
To : **Regulated Entities**

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

From : **Cyprus Securities and Exchange Commission**

Date : **24 February 2020**

Circular No : **C352**

Subject : **Consultation Paper on the revised money laundering and terrorist financing (ML/TF) Risk Factors Guidelines issued by the European Banking Authority (EBA)**

The Cyprus Securities and Exchange Commission (the 'CySEC') wishes, with this Circular, to inform the Regulated Entities of the following:

1. In June 2017, the three European Supervisory Authorities (EBA, EIOPA and ESMA – together 'ESAs') issued Guidelines on customer due diligence and the factors regulated entities should consider when assessing the money laundering and terrorist financing (ML/TF) risks associated with individual business relationships and occasional transactions (['The Risk Factors Guidelines'](#)).
2. In 9 July 2018, Directive (EU) 2018/843 ('AMLD5') entered into force and new money laundering and terrorist financing risks have emerged and have been identified in the [ESAs' 2019 Joint Opinion](#). The European Commission's post-mortem report and the EBA's implementation reviews has highlighted widespread challenges in the operationalisation and supervision of the risk-based approach to Anti Money Laundering and Counter Terrorism Financing (AML/CFT). Therefore, a review of the original Risk Factors Guidelines was warranted.
3. Thus, the EBA has issued on 5 February 2020, a public consultation on revised ML/TF Risk Factors Guidelines as part of a broader communication on AML/CFT issues. This revised version takes into account changes to the EU Anti Money Laundering and Counter Terrorism Financing legal framework and new ML/TF risks, including those identified by the EBA's implementation reviews. These Guidelines are central to the EBA's work to lead, coordinate and monitor the fight against ML/TF, explained in the [factsheet](#).

4. These Guidelines set out factors that institutions should consider when assessing the ML/TF risk associated with a business relationship or occasional transaction. In addition, they provide guidance on how institutions can adjust their customer due diligence measures to mitigate the ML/TF risk they have identified. Finally, they support competent authorities' AML/CFT supervision efforts when assessing the adequacy of firms' risk assessments and AML/CFT policies and procedures.
5. In its revised version, the EBA is proposing key changes, including new guidance on compliance with the provisions on enhanced customer due diligence related to high-risk third countries. New sectoral guidelines have been added on crowdfunding platforms, corporate finance, payment initiation services providers (PISPs) and account information service providers (AISPs) and for firms providing activities of currency exchanges offices.
6. The revised Guidelines also provide more details on terrorist financing risk factors and customer due diligence (CDD) measures including on the identification of the beneficial owner, the use of innovative solutions to identify and verify the customers' identity. In addition, they set clear regulatory expectations of firms' business-wide and individual ML/TF risk assessments.
7. The CySEC encourages the Regulated Entities to respond to the [Consultation Paper](#) using the consultation form on [EBA's website](#) by **5 May 2020** at the latest.

Sincerely,

Demetra Kalogerou
Chairwoman of the Cyprus Securities and Exchange Commission