
To : **Regulated Entities**
i. CIFs
ii. ASPs
iii. UCITS Management Companies
iv. Internally managed UCITS
v. AIFMs
vi. Internally managed AIFs
vii. Internally managed AIFLNP
viii. Companies with sole purpose the management of AIFLNPs

From : **Cyprus Securities and Exchange Commission**

Date : **16 March 2021**

Circular No : **C432**

Subject : **Opinion of the European Banking Authority 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. The European Banking Authority (EBA) published its [Opinion on risks of money laundering and terrorist financing \(ML/TF\) affecting the European Union's financial sector](#) (the "Opinion"). The Opinion has been issued in accordance with Article 6(5) of (EU) Directive 2015/849, 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. The Opinion and its associated report will inform the European Commission's Supranational Risk Assessment (SNRA) and risk assessments carried out by competent authorities.
2. The ML/TF risks identified by the EBA include those that are applicable to the entire financial system, for instance the use of innovative financial services, while others affect specific sectors, such as de-risking. The list also includes ML/TF risks that emerge from wider developments such as the COVID-19 pandemic that has an impact on both firms' AML/CFT compliance and competent authorities' supervision.
3. Some of the risks identified in this Opinion, such as those associated with virtual currencies and innovative financial services, had already been identified in the previous two Opinions on ML/TF risks and continue to be very relevant today. Others are included in the Opinion for the first time, such as differences in the treatment by competent authorities of financial

institutions' involvement in facilitating or handling tax-related crimes ('cum-ex/cum-cum'). The EBA also observes a continuing trend of de-risking, which has implications from a ML/TF, consumer protection and financial stability point of view.

4. The COVID19 pandemic illustrates how new ML/TF risks can emerge unexpectedly and that can impact firms' ability to ensure adequate AML/CFT compliance, and competent authorities' ability to ensure the ongoing supervision of firms in the current context of restrictions on movement. Risks associated with COVID19, thus, require immediate attention and monitoring by competent authorities.
5. As a complement to this Opinion, the EBA has developed an interactive tool, which gives European citizens, competent authorities and credit and financial institutions access in a user friendly manner to all ML/TF risks covered in the Opinion. The interactive tool is available [here](#).

The CySEC expects that Regulated Entities take duly account and consult the 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 Laws of 2007-2021, 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