

DIGITALIZATION IN CYPRUS:

Opportunities, Challenges and the Legal Sector

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There is an ongoing race at the national and international, regulatory and private sector levels, to take advantage of the increasing demands for digitalization and acquire a first mover advantage in those sectors where digitalization is having the most impact. The heavily digitally-influenced reality that many countries and industries have had to rapidly adapt to, has provided an opportunity for Cyprus to distinguish itself as an innovation-friendly jurisdiction and set the groundwork for fostering new technologies and market trends connected to the digital space.

With regards to the opportunities that digitalization offers, the relatively recently created [Deputy Ministry of Research, Innovation and Digital Policy](#) (DMRID) has adopted a mission of “supporting scientific research, investing in innovative entrepreneurship and implementing an ambitious digital transformation reform”. As the DMRID was created at the same time as the Covid-19 outbreak in Europe, its

initial efforts have been focused in laying down the infrastructure needed to tackle pandemic-related challenges, such as the setting up of a platform for the processing of medical records for pandemic-related requests and the payment of relevant social welfare allowances. Following these, the major bid that the DMRID has undertaken is the creation of an online public services digital portal, which will host hundreds of services offered primarily by the Ministry of Labour, the Town Planning and Housing Department, the Tax Department and the Commerce Industry.

Towards the same ends of automation and innovation, Cyprus has also introduced a number of reports and policy measures in recent years. Namely, the “[Digital Strategy for Cyprus \(2020-2030\)](#)” aims to, *inter alia*, achieve the digital transformation of the public sector (e-government), promote the digital transformation of the private sector and foster innovation in line with the country’s level of digital

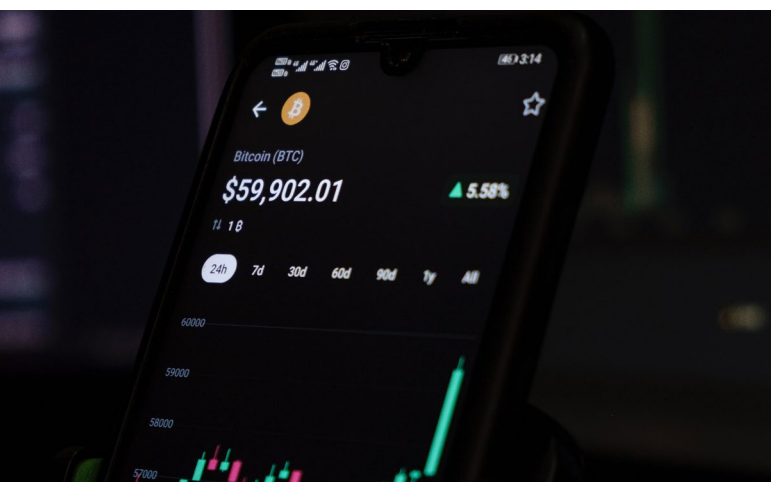
maturity. Concurrently, the “[Research and Innovation Strategy Framework \(2019-2023\)](#)”, “[the Artificial Intelligence Strategy Report](#)” (in greek only) and the “[National Strategy for Distributed Ledger Technology \(DLT\)](#)” all constitute welcoming initiatives which indicate the country’s appetite towards adopting and investing in new technologies and research.

In the area of blockchain and DLT in particular, a draft bill on DLT has been published and is subject to a public consultation. The Bill includes definitions on crypto-assets, provisions on smart contracts and authorizes the Cyprus Securities Exchange Commission (CySEC) to issue secondary laws in the area of supervision of Crypto-Assets Service Providers (CASPs). Furthermore, it introduces provisions on the ownership of tokens and the transfer thereof and the applicability of smart contracts. Closely linked to DLT, The Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007 (Law No. 188(I)/2007), as amended, has introduced a definition for CASPs in accordance with the 5th Anti-Money Laundering Directive. Nonetheless, the notion of CASPs under

Cyprus law, and the accompanying Directives and Policy Statements issued by CySEC, encompasses a wider definition for entities providing services in the crypto-assets space and introduces a detailed licensing and authorization [framework](#) for such service providers. This is a particularly important development, as Cyprus is quickly becoming a hub of interest amongst such providers, by providing a clear regulatory and supervisory framework over their operations, while adding legitimacy and confidence to the market.

With regards to the Cyprus court system, an ambitious plan has also been set up to adopt an e-justice system, which should see the courts and lawyers adopt electronic means to communicate and speed up processes which have traditionally been bureaucratic and time-consuming. While the adoption and application of the system has not been without its difficulties, it is now operational and working. As it is commonly accepted that this is a much-needed reform and the shared intention of the courts and lawyers is to simplify and expedite the current processes as much possible, future steps are expected to strengthen and give greater weight to the development of the e-justice system.

Finally, the main challenge in relation to the implementation of digitally-oriented policies is that of culture. Faced with the need to limit physical conduct and maintain social distancing measures, the increasing reliance on the digital world has become more prominent than ever. Time to educate citizens on the transition from the physical to the digital became, to some extent, a luxury during the early days of



the pandemic and both citizens and the public sector have had to rapidly adapt to the use of online means to access services which were previously heavily dependent on the physical and have tended to be more technocratic.

Ultimately, digitalization is a key aim for the Cyprus government across every-day

life and different industries, including the legal sector. While its adoption remains a work-in-progress, significant steps have been made and further measures towards the same ends are expected to follow. Provided it continues to follow developments and move swiftly, Cyprus will be able to set itself apart and establish itself as a digitally-friendly EU Member State.

/ Our Team



/ Dr. Charis Savvides
Partner



/ Mr. Gregores Fylaktou
Associate

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americanoslaw.com

Find us on:



**STELIOS
AMERICANOS**
ADVOCATES - LEGAL CONSULTANTS  Co LLC

12 Dimostheni Severi Avenue
6th floor, office 601, 1080
Nicosia, Cyprus
+357 22465500
+357 22817625
info@americanoslaw.com