
TO : **Regulated Entities**

- i. **Cyprus Investment Firms ('CIFs')**
- ii. **Administrative Service Providers ('ASPs')**
- iii. **UCITS Management Companies ('UCITS MC')**
- iv. **Self-Managed UCITS ('SM UCITS')**
- v. **Alternative Investment Fund Managers ('AIFMs')**
- vi. **Self-Managed Alternative Investment Funds ('SM AIFs')**
- vii. **Self-Managed Alternative Investment Funds with Limited Number of Persons ('SM AIFLNP')**
- viii. **Companies with sole purpose the management of AIFLNPs**
- ix. **Crypto Asset Service Providers ('CASPs')**
- x. **Small Alternative Investment Fund Managers ('Small AIFMs')**

FROM : **Cyprus Securities and Exchange Commission**

DATE : **27 February 2025**

CIRCULAR NO. : **C685**

SUBJECT : **Guidance on Sanctions Screening Systems**

With the present Circular, the Cyprus Securities and Exchange Commission (CySEC) wishes to notify the regulated entities for issuing a practical guide on [Guidance for maintaining effective and efficient Sanctions Screening Systems](#), available on CySEC's [website](#).

During the period April-November 2024, CySEC conducted **thematic inspections to assess the effectiveness and efficiency of the Sanctions screening systems used by a sample of regulated entities**. All types of regulated entities were subject to these thematic inspections. CySEC's inspections focused on the legal requirements emanating from the provisions of the United Nations Security Council Resolutions or Decisions (UN Sanctions) and the European Union Council's Decisions and Regulations (EU Restrictive Measures). Specifically, the thematic inspections focused on screening the UN and EU Sanctions Lists to identify designated persons, as well as relevant screening practices for U.S. and UK Sanctions Lists.

During these thematic inspections, several best practises were identified, although the **overall effectiveness and efficiency of systems used for sanctions screening requires improvement**. The **purpose** of publishing these guidelines is to share the outcomes and feedback of these thematic

inspections to all regulated entities, clarify CySEC's expectations on screening practices and provide guidance on best practices in testing, tuning and optimisation of screening systems for overall compliance.

The Guidance Paper outlines the best practices identified during these thematic inspections, as well as an overview of the weaknesses/deficiencies identified. Furthermore, it sets out the common reasons for ineffective or inefficient sanctions screening systems and CySEC's supervisory expectations on screening practices. It also focuses on ongoing screening practices, screening systems management and quality assurance and testing methodologies for the screening systems.

Regulated entities should consider the CySEC's supervisory expectations set out in the Guidance Paper as a benchmark, so as to implement best practices identified in a risk-based and proportionate manner.

The Guidance Paper will be updated from time to time, if deemed necessary.

Sincerely,

Dr George Theocharides
Chairman, Cyprus Securities and Exchange Commission