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**To** : **Regulated Entities**

- i. CIFs**
- ii. ASPs**
- iii. UCITS Management Companies**
- iv. Internally managed UCITS**
- v. AIFMs**
- vi. Internally managed AIFs**
- vii. Internally managed AIFLNPs**
- viii. Companies with sole purpose the management of AIFLNPs**

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

**Date** : **November 5, 2018**

**Circular No** : **C284**

**Subject** : **FinCEN Advisory on the Iranian Regime’s Illicit and Malign Activities and Attempts to Exploit the Financial System**

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The Cyprus Securities and Exchange Commission (‘the CySEC’) wishes, with this circular, to inform the Regulated Entities that the Financial Crimes Enforcement Network (FinCEN) issued an advisory on 11.10.2018 regarding the above-mentioned matter, in order to assist financial institutions better detect and report potentially illicit transactions related to the Islamic Republic of Iran (Iran).

The advisory is also intended to assist foreign financial institutions better understand the obligations of their U.S. correspondents, to avoid exposure to U.S. sanctions, and to address the Money Laundering/Financing of Terrorism (ML/FT) risks that Iranian activity poses to the international financial system.

The CySEC expects that all Regulated Entities take into consideration the said advisory, as it is also descriptive about the deceptive financial strategies that the Iranian regime uses to evade sanctions, and provides red flag indicators related to specific malign activities and typologies.

For further information as well as to read the said advisory, you may visit the following links:

<https://www.fincen.gov/news/news-releases/fincen-issues-advisory-iranian-regimes-illicit-and-malign-activities-and>

<https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2018-a006>

The CySEC wishes also to remind Regulated Entities that, according to the Commission's Delegated Regulation (EU) 2016/167 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council by identifying **high-risk third countries with strategic deficiencies**, Iran is considered a high-risk third country which has strategic deficiencies in its AML/CFT regime that pose significant threats to the financial system of the Union. In addition, Iran was also identified by the FATF as a jurisdiction that has strategic deficiencies and is subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction.

Hence, according to article 64(1)(a) of the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007, Regulated Entities must apply enhanced customer due diligence measures, in addition to those referred to in articles 60, 61 and 62 of the said Law, when dealing with natural persons or legal entities established in high-risk third countries.

The CySEC expects that all Regulated Entities take into consideration the above, especially when applying customer identification and customer due diligence measures.

Sincerely,

Demetra Kalogerou  
Chairwoman of the Cyprus Securities and Exchange Commission