
To : **Regulated Entities**
i. CIFs
ii. ASPs
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From : **Cyprus Securities and Exchange Commission**

Date : **January 16, 2019**

Circular No : **C 292**

Subject : **National Risk Assessment on Money Laundering and Terrorist Financing**

The Cyprus Securities and Exchange Commission ('the CySEC') wishes, with this Circular, to inform the Regulated Entities on the results of the National Risk Assessment (NRA) on money laundering and terrorist financing, which were published by the Ministry of Finance of the Republic of Cyprus.

The Cypriot competent authorities, including CySEC, carried out the NRA on money laundering and terrorist financing in order to identify, assess, understand and mitigate the money laundering and terrorist financing risks, threats and vulnerabilities that exist in Cyprus' system.

The NRA was undertaken in compliance with the Directive (EU) 2015/849 ('the Directive'), which sets out measures Member States need to take to prevent the financial system being used for the purposes of money laundering or terrorist financing, as well as with the relevant Recommendations of the Financial Action Task Force's (FATF) international standards. The said Directive was transposed into national law with the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007 ('the Law'). (Related to this Circular is CySEC's Circular [C092](#))

The NRA was carried out by applying the World Bank's ('the Bank') methodology, and was facilitated by the Bank's technical assistance. CySEC undertook the NRA alongside relevant competent authorities, the Financial Intelligence Unit - MOKAS, relevant Government Ministries and Departments, public bodies and relevant parties from the private sector.

Upon completion of the NRA and following the advice of the Advisory Authority for Combating Money Laundering and Terrorist Financing ('the Advisory Authority'), the Council of Ministers, decided for the publication of a concise version of the NRA Report ('the Report'). The said Report has been published on the website of the Ministry of Finance on the following link: <http://mof.gov.cy/en/press-office/announcements/national-risk-assessment-of-money-laundering-and-terrorist-financing-risks-cyprus>

The purpose of publishing the Report is to inform the relevant stakeholders, including Regulated Entities, the most important national threats and vulnerabilities that have emerged in relation to money laundering and terrorist financing. In particular, the NRA provides appropriate information to the Regulated Entities in order to carry out their own risk assessment of money laundering and terrorist financing, as provided for in section 57(b1)(ii) of the Law.

In particular, according to section 58A of the Law, the NRA results are an important source of information, which the Regulated Entities, need to consider when identifying and assessing money laundering and terrorist financing risks. In the same context, the '*Joint Guidelines under Articles 17 and 18(4) of Directive (EU) 2015/849 on simplified and enhanced customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions*' ('Risk Factors Guidelines') apply, for which CySEC has issued Circular [C276](#). In particular, the Risk Factors Guidelines state the following:

'Identifying Money Laundering/Terrorist Financing (ML/TF) risk

13. When identifying ML/TF risks associated with a business relationship or occasional transaction, firms should consider relevant risk factors including who their customer is, the countries or geographical areas they operate in, the particular products, services and transactions the customer requires and the channels the firm uses to deliver these products, services and transactions.

Sources of information

14. Where possible, information about these ML/TF risk factors should come from a variety of sources, whether these are accessed individually or through commercially available tools or databases that pool information from several sources. Firms should determine the type and numbers of sources on a risk-sensitive basis.

15. Firms should always consider the following sources of information:

- *the European Commission's supranational risk assessment;*
- *information from government, such as **the government's national risk assessments**, policy statements and alerts, and explanatory memorandums to relevant legislation; [...]'*

Hence, the CySEC expects that all Regulated Entities study the Report in depth, as its content should be taken into account when assessing money laundering and terrorist financing risks, thereby improving the effectiveness of the measures and procedures applied.

The NRA results, which have been included in the Report, formed the basis for drawing up an Action Plan, which includes measures/actions to remedy the vulnerabilities identified and recorded in the Report. The implementation of these measures/actions by the competent supervisory authorities has already commenced in order to address the identified vulnerabilities and for which the Regulated Entities will be informed through relevant Circulars.

The CySEC, remains committed to taking all the necessary measures and procedures to address the vulnerabilities recorded in the Report, to minimise money laundering and terrorist financing threats, risks and vulnerabilities in the sectors it supervises.

Sincerely,

Demetra Kalogerou
Chairwoman of the Cyprus Securities and Exchange Commission