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**TO** : Regulated Entities

- i. Crypto Asset Service Providers ('CASPs')
- ii. Cyprus Investment Firms ('CIFs')
- iii. Administrative Service Providers ('ASPs')
- iv. UCITS Management Companies ('UCITS MC')
- v. Self-Managed UCITS ('SM UCITS')
- vi. Alternative Investment Fund Managers ('AIFMs')
- vii. Self-Managed Alternative Investment Funds ('SM AIFs')
- viii. Self-Managed Alternative Investment Funds with Limited Number of Persons ('SM AIFLNP')
- ix. Companies with sole purpose the management of AIFLNP
- x. Small Alternative Investment Fund Managers ('Small AIFMs')

**FROM** : Cyprus Securities and Exchange Commission

**DATE** : 10 March 2025

**CIRCULAR NO.** : C686

**SUBJECT** : Financial Action Task Force's Public Consultation on Complex Proliferation Financing and Sanctions Evasion Schemes project

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The Cyprus Securities and Exchange Commission (the 'CySEC') wishes with this Circular to inform the Regulated Entities of the following:

On the 26<sup>th</sup> February 2025, the Financial Action Task Force (the 'FATF') launched a [public consultation](#) on Complex Proliferation Financing and Sanctions Evasion Schemes project.

In October 2020, the FATF adopted amendments to Recommendations 1 and 2 (R.1 and R.2) and their Interpretive Notes (INR.1 and INR.2) to require countries, financial institutions, designated non-financial businesses and professions (the 'DNFBPs') and virtual asset service providers (the 'VASPs') to identify, assess, and understand their proliferation financing risks i.e. the risk of potential breaches, non-implementation or evasion of the targeted financial sanctions (the 'TFS') detailed in R.7, and to take effective mitigation measures which are commensurate to the identified risks.

The FATF is undertaking a study aimed at improving country and private sector understanding of current Proliferation Financing (the 'PF') risks. This study will detail the evasion techniques used by those evading the targeted financial sanctions detailed in Recommendation 7, which is required by the FATF Standards, as well as other national and supranational sanctions that are not covered by the FATF Standards. The resulting report will focus on providing a comprehensive up-to-date understanding of typologies in complex sanctions evasion schemes relevant to PF and identifying enforcement challenges and best practices, which helps to inform countries' PF risk assessment and risk mitigation.

To assist the production of the final report, the FATF is seeking input, through specific questions, from the private sector and civil society on best practices in mitigating PF risk.

Responses to the questions can be provided by completing the [online form](#) by **COB Paris time, Friday 21st March, 2025**.

The CySEC encourages the Regulated Entities to respond to the said consultation paper.

Sincerely,

Dr George Theocharides  
Chairman, Cyprus Securities and Exchange Commission