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**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 AIFLNP**
- ix. **Small Alternative Investment Fund Managers ('Small AIFMs')**
- x. **Crypto Asset Service Providers**

**FROM** : **Cyprus Securities and Exchange Commission**

**DATE** : **1 August 2025**

**CIRCULAR NO.** : **C723**

**SUBJECT** : **EBA's Opinion on money laundering and terrorist financing risks affecting the EU's financial sector**

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The Cyprus Securities and Exchange Commission (the 'CySEC') wishes with this Circular to inform the Regulated Entities that the European Banking Authority (the 'EBA') has published its fifth [Opinion on money laundering and terrorist financing risks affecting the EU's financial sector](#) (the 'Opinion'). The Opinion is based on data from January 2022 to December 2024.

The Opinion has been issued in accordance with Article 6(5) of (EU) 2015/849 (The Fourth EU Anti-Money Laundering Directive), which requires the EBA to issue an Opinion on the risks of money laundering ('ML') and terrorist financing ('TF') affecting the EU's financial sector every two years.

According to the EBA, since its fourth Opinion on ML/TF risks, the financial sector has faced a dynamic and increasingly complex ML/TF risk landscape. The rapid evolution of financial technologies and new financial products such as crypto assets, and the growing

interconnection of financial products and services across sectors, have introduced new vulnerabilities.

The EBA's assessment has highlighted the following observations:

- FinTech: 70% of competent authorities report high or rising ML/TF risks in the financial sector. They point to weak AML/CFT controls and poor governance, as firms appear to prioritise growth over compliance.
- RegTech: over half of serious compliance failures reported to the EBA's EuReCA database involved the improper use of RegTech tools. Despite its potential to enhance compliance, RegTech is often poorly implemented due to lack of expertise and oversight.
- Crypto Assets: this remains a high-risk sector, with a 2.5-fold increase in authorised crypto-asset service providers (CASPs) between 2022 and 2024. Many CASPs lack effective AML/CFT systems, and some attempt to bypass regulatory oversight.
- Fraud and AI: criminals are increasingly using AI to automate laundering schemes, forge documents, and evade detection. Financial institutions struggle to keep pace with these sophisticated threats, highlighting the need for responsible AI use and robust monitoring.
- Restrictive Measures: the complexity of EU sanctions regimes poses compliance challenges. Institutions often lack adequate systems to implement sanctions effectively. The EBA's new Guidelines, applicable from end-2025, aim to harmonise standards across the EU.

As per paragraph 17 of CySEC's Directive for the prevention and suppression of money laundering and terrorist financing, information and reports, such as the Opinion, should be consulted when implementing appropriate measures and procedures on a risk based approach, and implementing the customer identification and due diligence procedures. The Opinion constitutes an important source of information which Regulated Entities must consider when identifying and assessing ML/TF risks on the basis of section 58A of the Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007- 2025, in order to improve the effectiveness and efficiency of their AML/CFT systems and controls. As such, CySEC expects that Regulated Entities take due account of and consult the Opinion.

Sincerely,

Dr George Theocharides  
Chairman, Cyprus Securities and Exchange Commission