

---

**To** : **Regulated Entities**  
i. CIFs  
ii. UCITS Management Companies  
iii. Internally managed UCITS  
iv. AIFMs  
v. Internally managed AIFs  
vi. Internally managed AIFLNPs  
vii. Companies with sole purpose the management of AIFLNPs

**From** : **Cyprus Securities and Exchange Commission**

**Date** : **18 June 2020**

**Circular No** : **C391**

**Subject** : **EBA's Call for input on 'de-risking' and its impact on access to financial services**

---

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

1. The call for input on "de-risking" forms part of the European Banking Authority's (EBA) work to lead, coordinate and monitor the EU financial sector's AML/CFT efforts. Its objective is primarily to understand why financial institutions choose to de-risk instead of managing the risks associated with certain sectors or customers. This call for input is of interest to stakeholders across the financial sector and its users, as the EBA wants to hear from all groups affected by de-risking.
2. Financial institutions have to put in place and maintain policies and procedures to comply with their legal obligations. These include policies and procedures to identify and manage the risks to which they are exposed, for example the risk that they may be used for money laundering and terrorist financing (ML/TF) purposes or credit risk. Where a financial institution considers that it cannot effectively manage those risks, it may decide to restrict access to or withdraw from providing a particular financial product or service, or servicing a particular customer or category of customers. This is referred to as 'de-risking'.
3. The [ESAs' Joint Risk Factors Guidelines](#) indicated that a risk-based approach does not require financial institutions to terminate business relationships with entire categories of customers that they associate with higher ML/TF risk, as the risk associated with individual business relationships may vary, even within one category.

4. This Call for Input aims at identifying the scale of the issue and the challenges caused to a variety of interested parties as a result of de-risking at EU level. In particular, it is necessary for EBA to understand why financial institutions choose to de-risk instead of managing the risks associated with certain sectors or customers. It is also necessary for EBA to hear from groups affected by de-risking.
5. The feedback gathered from this Call will feed into the EBA's next Opinion on the risks of money laundering and terrorist financing affecting the Union's financial sector that the EBA is mandated to issue under Art. 6(5) of Directive (EU) 2015/849 that will be published in Q1, 2021. It may also inform other EBA policy outputs.
6. The CySEC encourages the Regulated Entities to submit their responses by **11 September 2020** at the latest by clicking [here](#). Responses submitted after this deadline, or submitted via other means may not be processed.

Sincerely,

Demetra Kalogerou  
Chairwoman of the Cyprus Securities and Exchange Commission