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

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

**DATE** : **18 July 2023**

**CIRCULAR NO.** : **C588**

**SUBJECT** : **EBA's Opinion on the risks of money laundering and terrorist financing (ML/TF) affecting the EU's financial sector**

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The Cyprus Securities and Exchange Commission ('CySEC') wishes with this Circular to inform the Regulated Entities that the European Banking Authority ('EBA') has published its fourth [Opinion on the risks of money laundering and terrorist financing \(ML/TF\) affecting the EU's financial sector](#) ('Opinion'). The Opinion also sets out what competent authorities and EU co-legislators can do to mitigate those risks.

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 ML and TF affecting the EU's financial sector every two years. The Opinion and its associated report inform the European Commission's Supranational Risk Assessment (SNRA), risk assessments carried out by competent authorities and the EBA's policies and priorities.

According to the EBA, the Opinion is issued against the background of a changed risk landscape, which has an impact on institutions' anti-money laundering and countering the financing of terrorism (AML/CFT) compliance and competent authorities' approaches to supervision. Examples include geopolitical events like Russia's invasion of Ukraine and legislative developments, such as the publication of a comprehensive 'AML Package' and the Markets in Crypto-Assets Regulation

(MiCAR). They also include emerging risks such as corruption, and the laundering of proceeds from both environmental crime and cybercrime.

Some of the ML/TF risks identified in the Opinion, such as those associated with crypto assets, innovative financial services, the identification of beneficial owners and terrorist financing, had already been identified in previous [Opinions on ML/TF risks](#) and continue to be relevant today. Other risks that were highlighted in 2021, including those associated with Covid-19 and de-risking, are starting to decrease.

Awareness of ML/TF risks is increasing across all sectors under the EBA's AML/CFT remit with small but tangible improvements in credit institutions and investment firms. At the same time, the AML/CFT systems and controls institutions have put in place are not always effective, with significant challenges in institutions' approaches to transaction monitoring and reporting of suspicious transactions in particular.

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- 2021, 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