
TO : **Regulated Entities**

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FROM : **Cyprus Securities and Exchange Commission**

DATE : **29 March 2022**

CIRCULAR NO. : **C494**

SUBJECT : **Information on potential Russian Sanctions Evasion Attempts**

Further to Circular [C489](#), the Cyprus Securities and Exchange Commission ('CySEC') wishes to draw the attention of Regulated Entities to informative material issued from competent authorities in relation to sanctions evasion attempts and red flags.

Firstly, a [paper](#) (The Paper) issued by the United States Financial Crimes Enforcement Network (FinCEN) in relation to Potential Russian Sanctions Evasion Attempts, alerts all financial institutions to be vigilant against efforts to evade the extensive and continuously updated Sanctions/Restrictive Measures against Russia in response to the crisis in Ukraine, as imposed by the Council of the European Union (EU) and other competent organizations.

The Paper includes a useful list of red flags to assist in identifying potential sanctions evasion activity. The red flags cover evasion attempts, such as:

- Abuse of the financial system (use of corporate vehicles, shell companies and third parties to shield the identity of sanctioned persons, newly established accounts that attempt to send or receive funds from a sanctioned institution, non-routine foreign exchange transactions etc.)
- Use of convertible virtual currencies (transactions initiated from or sent to non-trusted Internet Protocol (IP) addresses such as from locations in Russia and Belarus and customers using exchanges or foreign-located Money Service Businesses (MSBs) in a high-risk jurisdiction with AML/CFT/CP deficiencies etc.)

- Ransomware attacks and other cybercrime (transfer of funds involving a virtual currency ‘mixing’ service, etc.)

Furthermore, the UK financial regulatory authorities have issued a [Joint statement](#) on sanctions and the cryptoasset sector. Regulated entities are required to take steps/measures to reduce the risk of sanctions evasion via cryptoasset, including the implementation of additional sanctions, specific controls, as appropriate, and looking for red flag indicators that suggest an increased risk of sanctions evasion.

CySEC urges Regulated Entities to be aware of these red flags, as highlighted in the abovementioned documents, when implementing their due diligence measures, especially for ongoing monitoring of accounts and transactions.

Sincerely,

Dr. George Theocharides
Chairman, Cyprus Securities and Exchange Commission