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EBA AML/CFT Newsletter Issue 7



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Latest News

New Director of the Innovation, Conduct and Consumers Department

The newly appointed Director of the Innovation, Conduct and Consumers Department, Marilyn Pikaro, joined the EBA on [1 March](#).

Prior to joining the EBA Ms Pikaro was a special advisor to the European Commission, and her experience includes work for the Estonian Criminal Police and as a Chief Compliance Officer and member of the Executive team and Management Board at Luminor.



De-risking Opinion and Report

In January we published an [Opinion and a report](#) on the scale and impact of de-risking in the EU. We worked with competent authorities across the EU, and with [external stakeholders](#), to better understand why credit and financial institutions decide to de-risk particular categories of customers instead of managing the risks associated therewith.



Our findings suggest that de-risking, if unwarranted, has a detrimental impact on the achievement of EU's objectives, in particular in relation to fighting financial crime effectively and promoting financial inclusion, competition and stability in the single market.

We organised an [online event](#) on 11 March to mark the publication of our Opinion and report, that attracted more than 200 participants.

Call for Advice on Digital Finance

In January 2022 the EBA, along with the other ESAs, submitted the [joint response](#) to the European Commission's February 2021 Call for Advice on Digital Finance. The ESAs identified that the use of innovative technologies in the EU financial sector is facilitating changes to value chains, that dependencies on digital platforms are increasing rapidly, and that new mixed-activity groups are emerging. These trends open up a range of opportunities for both EU consumers and financial institutions, but also pose new or elevated risks.



To address these issues, the ESAs set out a series of recommendations, including the need for further convergence in addressing ML/TF risks in a digital context (see recommendation 6).

EuReCA update

In January we launched our central EU AML/CFT database, EuReCA, the European Reporting system for material AML/CFT weaknesses. EuReCA is based on the [draft Regulatory Technical Standards \(RTS\)](#) published in December 2021 that define key terms and type of information to report to EuReCA. EuReCA brings together in one place information from competent authorities (CAs) across the EU that relates to serious AML/CFT shortcomings in individual finan-

cial institutions, and the measures CAs have taken to rectify those shortcomings.

EuReCA will be key to strengthening AML/CFT supervision and coordinating supervisory efforts across the EU.

Luanda Leaks

In February we published the findings of our [assessment of competent authorities' responses to the 2020 Luanda Leaks](#). We found that competent authorities across the EU adopted significantly different approaches for identifying and tackling the risks highlighted by the information contained in the leaks, and that these approaches varied beyond what the EBA would have expected under a risk-based approach.

However, we also identified good practices, including steps by competent authorities to put in place dedicated processes to identify and swiftly react to instances of crystallised ML/TF risk. The [EBA Risk-Based AML/CFT Supervision Guidelines](#) can also support competent authorities to better identify, assess and manage emerging ML/TF risks holistically and across all areas of supervision.

EBA updates SREP Guidelines with explicit AML/CFT references

In March, the EBA published its revised Guidelines on common procedures and methodologies for the supervisory review and evaluation process ([EBA SREP Guidelines](#)).

The revised Guidelines reflect changes to the EU's legal framework. They also set out how prudential supervisors should take ML/TF risks into account in SREP, in line with the [EBA's Opinion on ML/TF risks in SREP](#).

Considering the potential detrimental effect of ML/TF risks on the institutions' financial soundness, the revised framework proposes an integrated approach to factor ML/TF risks from a prudential perspective in the relevant SREP areas and to foster cooperation between prudential and AML/CFT authorities, while avoiding duplications or interference between supervisory measures. Such framework has been set up to enhance the overall supervisory view on institutions, their viability, and risks.

The final revised SREP Guidelines will enter into force on 1 January 2023.



Remote customer onboarding

At the end of the last year, the EBA launched a public consultation on its draft [Guidelines on the use of remote customer onboarding solutions](#). These Guidelines set out a common understanding by competent authorities of the steps financial sector operators should take to ensure safe and effective remote customer onboarding practices in line with applicable AML/CFT legislation and the EU's data protection framework.



The public consultation ended on 10 March. The EBA received 57 written comments. 42 responses are public and can be consulted on the [EBA website](#). A public hearing took place on 24 February with more than 150 people on the call.

We are currently working on the assessment of the contributions and aim to publish the final Guidelines in Q4, 2022.

EBA calls for the financial inclusion of refugees

In March, we published a first [statement](#) on the situation in Ukraine, calling all competent authorities to ensure all financial institutions properly implement restrictive measures adopted by the Council of the EU. We highlighted the importance of sanctions compliance and of institutions taking advantage of the flexibility enshrined in EU AML/CFT law to provide refugees with access to at least basic financial products.

EBA asked financial institutions to follow a risk-based approach when providing financial products to refugees from Ukraine, using the EBA's 2021 [ML/TF Risk Factors Guidelines](#) and the EBA's 2016 [Opinion on the Application of Customer Due Diligence Measures for Asylum Seekers](#).

In April we published a [statement](#) on financial inclusion in the context of the invasion in Ukraine. The statement sets out what financial institutions and their AML/CFT supervisors can do to facilitate access by refugees from Ukraine to the EU's financial system and what financial institutions and AML/CFT supervisors can do to protect vulnerable customers from abuse by criminals and to tackle emerging financial crime risks.

EBA assesses effectiveness of AML/CFT supervision

In March, we published our [second report](#) on competent authorities' approaches to the AML/CFT supervision of banks. We found that several competent authorities in last year's sample had engaged in meaningful reforms but that the effectiveness of their approaches was often hampered by insufficient ML/TF risk assessments and failure to translate those risk assessments into their supervisory practices and plans.



This report forms part of the EBA's multiannual programme of in-depth, qualitative assessments of competent authorities' approaches to AML/CFT supervision. The purpose of these assessments is to support individual competent authorities' AML/CFT efforts, and to strengthen the EU's AML/CFT supervisory framework by sharing overall findings and recommendations on a regular basis.

EBA chairperson writes to co-legislators about the AML/CFT package

In March, the EBA's chairperson, Jose Manuel Campa, [wrote to the European Parliament, the Council and the Commission co-legislators](#) about the importance of cooperation in the future EU AML/CFT framework, a holistic approach to tackling ML/TF and the criteria for selecting institutions that will be directly supervised by the future AMLA.

The Chairperson emphasised that ML/TF cannot be fought effectively in isolation, and that building on the synergies that exist between the AML/CFT, prudential and conduct frameworks will remain important to protect the European Union from financial crime.

Revised Guidelines on Risk-Based AML/CFT Supervision

In April, the EBA published the translations of the [Guidelines on Risk-Based Supervision \(revised\)](#).

The revised Guidelines enter into effect on 4 July 2022.



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