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## **EBA AML/CFT Newsletter**

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### Latest News

#### **Happy New Year!**

We wish you a happy and prosperous new year.

#### **The EBA assesses competent authorities' approaches to the AML/CFT supervision of banks**

In July 2023, we published [the 2022 review of competent authorities' approaches to tackling money laundering and terrorist financing \(ML/TF\) risks in the banking sector](#). We assessed 12 competent authorities from 9 Member States and we concluded that supervisors are making progress in the fight against ML/TF.



Some competent authorities in the sample have extensively changed their approach to anti-money laundering and countering the financing of terrorism (AML/CFT) supervision of banks, which is now broadly effective. Cooperation between supervisors has also improved. Nevertheless, most supervisors in this sample were asked to do more to tackle ML/TF risk in the banking sector. We provided advice to competent authorities on the steps they should take to strengthen their approach.

## **The EBA publishes its Opinion on ML/TF Risks in the EU's financial sector**

In July 2023, we published [an Opinion on the risks of ML/TF in the EU's financial sector](#). The Opinion also sets out what competent authorities can do to mitigate those risks.

We published this Opinion against the background of a changing risk landscape, which impacts financial institutions' AML/CFT compliance and alters competent authorities' approaches to supervision. While financial institutions' awareness of ML/TF risks is increasing and AML/CFT supervision is improving, AML/CFT systems and controls are not always effective. In particular, significant challenges remain in institutions' approaches to transaction monitoring and reporting of suspicious transactions.

## **The EBA contributes to safeguard Not-for-Profit Organisations' access to financial services that are essential for the delivery of humanitarian aid across the world**

In March 2023, we updated the [Guidelines on ML/TF risks factors](#) and included guidance that sets out what financial institutions should do to identify and assess ML/TF risk associated with Not-for-Profit organisations (NPOs). This is to support financial institutions in managing ML/TF risks associated with NPOs effectively, instead of denying them access to financial services. The Guidelines are applicable across the EU since October 2023.



In July 2023, to complement these Guidelines and to engage further with NPOs, we published a joint [factsheet](#) together with the European Commission to clarify the information NPOs might have to provide to financial institutions to open an account or to carry out a specific transaction. The factsheet also explains the reasons why financial institutions may require this information.

## **Cooperation between AML/CFT supervisors is improving**

In August 2023, we published [our third Report on the functioning of AML/CFT colleges](#). We found that competent authorities have taken important steps to improve the functioning of AML/CFT colleges. This resulted in the exchange of more substantive and useful information. Nevertheless, not all AML/CFT colleges have reached full maturity, and at the time of our review, approximately 50 colleges had not yet held their first meeting.

The Report highlights good practices to further strengthen the effectiveness of AML/CFT colleges going forward.

## **The EBA met representatives of the payment institution sector to discuss AML/CFT compliance**

In November 2023, we organised an Industry Roundtable with Members of the European Payment Institutions Federation (EPIF) as a follow up to the [EBA Report on ML/TF risks associated with payment institutions](#), published in June 2023. The Roundtable's objective was to constructively exchange on what the sector can do to improve their AML/CFT systems and controls. Discussions focused on ensuring adequate oversight of agent networks and the hallmarks of an effective approach to ongoing transaction monitoring in the sector.

Simultaneously, we continue our work with competent authorities to foster the exchange of information and good practices in relation to the supervision of the payment institution sector.

## **The EBA consults on 'Travel Rule' Guidelines**

In November 2023, we launched a public consultation on new Guidelines to prevent the abuse of funds and crypto-assets transfers for terrorist financing and other financial crime purposes.

These ['Travel Rule' Guidelines](#) specify the steps that Payment Service Providers (PSPs), Intermediary PSPs (IPSPs), crypto-asset service providers (CASPs) and Intermediary CASPs (ICASPs) should take to detect missing or incomplete information that accompanies a transfer of funds or crypto-assets. The consultation runs until 26 February 2024. We will also hold a virtual public hearing on 17 January 2024 from 14:00 to 16:00 CET.



## **The EBA extends AML/CFT Guidelines to CASP supervisors (second revision)**

In November 2023, we published [the second revision of the Risk-Based Supervision Guidelines](#). The revision extends the scope of the Guidelines to AML/CFT supervisors of CASPs. The amendments include guidance that competent authorities should consider when assessing ML/TF risks associated with CASPs.

CASPs can present high ML/TF risks. They also operate across borders. For this reason, a common supervisory approach to tackling ML/TF risks in that sector is crucial. The amended Guidelines highlight the importance of a consistent approach in setting supervisory expectations, where multiple competent authorities are responsible for the supervision of the same institutions. The Guidelines also emphasise the importance of training so that staff from competent authorities have the technical skills and expertise necessary to carry out their tasks.

## **The EBA publishes its annual Risk Assessment of the European banking system**

In December 2023, we published the [2023 risk assessment of the European banking system](#), with a chapter focusing on financial crime risks.

Banks appear to have improved their awareness of ML/TF risk compared to 2022 but seem to continue to attribute less significance to ML/TF risk than to other operational risk aspects.

By contrast, AML/CFT supervisors express ongoing concerns about banks' AML/CFT controls which are often in place but not always effective. In particular, according to supervisors, many banks fail to consider TF risks properly. According to AML/CFT supervisors, 70% of banks rely too heavily on the screening of targeted financial sanctions lists instead of monitoring risks associated with terrorist financing.



## **The EBA consults on Guidelines on internal policies, procedures and controls to support the implementation of Union and national restrictive measures**

In December 2023, we launched a public consultation on two sets of Guidelines on internal policies, procedures and controls to ensure the implementation of Union and national restrictive measures. Restrictive measures are binding on any person or entity under the jurisdiction of Member States. They comprise individual measures, i.e., targeted financial sanctions, and sectoral measures, i.e., financial and economic measures or embargoes.

Through these Guidelines, the EBA creates, for the first time in the EU, a common understanding, among PSPs, CASPs and their supervisors, of the steps they need to take to be able to comply with restrictive measures. The [consultation](#) runs until 25 March 2024. We will also hold a [virtual public hearing](#) on 8 February 2024 from 10:00 to 12:00 CET.

## **The EBA supports EU AML/CFT supervisors to prepare for the new EU AML/CFT framework**

The establishment of a new EU Anti-Money Laundering Authority (AMLA) will bring significant changes to the way competent authorities approach AML/CFT supervision. Therefore, we have set up a Forum to support competent authorities in preparing their transition plans. The objective of the Forum is to contribute to the smooth transition to the new institutional framework.



## **The EBA and ESMA consult on regulatory instruments under Regulation (EU) 2023/1114 (MiCAR) that are relevant from a financial crime perspective**

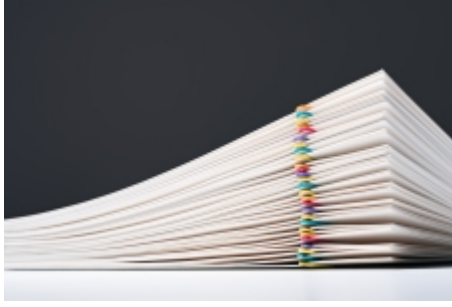
As a part of the MiCAR, the EBA and ESMA were given several mandates that are key to ensuring that ML/TF risks are identified and tackled. These include mandates in relation to:

- authorisations and notifications;
- assessments for the acquisition of qualifying holdings;
- suitability assessments of members of management bodies and of shareholders and members with qualifying holdings;
- governance arrangements;
- colleges;
- redemption plan; and
- transfer services.

CASPs and issuers of E-Money Tokens (EMTs) will be obliged entities under the Anti-Money Laundering Directive (AMLD). Issuers of asset-referenced tokens (ARTs) are not necessarily financial institutions or 'obliged entities' for AML/CFT purposes. ARTs have nevertheless to ensure that they are not used for financial crime purposes. The draft instruments set out what institutions and their supervisors should do to maintain the integrity of the sector once MiCAR applies. The consultation papers and final reports once published can be found on [ESMA](#) and [EBA](#)'s respective websites.

Coming up

## The EBA is finalising AML/CFT Guidelines for CASPs



We are finalising amendments to the Risk Factors Guidelines, which now contain specific guidance for CASPs on factors that they need to consider when entering a business relationship with their customers. The guidance for credit and financial institutions was also extended to highlight risk factors they need to consider when dealing with customers that are CASPs.

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