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**To** : **Regulated Entities**

- i. Cyprus Investment Firms ('CIFs')**
- ii. Administrative Service Providers ('ASPs')**
- iii. Undertakings for Collective Investment in Transferable Securities ('UCITS')**
- iv. UCITS Management Companies ('UCITS MC')**
- v. Alternative Investment Fund Managers ('AIFMs')**
- vi. Alternative Investment Funds ('AIFs')**
- vii. Alternative Investment Funds with a Limited Number of Persons ('AIFLNP')**

**From** : **Cyprus Securities and Exchange Commission**

**Date** : **05 July 2017**

**Circular No** : **C 219**

**Subject** : **ESAs Guidelines on anti-money laundering and countering the financing of terrorism – 'The Risk Factors Guidelines'**

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

1. The Joint Committee of the three European Supervisory Authorities (EBA, EIOPA and ESMA – 'ESAs') published on the 26<sup>th</sup> of June 2017 its final guidelines on anti-money laundering and countering the financing of terrorism (AML/CFT) (the "guidelines"). These guidelines are based on mandates in Articles 17 and 18(4) of Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.
2. The guidelines promote a common understanding of the risk-based approach to AML/CFT and set out how it should be applied. These guidelines are part of the ESAs' wider work on fostering a consistent and effective approach to AML/CFT by both credit and financial institutions, and AML/CFT supervisors. The guidelines provide credit and financial institutions with the tools they need to make informed, risk-based decisions on the effective management of individual business relationships and occasional transactions for AML/CFT purposes.
3. They provide guidance on the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk (ML/TF) associated with a business relationship or occasional transaction. In addition, they set out how credit and

financial institutions can adjust the extent of their customer due diligence measures to mitigate the ML/TF risk they have identified.

4. Competent authorities will use these guidelines when assessing whether the ML/TF risk assessment and management systems and controls of EU credit and financial institutions are adequate.
5. These guidelines are essential to the European Union's fight against ML/TF. They set clear, regulatory expectations of the way credit and financial institutions should discharge important AML/CFT obligations and pave the way for a more effective and proportionate European AML/CFT regime that is consistent with international best practice and guidance. Consequently, the ESAs will keep these guidelines under review and update them as appropriate. A first update is foreseen once amendments to Directive (EU) 2015/849 have been agreed.
6. The CySEC urges the Regulated Entities to take duly account and read ESAs Risk Factors Guidelines, by clicking on the link below:

<https://www.eba.europa.eu/documents/10180/1890686/Final+Guidelines+on+Risk+Factors+%28JC+2017+37%29.pdf>

7. These Guidelines will apply by 26 June 2018.

Sincerely,

Demetra Kalogerou  
Chairwoman of the Cyprus Securities and Exchange Commission