

THE EBA'S APPROACH TO MONITORING THE FUNCTIONING OF AML/CFT COLLEGES

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What is the AML/CFT colleges landscape in the EU?

AML/CFT colleges are being set up by supervisors for all credit and financial institutions ('institutions') in the EU that are within the scope of the EU's AML/CFT framework and that operate on a cross-border basis in at least three EU Member States. By 2022, more than 200 AML/CFT colleges will have been set up.

For more information on the overall AML/CFT colleges framework you can refer to the [Factsheet on AML/CFT Supervisory Colleges](#).



What is the EBA's approach to monitoring AML/CFT colleges?

Since the first AML/CFT colleges were set up in 2020, EBA staff have provided hands-on support to all lead supervisors to ensure an efficient and effective functioning of those colleges.

As the number of AML/CFT colleges has increased, and supervisory capacity is being built, the EBA's role is also changing. From January 2022, EBA staff will apply a risk-based approach to monitoring AML/CFT colleges. Through its monitoring activities, the EBA will not only continue to promote the effective functioning of AML/CFT colleges, but it will also use information from those colleges to identify existing and emerging ML/TF risks and trends in different sectors within the internal market. This will allow the EBA to take all the necessary steps to ensure that these risks are tackled effectively by institutions and competent authorities. Monitoring AML/CFT colleges, therefore, helps the EBA discharge its legal mandate to prevent the use of the EU's financial system for ML/TF purposes.

The EBA has adopted different ways to monitor AML/CFT colleges:



Active monitoring, where EBA staff actively participates in the 15 actively monitored colleges and is involved in all relating activities. These 15 colleges are selected according to a list of criteria set out below and are reviewed at least every two years or more frequently, if necessary.



Thematic monitoring, where the EBA staff selects 10 AML/CFT colleges on a rotation basis, focusing on colleges in those sectors which are less exposed to ML/TF risks and, therefore, less represented in the EBA's active monitoring plan.



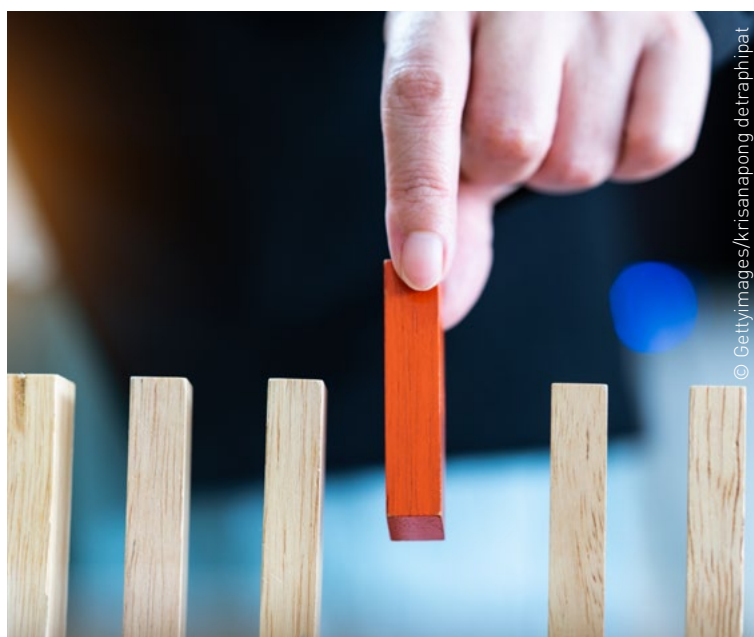
General monitoring includes gathering statistical data from all AML/CFT colleges on an annual basis.

How will the EBA decide which AML/CFT colleges to monitor more actively?

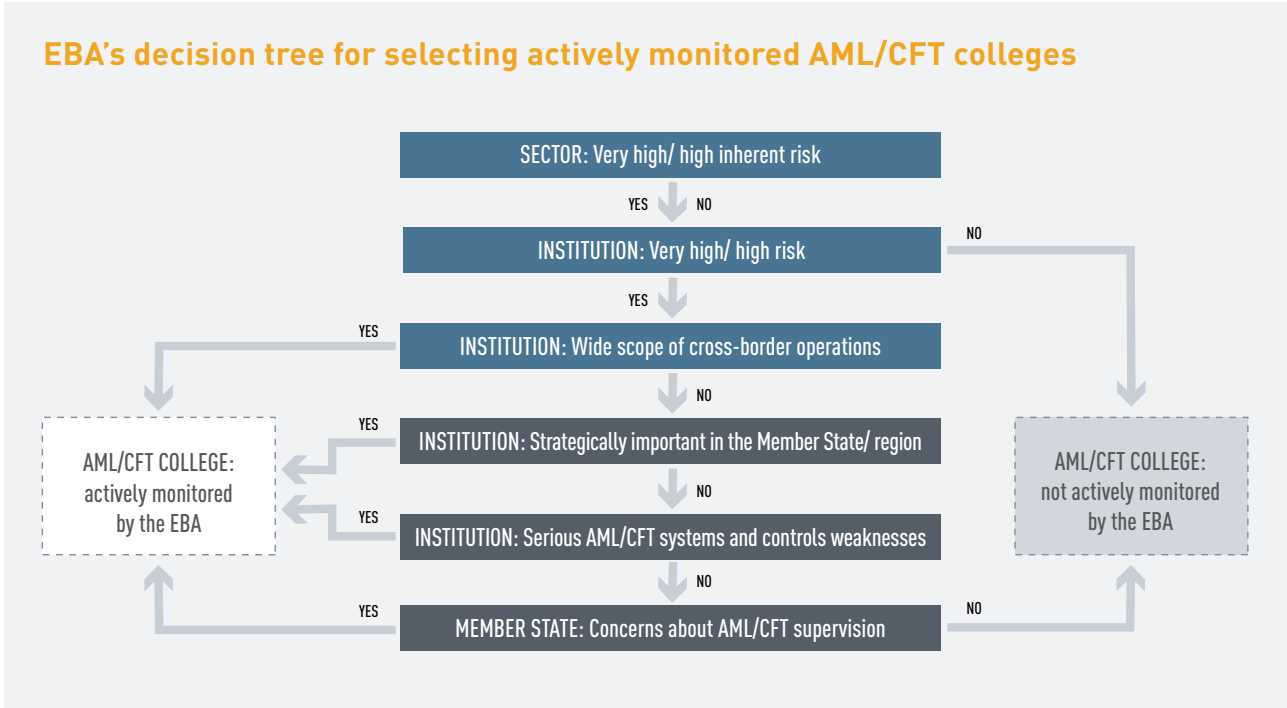
EBA staff selects AML/CFT colleges for active monitoring based on six criteria, which are assessed in accordance with the decision tree explained below. The assessment is based on wide variety of information sources available to the EBA⁽¹⁾.

The criteria are designed to ensure that the monitoring includes the highest ML/TF risk institutions from all sectors and a sufficiently broad geographical spread of colleges.

⁽¹⁾ The information sources are similar to those set out in the EBA's Guidelines on the characteristics of a risk-based approach to anti-money laundering and terrorist financing supervision, and the steps to be taken when conducting supervision on a risk-sensitive basis under Article 48(10) of Directive (EU) 2015/849



EBA's decision tree for selecting actively monitored AML/CFT colleges



CORE CRITERIA

1. Inherent ML/TF risk exposure of the sector*	The EBA prioritises AML/CFT colleges from those sectors which are inherently exposed to the high/ very high ML/TF risk.
2. ML/TF risk rating of the institution	The EBA relies on the risk classification carried out by lead supervisors in respect of institutions supervised by them. This means that the risk score of the head office or parent institution is considered. The focus is on those institutions categorised as high/ very high for ML/TF risk purposes. However, other institutions may also be selected by the EBA when they are exposed to increased ML/TF risks, for example, due to increased risk exposure in branches.
3. Scope of cross-border operations	The EBA prioritises AML/CFT colleges with the largest networks of branches and subsidiaries or which include institutions from multiple sectors.

*To determine the sectors, EBA staff refers to the Opinion on ML/TF risks it publishes every 2 years in accordance with Article 6⁽⁹⁾ of Directive (EU) 2015/ 849

ADDITIONAL CRITERIA

4. Strategic importance and geographical balance of the AML/CFT college in the EU Member State	The EBA aims to monitor AML/CFT colleges from different jurisdictions across the EU. To ensure this, the EBA may also select an AML/CFT college due to the institution's significance in a given EU Member State, and potentially the region.
5. Weaknesses in the institution's AML/CFT controls framework, if known	Where the EBA has been notified or becomes aware of material weaknesses in the institution's AML/CFT systems and controls framework, and a college exists, the EBA may decide to start a more active monitoring of the college in respect of this institution.
6. Shortcomings in the AML/CFT supervisory framework, if known	Where the EBA is or becomes aware of serious shortcomings in an EU Member States' AML/CFT supervisory framework, it may decide to include colleges from that Member State in the active monitoring list.

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