
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 : February 14, 2017

Circular No : C 186

Subject : Executive Summary in the Compliance Officer's Annual Report and the Internal Audit Report on the prevention of money laundering and terrorist financing

The Cyprus Securities and Exchange Commission ('the CySEC') wishes, with this circular, to set standards to assist the Regulated Entities in meeting their obligations emanated by the provisions of paragraphs **6 and 10 of the Directive** DI144-2007-08 of 2012 for the Prevention of Money Laundering and Terrorist Financing, as amended, ('the Directive'), regarding the preparation of the Compliance Officer's Annual Report and the Internal Audit Report on the prevention of money laundering and terrorist financing.

CySEC's Circular with number C033, is related to this circular.

More specifically,

1. According to paragraphs 6 and 10 of the Directive, the Internal Auditor and the Compliance Officer for the prevention of money laundering and terrorist financing are obliged to prepare written reports for their respective areas of responsibility ("the Reports"), for the purpose of assessing the Regulated Entity's level of compliance with its obligations laid down in the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007, as amended, ('the Law') and the Directive.
2. The purpose of both Reports is to inform the board of directors of the Regulated Entity, amongst others, for the effectiveness of the policy, practices, measures, procedures and

controls applied by the Regulated Entity for the prevention of money laundering and terrorist financing and for the measures to be decided for the improvement or correction of any weaknesses/deficiencies, setting a timeframe for implementation.

3. For a more efficient assessment, appraisal and review of the Reports and for the purpose of further facilitating the board of directors in its decision making, the persons responsible for the preparation of the reports (AML Compliance Officer and Internal Auditor), are requested to include an **executive summary** at the beginning of their Reports, which will summarise the lengthy text of the Report.
4. The Executive Summary:
 - i. Is an integral part of the Report.
 - ii. Is no more than 2 - 3 pages long.
 - iii. Indicatively includes the following:
 - Introduction.
 - Purpose/ objectives/ terms of reference.
 - Key findings/weaknesses (a summary of all key findings/weaknesses, regardless of whether they have been rectified, or not, within the year, and the key issues from previous years that are still pending).
 - Suggestions.
 - Conclusion.
5. CySEC expects that all the Reports that will be prepared for the year 2016 and onwards will fully apply this Circular, so as to achieve full compliance with paragraphs 6 and 10 of the Directive.

Yours Sincerely,

Demetra Kalogerou
Chairwoman of the Cyprus Securities and Exchange Commission