

---

**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** : **17 March 2020**

**Circular No** : **C361**

**Subject** : **ESAs Joint Opinion on the risks of money laundering and terrorist financing affecting the European Union's financial sector**

---

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

1. According to Article 6(5) of (EU) 2015/849 ('The 4<sup>th</sup> EU Anti-Money Laundering Directive'), the three European Supervisory Authorities including the EBA, EIOPA and ESMA (together, the 'ESAs'), are mandated to issue every two years a joint Opinion on the risks of money laundering (ML) and terrorist financing (TF) affecting the European Union's financial sector.
2. On 4 October 2019, the ESAs published their second [Joint Opinion \(the 'Joint Opinion'\) on the risks of ML/TF affecting the European Union's financial sector](#). To prepare the Joint Opinion, the ESAs drew data and information by the national anti-money laundering (AML) and countering the financing of terrorism (CFT) competent authorities (CAs).
3. According to the Joint Opinion, the ESAs found weaknesses in the control frameworks put in place by financial institutions; particularly for transaction monitoring and suspicious transactions reporting in sectors with high volumes of transactions. Equally, it appears that the development of adequate business-wide and customer risk assessments is still a challenge for financial institutions across different sectors and is an area that would benefit from more guidance from CAs.

4. Furthermore, in addition to divergences in the national transposition of the 4<sup>th</sup> EU Anti-Money Laundering Directive, as identified in the [first Joint Opinion published in 2017](#), the Joint Opinion identifies divergences between certain provisions in the 4<sup>th</sup> EU Anti-Money Laundering Directive and other EU legal acts, particularly those related to authorisations, fitness and propriety and assessments of qualifying holdings. Some of these concerns have already been addressed through recent revisions in legal frameworks like the Capital Requirements Directive (CRDV).
5. The ESAs also acknowledge that the use of new technologies may offer opportunities to better fight financial crime. However, the Joint Opinion also confirms that the increasing use of new technologies by credit and financial institutions may give rise to ML/TF risks if vulnerabilities are not understood and mitigated. Equally, the rapid spread of virtual currencies is also an area of growing concern for the ESAs, as they often give rise to heightened ML/TF risks due to the absence of a common regulatory regime and the anonymity associated with them.
6. To tackle these risks and concerns effectively, the ESAs consider that CAs must play a more active role and enhance their engagement with the private sector to develop a better understanding of new technologies, products and services available to credit and financial institutions. CAs should also consider whether they have a sufficient understanding of risks and controls in those sectors where they have carried out only limited assessments and may need to review their supervisory approach.
7. As a complement to this Opinion, the ESAs have developed an interactive tool which gives European citizens, CAs and credit and financial institutions a snapshot of all ML/TF risks covered in the Joint Opinion. The interactive tool is available [HERE](#).

**The CySEC expects that Regulated Entities take duly account and consult the Joint Opinion as provided in paragraph 17 of the CySEC’s Directive for the prevention and suppression of money laundering and terrorist financing. It is an important source of information which Regulated Entities must consider when identifying and assessing ML/TF risks on the basis of section 58A the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007, in order to improve the effectiveness and efficiency of their AML/CFT systems and controls.**

Sincerely,

Demetra Kalogerou  
Chairwoman of the Cyprus Securities and Exchange Commission