020, www.transparency.org/en/blog/underworld-eu-golden-visas-cyprus-papers (accessed 15 March 2025).

⁴¹³ Δήμητρα Καλογήρου (Πρόεδρος), Ανδρέας Ζαχαριάδης και Έλλη Φλουρέντζου, *Έλεγχος προσώπων που πολιτογραφήθηκαν στο πλαίσιο του Κυπριακού Επενδυτικού Προγράμματος: 2 Σεπτεμβρίου 2020* (Λευκωσία: Τριμελής Επιτροπή, 29 Δεκεμβρίου 2020), 1-2, www.pio.gov.cy/assets/pdf/Εκθεση%20Τριμελούς%20Επιτροπής.pdf and (with appendices) www.pio.gov.cy/%CE%B1%CE%BD%CE%B1%CE%BA%CE%BF%CE%B9%CE%BD%CF%89%CE%B8%CE%AD%CE%BD%CF%84%CE%B1-%CE%AC%CF%81%CE%B8%CF%81%CE%BF.html?id=17641#flat (accessed 29 March 2025).

⁴¹⁴ «Ανακοίνωση της Προεδρίας της Δημοκρατίας, Presidency of Cyprus», 2 November 2020, as archived on the Archive of the Press & Information Office of the Ministry of the Interior of Cyprus at www.piopressreleases.com.cy/easyconsole.cfm/page/easyconsole.cfm?page=printRelease&s_id=597126&is Imported=1 (accessed 29 March 2025).

⁴¹⁵ Order of the Attorney General of the Republic, Official Newspaper of the Republic of Cyprus: Third Appendix: Part 1, No. 5352, 7 September 2020, www.pio.gov.cy/assets/pdf/newsroom/Gazetta%20Diorismos%20Epitropis_070920.pdf (accessed 2 June 2024).

⁴¹⁶ «Τον νενομισμένο όρκο ενώπιον του Γενικού Εισαγγελέα της Δημοκρατίας έδωσαν τα μέλη της Ερευνητικής Επιτροπής για διερεύνηση των κατ' εξαίρεση πολιτογραφήσεων επενδυτών: Ανακοίνωση του Γραφείου του Γενικού Εισαγγελέα της Δημοκρατίας», Office of the Attorney-General and the Press & Information Office of the Ministry of the Interior of Cyprus, 9 September 2020, www.pio.gov.cy/ανακοινωθέντα-άρθρο.html?id=15578#flat (accessed 2 June 2024).

to do so, the fact that he was so empowered is a sign of the Presidentialism and over-mightiness of the Presidency of Cyprus under the 1960 Constitution, as discussed earlier.

Secondly, as the chain of events unfolded from 2 until 9 September 2020, George L. Savvides, the Attorney-General of Cyprus, appeared to be caught by a constitutionally imposed and inescapable conflict of interest. On the one hand, the Attorney-General was constitutionally required to act as 'legal adviser of the Republic and of the President and of the Vice-President of the Republic and of the Council of Ministers and of the Ministers ...'.⁴¹⁷ On the other hand, the Attorney-General was constitutionally entitled to wield 'power, exercisable at his discretion in the public interest, to institute, conduct, take over and continue or discontinue any proceedings for an offence against any person in the Republic' and such 'power' is capable of being 'exercised by him in person or by officers subordinate to him acting under and in accordance with his instructions'.⁴¹⁸ Thus, the Attorney-General acted as legal adviser to holders of public office who were theoretically capable of being prosecuted by the same Attorney-General in his parallel capacity as a prosecutor.

To aggravate matters, the Attorney-General could not delegate prosecutorial responsibility to any Cypriot equivalent of the Crown Prosecution Service or the Serious Fraud Office, as established by the Prosecution of Offences Act 1985⁴¹⁹ and Criminal Justice Act 1987⁴²⁰ respectively, two prosecutorial authorities which are superintended by but operationally independent of the Attorney General of England & Wales. The reason is that, in yet another sign of chronically bad governance, no such authorities existed in Cyprus when the chain of events unfolded from 2 until 9 September 2020.

Thirdly, one may infer that the Attorney-General of Cyprus did not recuse himself from the decision-making process which resulted in the Order published on 7 September 2020. The inference may be drawn from the fact that the Order was expressly issued in the name of the Attorney-General in exercise of powers conferred on him by the relevant Law – the Commissions of Inquiry Law of 1959, as amended.⁴²¹ It is arguable that the Attorney-General should have recused himself from this process on the grounds that he appeared to have a conflict of interest. After all, the Council of Ministers was alleged to lie at the heart of the Naturalisation by Exception Scandal and Savvides had served in the Council after being appointed by President Anastasiades as Minister of Justice on 31 May 2019⁴²² and after holding on to that ministerial role until President Anastasiades decided to appoint him as Attorney-General on 29 June 2020,⁴²³ five days after a related Presidential decision.⁴²⁴ Then again, even if Mr Savvides had recused himself, thus passing the baton to the Deputy Attorney-General, Savvas Angelides, the latter would have ostensibly had an almost identical conflict of interest. After President Anastasiades appointed Savvides to serve as

⁴¹⁷ Article 113.1, 1960 Constitution, *op. cit.*

⁴¹⁸ Article 113.2, 1960 Constitution, *ibid.*

⁴¹⁹ Prosecution of Offences Act 1985 c. 23, www.legislation.gov.uk/ukpga/1985/23 (accessed 30 March 2025).

⁴²⁰ Criminal Justice Act 1987 c. 38, www.legislation.gov.uk/ukpga/1987/38/part/I/crossheading/serious-fraud-office (accessed 30 March 2025).

⁴²¹ Commissions of Inquiry Law 1959, CAP 44 (Ο περί Ερευνητικών Επιτροπών Νόμος (ΚΕΦ.44)), as amended, Cyprus Bar Association, www.cylaw.org/nomoi/indexes/44.html (accessed 30 March 2025).

⁴²² 'Curriculum Vitae [of George L. Savvides, the Attorney-General]', Law Office of Cyprus, www.law.gov.cy/Law/law.nsf/cvattorneygeneral-en/cvattorneygeneral-en?OpenDocument (accessed 20 November 2023).

⁴²³ «Πραγματοποιήθηκε η τελετή διορισμού του νέου Γενικού και του νέου Βοηθού Γενικού Εισαγγελέα της Δημοκρατίας», Press & Information Office of the Ministry of the Interior of Cyprus, 29 June 2020, www.pio.gov.cy/ανακοινωθέντα-άρθρο.html?id=14489#flat (accessed 5 January 2024)

⁴²⁴ Presidency of the Republic, 23 June 2023, <https://twitter.com/CYpresidency/status/1275401585049448448> (accessed 4 January 2024)

Minister of Defence on 1 March 2018, Savvides served in the Council of Ministers until the same President appointed him to serve as Deputy Attorney-General on 29 June 2020.⁴²⁵

To be sure, Savvides and Angelides were qualified to serve in the Law Office of Cyprus and President Anastasiades was constitutionally empowered to appoint both of them. Nevertheless, at least a couple of ethical questions arise which the author will pose but not address. Given the political baggage carried by Savvides and Angelides, having served in the Council of Ministers during a period of history when so many question marks hovered over its conduct and judgment vis-à-vis the Naturalisation by Exception Scheme, was it ethical for the President to invite Savvides and Angelides to serve in the Law Office as Attorney-General and Deputy Attorney-General respectively? And was it ethical for each of them to accept the Presidential invitation to serve in the Law Office?

On reflection, what does raise eyebrows is that the appointment of Savvides as Attorney-General marked the first time in the post-1960 history of Cyprus that somebody had moved from the executive branch of government to the top of the Law Office without any intervening gap. In 1984, President Kyprianou appointed Stella Soulioti, a former minister, to serve as Attorney-General of Cyprus, a post she held until 1988. However, immediately before her appointment as Attorney-General in 1984, Soulioti had been serving as Law Commissioner of Cyprus, a post she had held since 1971. By 1984, her ministerial career was well behind her, having served as Minister of Justice from 1960 until 1970 and, concurrently for some of that time, as Minister of Health from 1964 until 1966.

What also raises eyebrows is a set of events in Nicosia just before the end of the chain of events from 2 until 9 September 2020. On 8 September 2020, amidst a blaze of publicity, President Anastasiades and Nikos Christodoulides, the then Foreign Minister of Cyprus, welcomed Sergei Lavrov, the Foreign Minister of Russia.⁴²⁶ On the same day, President Anastasiades conferred the Medal of the Grand Cross of the Order of Makarios III upon Lavrov,⁴²⁷ following which friendly words were exchanged at a televised press conference, not one word of which expressly was devoted to the need to combat economic crime, corruption or other wrongdoing.⁴²⁸ Nor was any mention made of any of these matters in the Cypriot Government press release published after the Anastasiades-Lavrov meeting.⁴²⁹

During his visit to Nicosia on 8 September 2020, Foreign Minister Lavrov also met Demetris Syllouris, the President of the House of Representatives of Cyprus. As one can ascertain

⁴²⁵ 'Curriculum Vitae [of Savvas Angelides, the Deputy Attorney-General]', Law Office of the Republic, www.law.gov.cy/Law/law.nsf/cvdeputy-en/cvdeputy-en?OpenDocument (accessed 20 November 2023). Due to the application of the doctrine of necessity, as approved by the Supreme Court of the Republic in the aforementioned case of *The Attorney-General of the Republic v. Mustafa Ibrahim & others* dating back to 1964, President Anastasiades was under no obligation, when appointing Angelides, to adhere to the qualification embodied within the last few words of Article 112.1 of the 1960 Constitution under which 'the Attorney-General and the Deputy Attorney-General of the Republic shall not belong to the same Community.'

⁴²⁶ See, for instance, «Στην Κύπρο ο Σεργκέι Λαβρόφ», AlphaNews Live, 8 September 2020, www.youtube.com/watch?v=la-5OQ3IPQA and «Λαβρόφ: Ρωσική διαμεσολάβηση για την Αν. Μεσόγειο αν ζητηθεί», Euronews (in Greek), www.youtube.com/watch?v=3DEm5rW1MzU (accessed 29 March 2025).

⁴²⁷ Press & Information Office of the Ministry of the Interior of Cyprus, 8 September 2020 <https://x.com/piocy/status/1303243632254877696> (accessed 15 March 2025).

⁴²⁸ «Στην Κύπρο ο Λαβρόφ», Sigmalive, 8 September 2020, www.youtube.com/watch?v=6RpSskEM9Jg (accessed 29 March 2025).

⁴²⁹ 'The President of the Republic received the Russian Foreign Minister', Presidency of Cyprus, 8 September 2020, www.presidency.gov.cy/cypresidency/cypresidency.nsf/All/1080274076604C3CC22585E400395FB5?OpenDocument (accessed 15 March 2025).

from the video of the televised part of the meeting, as circulated by the House, Syllouris showered praise upon Foreign Minister Lavrov and his country while likewise avoiding any mention of economic crime, corruption or other wrongdoing.⁴³⁰ The same omissions are palpable if one reads the transcript of the statement issued by Foreign Minister Christodoulides in the presence of Lavrov⁴³¹ and if one views film footage of one of the meetings between Christodoulides and Lavrov.⁴³²

In the interests of good governance, it was arguably incumbent upon the President of Cyprus, the President of the Cypriot House of Representatives and the Cypriot Foreign Minister to have exploited the visit of Foreign Minister Lavrov to Nicosia on 8 September – by calling on Russia to clamp down on economic crime, corruption and other forms of wrongdoing, by calling on Russians not to exploit Cyprus for the purposes of laundering the proceeds and by calling on everybody involved, be they from Russia or elsewhere, to comply with the law governing the Naturalisation by Exception Scheme. Such calls were even more necessary given the rising number of defendants in the US who had pleaded or who had been found guilty of offences associated with both Cyprus and Russia if not other jurisdictions as well.⁴³³ Coincidentally, on 9 September 2020, one day after the visit of Foreign Minister to Nicosia, the US State Department released its 2020 Investment Climate Statements, including those devoted to Russia⁴³⁴ and Cyprus.⁴³⁵ Each one effectively showed how, in financial terms, Cyprus and Russia continued to be joined at the hip, as illustrated by Images 10a and 10b. Moreover, each Statement issued salient warnings, such as one cautioning that '[c]orruption continues to undermine growth and investment in the ROC [*i.e.*, *the Republic of Cyprus*], despite the existence of a strong-anti corruption framework.'⁴³⁶

4.2 The second wave of Al Jazeera exposés and other developments

On 5 October 2020, a new text entered the public domain in the English language. This was the *Special Report* of the Audit Office of Cyprus, dated 24 September 2020. It was the

⁴³⁰ '2020/09/08 - Συνάντηση ΠτΒ κ. Δ. Συλλούρη με τον Υπουργό Εξωτερικών της Ρωσίας κ. Σερκέϊ Λαβρόφ', House of Representatives, 9 September 2020, www.youtube.com/watch?v=ehJM5z7WTzc (accessed 29 March 2025).

⁴³¹ «Δήλωση του Υπουργού Εξωτερικών κ. Νίκου Χριστοδουλίδη μετά το πέρας των επαφών του με τον Υπουργό Εξωτερικών της Ρωσικής Ομοσπονδίας», Foreign Ministry of Cyprus, 8 September 2020, as archived on the Archive of the Press & Information Office of the Ministry of the Interior of Cyprus at www.piopressreleases.com.cy/easyconsole.cfm/page/easyconsole.cfm?page=printRelease&s_id=597008&is_imported=1 (29 March 2025).

⁴³² «Σε πλήρη εξέλιξη η κρίσιμη επίσκεψη Λαβρόφ στην Κύπρο», Ant1 Live News, 8 September 2020, www.youtube.com/watch?v=ohw1ugvki_c (accessed 29 March 2025).

⁴³³ See, for example, 'Russian Nuclear Energy Official Pleads Guilty to Money Laundering Conspiracy Involving Violations of the Foreign Corrupt Practices Act', Office of Public Affairs, US Department of Justice, 31 August 2015, www.justice.gov/archives/opa/pr/russian-nuclear-energy-official-pleads-guilty-money-laundering-conspiracy-involving and 'Former President of Transportation Company Found Guilty of Violating the Foreign Corrupt Practices Act and Other Crimes', Office of Public Affairs, US Department of Justice, 22 November 2019, as updated on 5 February 2025, www.justice.gov/archives/opa/pr/former-president-transportation-company-found-guilty-violating-foreign-corrupt-practices-act and *Fraud Section: Year In Review | 2019* (Washington DC: Criminal Division, Fraud Section, US Department of Justice, February 2020), 12-13, www.justice.gov/criminal/criminal-fraud/file/1245236/dl?inline= and www.justice.gov/criminal/criminal-fraud (accessed 29 March 2025).

⁴³⁴ '2020 Investment Climate Statements – Russia', US State Department, 9 September 2020, www.state.gov/reports/2020-investment-climate-statements/russia/ (accessed 15 March 2025).

⁴³⁵ '2020 Investment Climate Statements – Cyprus', US State Department, 9 September 2020, www.state.gov/reports/2020-investment-climate-statements/cyprus/ (accessed 15 March 2025).

⁴³⁶ *Ibid.*

outcome of ‘a compliance audit’ of the Ministry of the Interior and the Tax Department within the Ministry of Finance.⁴³⁷ In this, the Audit Office made serious allegations about the Naturalisation by Exception Scheme. It alleged that the Ministry of the Interior had impeded the work of the Audit Office by means of ‘obstacles ... with regard to access to the necessary data, thus ensuring that ‘the audit was restricted to only a fraction of what was originally planned.’⁴³⁸ The Audit Office likewise alleged that ‘in three out of the five cases we examined, there is reasonable suspicion that the real investor was the husband, but the application was submitted by his spouse, probably because the investor, who was a person with a high-risk profile, would not need to explain the source of origin of his money.’⁴³⁹

The Audit Office identified ‘the following significant drawbacks of the Programme’ which, it ‘recommend[ed]’, ought to ‘be handled by the executive and legislative power’:

- * The alteration of the nature of the Programme by introducing, as of August 2020 through legislation, the discretion to naturalize the family members of investors, without any essential economic benefit to the Republic.
- * The absence of appropriate strategies that would ensure transparency and the tax revenues of the State as to the remunerations of the Service Providers.
- * The weakness to monitor and the huge administrative burden imposed as a result of the Programme’s discretion to invest in immovable property under construction.
- * The absence of satisfactory control mechanisms that would reduce the possibility of fictitious investments or their premature abandonment.⁴⁴⁰

The *Special Report* effectively highlighted the nexus between transparency, good financial management, the rule of law, accountability and other principles of good governance. Take the final two sentences of its *Special Report*:

‘[T]ransparency in managing state revenues has been intertwined, since the era of the Athenian Republic, with the rule of law and the accountability principles that must govern it. The finding however, through constitutionally-specified external audit, of any losses in the revenues of the state and the careful publication of the findings on specific cases, not only does not harm, but benefits, public interest.’⁴⁴¹

In evidence given on 28 September 2020 to the committee of the House of Representatives devoted to home affairs, Nicos Nouris, the Minister of the Interior, reportedly rebutted the allegations made by the Audit Office in its *Special Report*, dated 24 September 2020.⁴⁴² The author has intentionally qualified his words by using the adjective ‘reportedly’. This is

⁴³⁷ *Audit of Granting of the Cypriot Citizenship within the framework of the Cyprus Investment Programme: Audited Entities: Ministry of Interior [and] Tax Department: Special Report No. ΥΠΕΣ/01/2020* (Nicosia: Audit Office of Cyprus, 24 September 2020), [www.audit.gov.cy/audit/audit.nsf/28701B451330DAE8C22585F8003DFC56/\\$file/Audit_MOI_FIN_01_2020.pdf](http://www.audit.gov.cy/audit/audit.nsf/28701B451330DAE8C22585F8003DFC56/$file/Audit_MOI_FIN_01_2020.pdf) (accessed 14 March 2025).

⁴³⁸ *Ibid.*, 1.

⁴³⁹ *Ibid.*, 2.

⁴⁴⁰ *Ibid.*, 6-7.

⁴⁴¹ *Ibid.*, 7.

⁴⁴² «Απάντησε στην Επ. Εσωτερικών και σε Οδυσσέας για πολιτογραφήσεις ο Νουρής», *Philelefttheros*, 28 September 2020, www.philenews.com/eidiseis/article/790632/apantise-stin-ep-esoterikon-ke-se-odisseas-gia-politografisis-o-nouris/ (accessed 15 March 2025).

because, in a sign of bad governance and a lack of transparency in the legislative branch of government, the transcript of the relevant committee hearing does not appear to have been uploaded onto the website of the House of Representatives.

On 12 October 2020, the Naturalisation by Exception Scheme received its *coup de grâce* – when Al Jazeera broadcast a dramatic 57-minute film named as an ‘investigation’. It revealed ‘how senior Cypriot officials [allegedly] discussed ways to provide citizenship to a [fictional] convicted criminal.’⁴⁴³ The ‘investigation’ included graphic video footage taken covertly by hidden cameras which allegedly displayed how the Scheme operated in practice, to the benefit of potential applicants. The ‘investigation’ also presented evidence which allegedly showed how prospective applicants could use well-connected service providers in the private sector to tap the shoulders of well-placed persons in the public sector who had the capacity to break through the bureaucracy on a nod and a wink.⁴⁴⁴

In its ‘investigation’, Al Jazeera showed covertly taken film footage of various people. Among them were two parliamentarians – Christakis Giovanis of AKEL and Demetris Syllouris of the Solidarity Movement, the latter of whom was also serving as the President of the House of Representatives. One day after the ‘investigation’ was broadcast, Giovanis announced his resignation from both the House of Representatives and the Central Committee of AKEL.⁴⁴⁵ On 15 October 2020, Syllouris announced his resignation as a Member and as the President of the House.⁴⁴⁶ Given the seniority of the President of the House in the constitutional pecking order of Cyprus,⁴⁴⁷ this was a stunning development.

4.3 The discontinuance of the Naturalisation by Exception Scheme

On 13 October 2020, one day after Al Jazeera had broadcast its ‘investigation’, the Council of Ministers convened and approved Decision 90.177. On the recommendation of the Ministers of Finance and the Interior, the Council of Ministers thereby agreed to authorise the discontinuance of ‘the Cyprus Investment Programme’ – of which the Naturalisation by Exception Scheme had been an integral part – as of 1 November 2020. According to the published minutes of the meeting, the Council of Ministers took this course of action after taking account ‘the diachronic weaknesses’ («τις διαχρονικές αδυναμίες») and ‘abusive exploitation’ («καταχρηστική εκμετάλλευση») of the provisions of ‘the Cyprus Investment Program ...’.⁴⁴⁸ The minutes do not record who, in the opinion of the Council of Ministers,

⁴⁴³ Yarno Ritzen and Al Jazeera Investigative Unit, ‘Cyprus officials implicated in plan to sell passport to criminals: Al Jazeera’s investigation reveals how senior Cypriot officials discussed ways to provide citizenship to a convicted criminal’, Al Jazeera, 12 October 2020, www.aljazeera.com/news/2020/10/12/cypriot-politicians-implicated-in-plan-to-sell-criminals-passport (accessed 19 June 2024).

⁴⁴⁴ ‘The Cyprus Papers Undercover | Al Jazeera Investigations’, Al Jazeera English Youtube channel, 12 October 2025.

⁴⁴⁵ The resignation letter of Christakis Giovanis, dated 13 October 2020, is reproduced in ‘Παραιτήθηκε ο βουλευτής του ΑΚΕΛ Χριστάκης Τζιοβάνης “για να λάμψει η αλήθεια”’, 13 October 2020, www.alphanews.live/politics/paraitithike-o-boyleytis-toy-akel-hristakis-tziobanis-gia-na-lampsei-i-alitheia (accessed 2 December 2023).

⁴⁴⁶ ‘Statement of the President of the House of Representatives’, 15 December 2020, Demetris Syllouris Facebook page, [www.facebook.com/Demetris.Syllouris/?locale=el GR](https://www.facebook.com/Demetris.Syllouris/?locale=el_GR) (accessed 2 December 2023).

⁴⁴⁷ The seniority of the President of the House of Representatives is recognised by Articles 36.2 and 44.2 of the 1960 Constitution, *op. cit.*

⁴⁴⁸ «Απόσπασμα από τα Πρακτικά της Συνεδρίας του Υπουργικού Συμβουλίου Ημερομηνίας 13/10/2020 Κατάργηση του Κυπριακού Επενδυτικού Προγράμματος (Cyprus Investment Program). Αρ. Απόφασης 90.177», i.e., ‘Excerpt from the Minutes of the Meeting of the Council of Ministers Dated 13/10/2020: Repeal of the Cyprus Investment Program (Cyprus Investment Program). Decision No. 90.177’, Council of Ministers of Cyprus,

was responsible. Nevertheless, what can be said with confidence is that ‘diachronic weaknesses’ and ‘abusive exploitation’ were manifestations of the chronically bad governance which has been laid bare in this Working Paper.

On 20 October 2020, rather late in the day, the European Commission opened infringement procedures against Cyprus, as well as Malta, for allegedly ‘selling’ citizenship of the EU, contrary to EU Law.⁴⁴⁹ The European Commission did not mince its words:

‘Today, the European Commission is launching infringement procedures against Cyprus and Malta by issuing letters of formal notice regarding their investor citizenship schemes also referred to as “golden passport” schemes.

‘The Commission considers that the granting by these Member States of their nationality – and thereby EU citizenship – in exchange for a pre-determined payment or investment and without a genuine link with the Member States concerned, is not compatible with the principle of sincere cooperation enshrined in Article 4(3) of the Treaty on European Union. This also undermines the integrity of the status of EU citizenship provided for in Article 20 of the Treaty on the Functioning of the European Union.

‘Due to the nature of EU citizenship, such schemes have implications for the Union as a whole. ...’⁴⁵⁰

On 22 October 2020, the European Parliament issued a press release with an attention-grabbing title: ‘Member states must stop selling EU passports immediately, MEPs demand’. This summarised what had been discussed in a plenary debate attended by Didier Reynders, the European Commissioner for Civil Liberties, Justice & Home Affairs, in which MEPs had ‘stressed the inherent risks that these programmes give rise to, namely money laundering, tax evasion and corruption.’ The press release added that MEPs had also ‘insisted that Europe must not have “a fast-track entrance for criminals” ...’ and it ‘underlined that granting EU citizenship to third-country nationals without proper checks and transparency has negative consequences in other member states, eroding mutual trust and undermining common values.’⁴⁵¹ Evidently enough, this was an implicit dig at Cyprus.

4.4 The dissection of the Naturalisation by Exception Scheme

As already noted in the Introduction to this Working Paper, shocking details eventually entered the public domain on 7 June 2021, upon the publication of a redacted version of the 784-page Nicolatos Report composed by the Nicolatos Investigative Committee.⁴⁵² To all intents and purposes, the Nicolatos Report dissects the Naturalisation by Exception Scheme from its inception until its demise. In the process, the Nicolatos Report indicates

[www.cm.gov.cy/cm/cm.nsf/All/89DB643D9B8609ECC225861100349655/\\$file/90.177.pdf?OpenElement](http://www.cm.gov.cy/cm/cm.nsf/All/89DB643D9B8609ECC225861100349655/$file/90.177.pdf?OpenElement) (accessed 16 June 2024).

⁴⁴⁹ Also see ‘Investor citizenship schemes: European Commission opens infringements against Cyprus and Malta for “selling” EU citizenship’, European Commission press release, 20 October 2020, European Commission, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1925 (accessed 26 December 2023).

⁴⁵⁰ Ibid.

⁴⁵¹ ‘Member states must stop selling EU passports immediately, MEPs demand’, European Parliament, 22 October 2020, www.europarl.europa.eu/news/en/press-room/20201016IPR89564/member-states-must-stop-selling-eu-passports-immediately-meps-demand (accessed 15 March 2025).

⁴⁵² The Nicolatos Report, *op. cit.*

that the Scheme had been abused to such an extraordinary extent that it had resulted in the commission of wrongdoing on an industrial scale. To repeat, the most shocking finding of all was the one in which the Nicolatos Investigative Committee ascertains that in relation to the Scheme, as it applied from an unspecified date in 2007 until 17 August 2020:

‘Out of the total of 6,779 natural persons who have been naturalised, **53.24%** (members of the investor’s family and managers) i.e., 3609 persons had been naturalised outside the legal framework and, therefore, had been naturalised unlawfully.’⁴⁵³ [*The wording in bold appears in that way in the original text.*]

This finding helps to account for the choice of words of Mr Justice Nicolatos (Ret’d) in his aforementioned statement to mark the publication of the Nicolatos Report on 7 June 2021:

‘In the judgment of the Committee, during the essential period from 2007 until August 2020, there was mass illegality [«μαζική παρανομία»], i.e., violations of the relevant Law, on the part of the Council of Ministers and others, regarding the naturalisation of members of the families of Investors – Entrepreneurs and managers of Companies – Investors.’⁴⁵⁴

In his statement of 7 June 2021, Mr Justice Nicolatos (Ret’d) reiterated the most shocking of all of the statistical findings of the Nicolatos Investigative Committee, i.e., that ‘out of 6,779 exceptional naturalisations of natural persons, 3,609 natural persons, or 53%, concerned family members and executives of companies, who were naturalised outside the legal framework.’ He added: ‘Of the remaining 3,170 natural persons or the remaining 47% naturalised under the enabling Law, 66% met all substantive and formal criteria, while 34% do not appear to have met all formal criteria.’⁴⁵⁵ To a considerable extent, the Council of Ministers was responsible for this ‘mass illegality’. In his statement, Mr Justice Nicolatos (Ret’d) acknowledged this, but only up to a certain point. He argued that ‘over time the Acts of the Council of Ministers, in violation of the Law, are voidable, subject to conditions’ but such Acts ‘do not entail criminal liability for the Members of the Council of Ministers, unless they were made intentionally and with for the purpose of fraud, something which was not established from the evidence before us.’⁴⁵⁶ Despite this sugar-coated criticism, neither the President nor any Minister opted to resign. Instead, they collectively clung on to their respective offices, salaries and perks, thus giving credence to the perception that the Government of Cyprus suffered from a lack of accountability.

In his statement, Mr Justice Nicolatos (Ret’d) pinpointed some supplementary findings which apply some details to the picture of bad governance already painted in this Working Paper. To take one example, in 2015 and 2016, the Ministry of the Interior was in possession of opinions of the Law Office, according to which the exceptional naturalisation of members of investors’ families was ‘possibly illegal’. Despite this, the same Ministry carried on regardless ‘until 2020, the year in which the Law was amended.’ To take a second example, ‘[i]n specific cases, it was observed that some providers, lawyers, accountants, banks, estate agents and land developers did not adequately meet their legal

⁴⁵³ Ibid 753.

⁴⁵⁴ ‘Remarks of the President of the Investigative Committee, Mr. Myron Nikolatos, during the presentation of the Report of the Investigative Committee established to investigate the exceptional naturalisation of foreign investors and entrepreneurs from 2007-17.8.2020’, *op. cit.*

⁴⁵⁵ Ibid.

⁴⁵⁶ Ibid.

and other obligations.’ No less alarmingly: ‘In some cases, not even the supervisory bodies of the providers carried out the necessary checks.’⁴⁵⁷

4.5 Post-2020 reforms, commitments and other initiatives

It is ironic that whereas the Naturalisation by Exception Scandal reached its nadir in 2020, this was also the year when new Laws and other measures came into force with the aim or effect of promoting good governance, fighting crime and combating corruption. Having been enacted in 2017, the Right of Access to Public Sector Information Law of 2017 belatedly came into force on 22 December 2020.⁴⁵⁸ Then, the House of Representatives belatedly placed the protection of whistleblowers onto a legislative footing via the Protection of Persons Reporting Breaches of Union and National Law of 2022, which came into force on 4 February 2022.⁴⁵⁹ Upon the coming into force of the Establishment and Operation of the Independent Authority Against Corruption Law of 2022 on 4 March 2022, the Independent Authority Against Corruption belatedly came into existence.⁴⁶⁰ On 8 July 2022, the first Transparency Commissioner plus other founding members were appointed.⁴⁶¹

Alongside the introduction of Laws, Cyprus has taken other measures. For example, after adopting a National Strategy Against Corruption dated April 2017,⁴⁶² the Government published an Updated Action Plan against Corruption on 29 January 2021.⁴⁶³ The latter

⁴⁵⁷ Ibid.

⁴⁵⁸ The Right of Access to Public Sector Information Law of 2017 (Law 184 (I)/2017), *op. cit.*

⁴⁵⁹ Ο περί της Προστασίας Προσώπων που Αναφέρουν Παραβάσεις του Ενωσιακού και Εθνικού Δικαίου Νόμος του 2022 (Ν. 6(Ι)/2022), i.e., the Protection of Persons Reporting Violations of Union and National Law (Law 6(I)/2022), Cyprus Bar Association, www.cylaw.org/nomoi/enop/non-ind/2022_1_6/index.html (accessed 30 May 2024). Also see *Republic of Cyprus: 6 (I) of 2022: The Protection of Persons who Report Breaches of Union and National Law, Law of 2022. (English translation)* (Nicosia: Office of the Law Commissioner, August 2023),

[www.olc.gov.cy/OLC/OLC.NSF/093E101138FC5C48C2258A2F003D53B1/\\$file/The%20Protection%20of%20Persons%20who%20Report%20Breaches%20of%20Union%20and%20National%20Law,%202022%20-%20L.6\(I\)-2022.pdf](http://www.olc.gov.cy/OLC/OLC.NSF/093E101138FC5C48C2258A2F003D53B1/$file/The%20Protection%20of%20Persons%20who%20Report%20Breaches%20of%20Union%20and%20National%20Law,%202022%20-%20L.6(I)-2022.pdf) and www.olc.gov.cy/olc/olc.nsf/translationsen_en/translationsen_en?openDocument (accessed 30 May 2024).

⁴⁶⁰ Ο περί της Σύστασης και Λειτουργίας της Ανεξάρτητης Αρχής κατά της Διαφθοράς Νόμος του 2022 (Ν. 19(Ι)/2022), i.e., the Establishment and Operation of the Independent Authority Against Corruption Law, 2022 (Law 19(I)/2022), Cyprus Bar Association, www.cylaw.org/nomoi/indexes/2022_1_19.html (accessed 30 May 2024). Also see *Republic of Cyprus: 19 (I) of 2022: The Establishment and Operation of the Independent Authority Against Corruption Law, 2022 (English translation)* (Nicosia: Office of the Law Commissioner, December 2022),

[www.olc.gov.cy/olc/olc.nsf/543FDFBE4D9C2743C2258957003C9BAD/\\$file/L.19-I-2022.pdf](http://www.olc.gov.cy/olc/olc.nsf/543FDFBE4D9C2743C2258957003C9BAD/$file/L.19-I-2022.pdf) and www.olc.gov.cy/olc/olc.nsf/translationsen_en/translationsen_en?openDocument (accessed 30 May 2024).

⁴⁶¹ «Πραγματοποιήθηκε η τελετή διορισμού του Επιτρόπου Διαφάνειας και των Μελών της Ανεξάρτητης Αρχής κατά της Διαφθοράς», i.e., ‘The appointment ceremony of the Transparency Commissioner and the Members of the Independent Anti-Corruption Authority has taken place’, Press & Information Office of the Republic of Cyprus, 8 July 2022, www.pio.gov.cy/ανακοινωθέντα-άρθρο.html?id=29036#flat (accessed 30 May 2024).

⁴⁶² *Εθνική Στρατηγική κατά της Διαφθοράς* (Λευκωσία: Υπουργείο Δικαιοσύνης και Δημοσίας Τάξεως, Απρίλιο 2017), i.e., *National Strategy Against Corruption* (Nicosia: Ministry of Justice and Public Order, April 2017), [www.mjpo.gov.cy/mjpo/mjpo.nsf/BF32C166DBAC4B62C2258551002FE3AA/\\$file/%CE%95%CE%B8%CE%BD%CE%B9%CE%BA%CE%AE%20%CE%A3%CF%84%CF%81%CE%B1%CF%84%CE%B7%CE%B3%CE%B9%CE%BA%CE%AE%20%CE%BA%CE%B1%CF%84%CE%AC%20%CF%84%CE%B7%CF%82%20%CE%B4%CE%B9%CE%B1%CF%86%CE%B8%CE%BF%CF%81%CE%AC%CF%82.pdf](http://www.mjpo.gov.cy/mjpo/mjpo.nsf/BF32C166DBAC4B62C2258551002FE3AA/$file/%CE%95%CE%B8%CE%BD%CE%B9%CE%BA%CE%AE%20%CE%A3%CF%84%CF%81%CE%B1%CF%84%CE%B7%CE%B3%CE%B9%CE%BA%CE%AE%20%CE%BA%CE%B1%CF%84%CE%AC%20%CF%84%CE%B7%CF%82%20%CE%B4%CE%B9%CE%B1%CF%86%CE%B8%CE%BF%CF%81%CE%AC%CF%82.pdf) (accessed 30 May 2024).

⁴⁶³ «Κράτος Δικαίου – Διαφάνεια – Λογοδοσία: Επικαιροποιημένο Σχέδιο Δράσης Κατά της Διαφθοράς» (the official title of the Plan in Greek) and ‘Rule of Law – Transparency – Accountability: Updated Action Plan against Corruption’ (the official title of the translation of the Plan in English), Press & Information Office of the Ministry of the Interior of Cyprus, 29 January 2021, www.pio.gov.cy/assets/pdf/newsroom/2021/01/%CE%A3%CE%A7%CE%95%CE%94%CE%99%CE%9F%20

was heralded by Ministerial⁴⁶⁴ and Presidential⁴⁶⁵ commitments to the cause of countering corruption. For its part, the Presidential commitment was accompanied by carefully-worded acknowledgments counterbalanced by firm rebuttals. To quote from the translation released by the Cypriot Government on 28 January 2021, President Anastasiades offered to ‘comment ... not in order to deny the existence of the phenomenon of corruption, a phenomenon that has plagued the Republic of Cyprus since its establishment, or all the countries, since ancient times,’ but in order ‘to highlight ... the orchestrated attempt of certain people, through the distortion of facts or rumours, either to create the perception that the President of the Republic is involved in acts of corruption or to distort the extent of the phenomenon, neither of which corresponds, in any way, to the real dimension of the problem.’ Having defended himself in this curious way, President Anastasiades added that:

‘... I do not ignore the existence of gaps and weaknesses in the program [*i.e.*, *the CIP*], especially in terms of monitoring and control mechanisms. Not only did we not ignore this fact, as a Government, but it led us to amend the program a total of six times over a period of seven years. Nevertheless, despite all the strictures, the amendments, the abuse or criminal acts were not prevented by a portion of the perpetrators. I readily acknowledge and assume the political responsibilities of the Government. What I want to emphasize with the above is our political determination and will to immediately investigate all cases and take drastic measures to punish those who acted fraudulently, but also to restore the credibility of the country.’⁴⁶⁶

All in all, there is a basic lesson to be drawn from this sorry saga. It is the same lesson which should have been learned after ‘the stock market crash of 2000’, the disaster at Mari in 2011 and ‘the financial crisis’ of 2012/13, to name but three of the bleakest episodes in post-1974 Cypriot history. Whereas proactivity is a characteristic feature of good governance, any reaction to an avoidable calamity is a palpable sign of bad governance.

[%CE%94%CE%A1%CE%91%CE%A3%CE%97%CE%A3%20%CE%9A%CE%91%CE%A4%CE%91%20%CE%A4%CE%97%CE%A3%20%CE%94%CE%99%CE%91%CE%A6%CE%98%CE%9F%CE%A1%CE%91%CE%A3_29-01-2021.pdf](https://www.pio.gov.cy/%CE%94%CE%A1%CE%91%CE%A3%CE%97%CE%A3%20%CE%9A%CE%91%CE%A4%CE%91%20%CE%A4%CE%97%CE%A3%20%CE%94%CE%99%CE%91%CE%A6%CE%98%CE%9F%CE%A1%CE%91%CE%A3_29-01-2021.pdf) and www.pio.gov.cy/%CE%B1%CE%BD%CE%B1%CE%BA%CE%BF%CE%B9%CE%BD%CF%89%CE%B8%CE%AD%CE%BD%CF%84%CE%B1-%CE%AC%CF%81%CE%B8%CF%81%CE%BF.html?id=18157#flat and

www.pio.gov.cy/assets/pdf/newsroom/2021/01/29.1.2021_presentation%20by%20Dep.Gov.Spokesman.pdf (accessed 12 June 2024) and ‘Transparency and prevention of corruption’, Ministry of Justice & Public Order’, www.gov.cy/mjpo/en/public-order-sector/transparency-and-prevention-of-corruption/ (accessed 10 April 2025).

⁴⁶⁴ See, for example, ‘Introductory speech by the Minister of Justice and Public Order, Ms Emily Yiolitis, at the presentation of measures for Combating Corruption’, Press & Information Office of the Ministry of the Interior of Cyprus, 29 January 2021, www.pio.gov.cy/en/press-releases-article.html?id=18161#flat

⁴⁶⁵ «Διάγγελμα του Προέδρου της Δημοκρατίας κ. Νίκου Αναστασιάδη για θέματα που αφορούν την πάταξη της διαφθοράς», *i.e.*, ‘Address of the President of the Republic, Mr Nicos Anastasiades, on issues which affect the fight against corruption’, Presidency of Cyprus, 28 January 2021, www.presidency.gov.cy/cypresidency/cypresidency.nsf/All/2CC9293909DD18F4C225866C0038D551?OpenDocument (accessed 15 March 2025).

⁴⁶⁶ ‘Address by the President of the Republic, Mr Nicos Anastasiades, on issues related to the combat against corruption’, Press & Information Office of the Ministry of the Interior of Cyprus, 28 January 2021, www.pio.gov.cy/en/press-releases-article.html?id=18145#flat (accessed 11 June 2024).

CONCLUSIONS

Ever since it was established as an independent sovereign country, Cyprus has been plagued by chronically bad governance. This helps to explain why the Naturalisation by Exception Scheme was abused to such an extraordinary extent that it became tainted by wrongdoing committed on an industrial scale. At least three conclusions arise from this sorry saga: (i) bad governance has the innate potential to contravene the rule of law, undermine national security, inflict reputational damage or achieve other adverse consequences; (ii) bad governance may be exacerbated by bad leadership, clientelism, partitocracy and other pernicious phenomena; and (iii) bad governance may serve as one of the enablers of corruption or *vice versa*. The antidote is to be found in a blend of eunomia, good governance and good leadership. Cyprus is crying out for all three as some of the means of being transformed into a secure sovereign state subject to good organs of governance, a good constitution, good laws and a democratic society founded on respect for the rule of law and a social contract. Unless eunomia, good governance and good leadership are embedded in the constitutional architecture of Cyprus and unless its socio-legal culture is modified accordingly, its people will continue to lurch from catastrophe to catastrophe, crisis to crisis and scandal to scandal. The people of Cyprus deserve better.

AFTERWORD

On 29 April 2025, the Court of Justice of the EU issued a press release entitled ‘Union citizenship: the Maltese investor citizenship scheme is contrary to EU law’.⁴⁶⁷ Attached to it was the judgment of the Court in the case of *Commission v Malta (Citizenship by Investment)*. For the reasons set out therein, the Court declared ‘that, by establishing and operating an institutionalised citizenship investment scheme, such as the Maltese Citizenship by Naturalisation for Exceptional Services by Direct Investment scheme ... which establishes a transactional naturalisation procedure in exchange for predetermined payments or investments and thus amounts to the commercialisation of the grant of the nationality of a Member State and, by extension, that of Union citizenship, the Republic of Malta has failed to fulfil its obligations under Article 20 TFEU and Article 4(3) TEU.’⁴⁶⁸

Even though the judgment concerns Malta, it raises questions of relevance to all those who acquired Cypriot citizenship and ‘golden passports’ under the ill-fated Naturalisation by Exception Scheme.⁴⁶⁹ Are those ‘golden passports’ valid? The question inter-relates with one of the proverbs to spring from one of Aesop’s Fables. ‘All is not gold that glitters.’⁴⁷⁰

⁴⁶⁷ ‘Press Release No. 52/25: Union citizenship: the Maltese investor citizenship scheme is contrary to EU law: The acquisition of Union citizenship cannot result from a commercial transaction’, Court of Justice of the EU, Luxembourg, 29 April 2025, <https://curia.europa.eu/jcms/upload/docs/application/pdf/2025-04/cp250052en.pdf> (accessed 9 May 2025).

⁴⁶⁸ *Commission v Malta (Citizenship by Investment)*, [2024] EUECJ C-181/23 www.bailii.org/eu/cases/EUECJ/2024/C18123.html and <https://curia.europa.eu/juris/document/document.jsf?text=&docid=298576&pageIndex=0&doclang=EN&mode=req&dir=&occ=first&part=1&cid=1330694> (accessed 9 May 2025).

⁴⁶⁹ See, for example, Eric Fripp, ‘EU Court of Justice finds Malta ‘golden passports’ scheme incompatible with EU law’, Blog of the European Journal of International Law, 9 May 2025, www.ejiltalk.org/eu-court-of-justice-finds-malta-golden-passports-scheme-incompatible-with-eu-law/ (accessed 9 May 2025).

⁴⁷⁰ ‘Fable XXVIII: The Cock and the Jewel’ in *The Fables of Aesop: Translated into English by Samuel Croxall: With new applications, morals, etc. by the Rev. Geo. Fyler Townsend: Second Edition* (London: Frederick Warne & Co, 1896), 61-62 at 61.

BIOGRAPHICAL DETAILS, DECLARATIONS AND DISCLOSURES OF THE AUTHOR

Klearchos A. Kyriakides was educated at the Universities of Birmingham, Cambridge and Westminster. He is a non-practising Solicitor of the Senior Courts of England and Wales, having qualified in 2002 and practised as a Solicitor in London from 2003 until 2007. From 2002 until 2015, he lectured in the School of Law of the University of Hertfordshire. Then, from 2015 until 2021, he served as an Assistant Professor in the School of Law of UCLan Cyprus; from 2019 until 2021, he also served as its Deputy Head.

Since 2021, Klearchos has held his current role at UCLan Cyprus as a Senior Visiting Fellow. His duties have included teaching on the LLB as well as LLM Degrees, delivering Continuing Professional Development courses, conducting research and performing other roles. From 2022 until 2025, the latter included one role as a tutor in support of CRoLEV. In this role, in addition to teaching, Klearchos composed a 31-page article entitled ‘The rule of law, the Brexit saga and Boris Johnson’s first three months as Prime Minister, 24 July – 23 October 2019’.⁴⁷¹

Especially in view of the subject matter of this Working Paper, it is ethically appropriate for Klearchos to disclose that along with Prof. Stéphanie Laulhé Shaelou, he is the co-author of a hitherto unpublished 80-page independent study, dated 4 November 2024, plus a subsequent supplementary 25-page letter, dated 1 May 2025, both of which evaluated the framework regulating access to information in the Government and Law Enforcement Agencies of the Republic of Cyprus with a particular focus on the Right of Access to Information of the Public Sector Laws of 2017 (Law 184(I)), as amended. Both texts were submitted to the Ministry of Justice & Public Order of the Republic of Cyprus within the framework of a Memorandum of Understanding, dated 5 December 2022 (as referred to at www.uclancyprus.ac.cy/ypografi-mnimonioy-synantilipsis-met/).

The aim of the independent study is to assist the Ministry of Justice & Public Order to respond effectively to one of the recommendations made by the Group of States Against Corruption (GRECO) – the one in paragraph 73 of its report adopted on 9 June 2023 following its 5th Evaluation Round visit to Cyprus. (The report of GRECO was published on 2 October 2023 at <https://rm.coe.int/fifth-evaluation-round-preventing-corruption-and-promoting-integrity-i/1680acbbda> and at www.coe.int/en/web/greco/evaluations/round-5-new). A core theme of the independent study is its call for the ‘fostering’ of ‘a culture of openness’, which Prof. Stéphanie Laulhé Shaelou and Klearchos define as ‘an ethical culture steeped in openness, transparency, proactivity and responsiveness but anchored to the right of access to public sector information and the achievement of ancillary ends.’

Additional details, declarations and disclosures are at www.uclancyprus.ac.cy/academic/dr-klearchos-kyriakides/, which is in the process of being updated.

⁴⁷¹ Klearchos A. Kyriakides, ‘The rule of law, the Brexit saga and Boris Johnson’s first three months as Prime Minister, 24 July – 23 October 2019’ in Stéphanie Laulhé Shaelou & Andreas Marcou (eds.), *Yearbook on the Rule of Law and European Values: Issue 1* (Pyla, Cyprus: CRoLEV, January 2025), 12-43, <https://crolev.eu/wp-content/uploads/2025/02/CRoLEV-Yearbook-Issue-1-January-2025-Rev-Fin.pdf> and <https://crolev.eu/yearbook-rolev/> (accessed 2 September 2025).