
To : **Regulated Entities**

- i. CIFs**
- ii. ASPs**
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- 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 : **October 7, 2019**

Circular No : **C339**

Subject : **Financial Action Task Force (FATF) Guidance on Terrorist Financing Risk Assessment**

The Financial Action Task Force (FATF) has released its new [Terrorist Financing Risk Assessment Guidance](#) (the Guidance) which builds on the previous “[FATF Guidance on National Money Laundering and Terrorist Financing Risk Assessments](#)” (2013).

The Guidance provides best-practice approaches, relevant information sources and practical examples for regulated entities to consider when assessing terrorist financing (TF) risk on a country-by-country basis. In particular, the Guidance covers key considerations when determining the relevant scope and governance of a TF risk assessment and practical examples to overcome information sharing challenges related to TF. It also provides examples of information sources when identifying TF threats and vulnerabilities and considerations for different country contexts (e.g. financial and trade centres; lower capacity jurisdictions, and jurisdictions bordering a conflict zone) as well as relevant information sources when identifying TF risks within high-risk sectors such as banking, Money or Value Transfer (MVTs) and Non-Profit Organisations (NPOs).

In addition, the Guidance highlights the importance of establishing regular mechanisms to monitor TF risk on an ongoing basis, taking into account current terrorism and TF threats and developments. In light of the cross-border nature of TF, jurisdictions that face a low domestic terrorism risk may still face significant TF risks. Likewise, even countries that assess their TF risk

to be low will still need to regularly monitor and review their understanding of these risks, and to stay vigilant to potential changes in TF threats and trends.

The Guidance also highlights the importance of continuing to critically review the approach taken to assess TF risk and identify blind spots and areas where further information is needed. For some jurisdictions, it may be necessary to take a phased approach to assessing TF risk, and to prioritise the establishment of a mechanism to gathering and collecting relevant quantitative and qualitative information.

Finally, the Guidance concludes with some areas for further focus going forward based on experience from across the FATF Global Network, including enhanced information sharing on TF risks among jurisdictions with similar threat profiles; the continued development of multiagency information sharing initiatives, and use of information technology tools to manage “big data.”

The Cyprus Securities and Exchange Commission (CySEC) expects that Regulated Entities take due account and apply the Guidance, which will assist them in the assessment of TF risk and implementation of applicable counter-terrorism financing measures, as per the provisions of paragraph 12(4) of the [CySEC's Directive for the prevention and suppression of money laundering and terrorist financing](#).

Sincerely,

Demetra Kalogerou
Chairwoman of the Cyprus Securities and Exchange Commission