



CYPRUS SECURITIES AND EXCHANGE COMMISSION

TO : i. Cyprus Investment Firms
: ii. UCITS Management Companies
: iii. Administrative Services Companies

FROM : Cyprus Securities and Exchange Commission

DATE : July 12, 2013

CIRCULAR No : CI144-2013-20

FILE No : E.K. 6.1.14

SUBJECT : Compliance with the obligations under the legislation for the prevention of money laundering and terrorist financing

The Cyprus Securities and Exchange Commission ('the Commission') wishes, with this circular, to inform the Cyprus Investment Firms, UCITS Management Companies and Administrative Services Companies ('the Regulated Entities') the following:

1. In carrying out on-site inspections to Regulated Entities in order to assess their compliance with the obligations under the legislation for the prevention of money laundering and terrorist financing, the Commission has identified weaknesses / deficiencies in the application of relevant provisions of the said legislation by a number of Regulated Entities.
2. The Commission requests the Regulated Entities to review immediately the effectiveness of their policies, arrangements and procedures that have been established, implemented and maintained in order to comply with the obligations provided in:
 - i. the Prevention and Suppression of Money Laundering Activities Law,
 - ii. the Directive DI144-2007-08 for the Prevention of Money Laundering and Terrorist Financing ('the Directive').
3. In particular, the Regulated Entities must ensure that:
 - i. A risk management and procedures manual has been established, implemented and maintained, which it is consistent with paragraph 9(1)(c) of the Directive.
 - ii. Appropriate measures and procedures on a risk based approach have been established, implemented and maintained (Part IV of the Directive).
 - iii. Customer identification and due diligence procedures have been established, implemented and maintained (Part V of the Directive).

- iv. The directors, senior management, internal auditor and compliance officer fully implement their duties relating to prevention of money laundering and terrorist financing.
 - v. All suspicious transactions are reported to the compliance officer and then to MOKAS, where required.
 - vi. The records kept in relation to the above are correct, complete and accurate, especially customers' records.
 - vii. Their employees are fully aware of their duties and legal obligations and a complete employees' program of education and training is introduced.
4. The Commission pays particular importance to the full compliance of the Regulated Entities with the requirements of the legislation for the prevention of money laundering and terrorist financing. For this purpose, the Commission will continue to conduct on-site inspections to Regulated Entities.

In case of non-compliance with the provisions of the relevant legislation, the Commission will impose strict sanctions as these are provided in the Law (withdrawal or suspension of the authorisation and/or imposition of an administrative fine).

Yours sincerely

Demetra Kalogerou
Chairman, Cyprus Securities and Exchange Commission

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