



# **EBA REPORT**

**ON THE FUNCTIONING OF AML/CFT COLLEGES**

**EBA/REP/2020/35**



**EBA**

EUROPEAN  
BANKING  
AUTHORITY

# Contents

---

<b>Abbreviations</b>	<b>2</b>
<b>Executive Summary</b>	<b>3</b>
<b>1. Background and legal basis</b>	<b>6</b>
<b>2. Observations from AML/CFT colleges</b>	<b>8</b>
2.1 Mapping of financial institutions	8
2.2 Composition of AML/CFT colleges	9
2.3 Written cooperation and information-sharing arrangement	12
2.4 Meetings of the AML/CFT college	13
<b>3. Conclusions</b>	<b>18</b>

# Abbreviations

---

<b>AML</b>	anti-money laundering
<b>CFT</b>	countering the financing of terrorism
<b>EBA</b>	European Banking Authority
<b>FATF</b>	Financial Action Task Force
<b>FIU</b>	financial intelligence unit
<b>ML</b>	money laundering
<b>NRA</b>	national risk assessment
<b>SNRA</b>	supranational risk assessment
<b>SREP</b>	supervisory review and evaluation process
<b>TF</b>	terrorist financing

## Executive summary

---

The guidelines (JC 2019 81) on cooperation and information exchange for the purpose of Directive (EU) 2015/849 (AMLD) between competent authorities supervising credit and financial institutions (the 'Guidelines') were published by the three European Supervisory Authorities in December 2019. The Guidelines set out the cooperation framework, which is based on AML/CFT colleges. The colleges are permanent structures that bring together different supervisory authorities responsible for the supervision of the same financial institution if it operates in at least three Member States and outside the EU. All AML/CFT colleges consist of permanent members and observers. The permanent members are the EBA and all AML/CFT supervisors involved in the supervision of the financial institution. The observers are prudential supervisors and supervisors from third countries, and may also include FIUs. In each college, one of the permanent members is the lead supervisor, who is responsible for establishing and maintaining the college. The EBA, as a permanent member, has attended all AML/CFT colleges set up so far.

Following the publication of the Guidelines, AML/CFT supervisors commenced work on establishing AML/CFT colleges or, in some instances, converting existing AML/CFT college structures to comply with the Guidelines. The Guidelines recognise that establishing AML/CFT colleges from scratch is not an easy process and therefore provide a 2-year transition period during which all elements should be put in place and all necessary colleges set up on a risk sensitive basis by 10 January 2022. Therefore, the report reflects the fact that the transition period is ongoing, and that as a result, not all NCAs have set up colleges and those that have set up colleges and are included in this report's sample may not have fully implemented the Guidelines yet.

Between December 2019 and October 2020, colleges for 10 EU banks were established, which is in line with the approach set out in the Guidelines that require competent authorities to start the process of establishing colleges for financial institutions they have assessed as presenting a higher ML/TF risk in line with the ESAs joint Risk Based Supervision Guidelines (ESAs 2016 72).

This report flags areas that may require more focus from competent authorities when setting up AML/CFT colleges in future. It also provides examples of good practices that competent authorities should consider adopting in order to ensure effective cooperation within the colleges. The EBA found that competent authorities across the EU are committed to implementing the AML/CFT colleges framework. This is evident from the fact, that in spite of restrictions on movement during the global pandemic, competent authorities have taken steps to start the process of establishing AML/CFT colleges and will continue setting up colleges for other relevant financial institutions in 2021.

Overall, the EBA observed a number of good practices that may have contributed to the effectiveness and efficiency of some of the AML/CFT colleges attended:

- Mapping of financial institutions operating on a cross border basis was completed by competent authorities by using multiple sources of information. This ensured that all required members and observers were identified and invited to the college contributing to the completeness of the information that was exchanged within the college.
- The lead supervisor shared with other members within the college a list of third country AML/CFT authorities identified by the lead supervisor as potential observers. The list, together with the confidentiality requirements applicable in these authorities, was then discussed within the college meeting. As a result, the members agreed to invite these observers to the next meeting of the college.
- Through the careful planning of the agenda, the right balance was achieved between presentations and round-table discussions within the meeting. Also, it meant that sufficient time was allocated for discussions. This meant that all members and observers had an opportunity to share their views and practices.
- In addition to scheduled meetings, some colleges made use of ad-hoc college meetings in situations where a quick action or a quick decision from all members was required.
- Terms of a written cooperation agreement were discussed between the members at the first meeting and the agreement was signed by all members soon after that. This ensured that information could be freely exchanged within the college.
- The agenda for the meeting was shared by the lead supervisor well in advance of the meeting, for the members' comments. This meant that members could contribute to the agenda and ensure that they were available to attend the meeting.
- Minutes summarising the key points discussed and actions agreed at the meeting were shared with the members and observers following the meeting. In some instances, minutes were supplemented with a table providing an overview of the supervisory actions and measures taken in each jurisdiction.

In contrast, the report shows that identifying all members and observers that should be invited has proven challenging for some competent authorities. This resulted in some members or observers not being invited to a number of meetings of the college. Additional challenges related to the formal aspects of the college, including delays with putting in place a written cooperation and information sharing agreement as well as developing the terms of participation of observers, which sometimes hampered the exchanges and carried a risk that some important information could not be shared within the college. In some instances, the discussions within the college at the meetings were limited to the operational aspects of the college and not aligned with the Guidelines. In addition, when planning for some meetings, insufficient time was allocated for discussions on certain key aspects such as the risk profile of the financial institution, which significantly impaired the exchange of information as no follow up questions could be asked by the members.



The EBA encourages all competent authorities to make use of the practices and observations set out in this report when establishing or participating in the AML/CFT colleges, and make adjustments to their approach where necessary. The EBA, as a college member and as part of its wider coordinating and monitoring role, will continue to monitor and support competent authorities in this process.

# 1. Background

---

1. The FATF, in its 40 recommendations published in 2012, is clear that efficient cooperation between competent authorities across borders aims to facilitate effective AML/CFT supervision of financial institutions. Consequently, Directive (EU) 2015/849 includes a high-level requirement for competent authorities of home and host Member States to cooperate to ensure the effective AML/CFT supervision of obliged entities that operate on a cross-border basis. In addition, Directive (EU) 2018/843 removed legal obstacles that prevented cooperation between supervisors, and set out a clear expectation that cooperation should take place. However, it did not provide a framework for cooperation to happen in practice.
2. Recent events have shown that, in the absence of a common framework for supervisory cooperation, cooperation and information exchange between competent authorities can be challenging. To address this, in December 2019, the European Supervisory Authorities published joint guidelines on cooperation and information exchange for the purpose of Directive (EU) 2015/849 between competent authorities supervising credit and financial institutions (the Guidelines). The Guidelines aim to enhance cooperation and information exchange between various supervisors responsible for the supervision of financial institutions operating on a cross-border basis, including where applicable through AML/CFT colleges, which should be set up for each financial institution that operates in at least three different Member States.
3. The Guidelines should be fully implemented by national competent authorities within 2 years from the application date using a risk-based approach, which means that by the end of the 2-year transition period, on 10 January 2022, AML/CFT colleges for all relevant financial institutions should be established.
4. AML/CFT colleges are permanent structures that are set up to ensure cooperation between supervisors in order to support the development of a comprehensive view of ML/TF risks associated with the financial institution and adjust their supervisory approach where necessary. In line with the Guidelines, all AML/CFT colleges consist of permanent members and observers. In each college, one of the permanent members is the lead supervisor, who is responsible for establishing and maintaining the college. Given this, the use of colleges is not limited only to college meetings but is also to facilitate cooperation on a day-to-day basis when the supervisors require cooperation and information exchange with other supervisors who are members of, or observers to, the college.
5. The EBA has a dual role in the AML/CFT colleges: the EBA is a permanent member of all AML/CFT colleges and monitors their functioning as part of its overarching legal duty to

lead, coordinate and monitor AML/CFT supervisory efforts in the EU. As part of its coordinating role, the EBA is committed to supporting the establishment of AML/CFT colleges in line with the Guidelines and working with competent authorities to ensure that these colleges function effectively.

6. EBA staff have attended meetings of all 10 colleges established between December 2019 and October 2020. Although the AML/CFT colleges framework applies to financial institutions beyond the banking sector, all AML/CFT colleges set up so far have been in respect of banks. This is in line with the Guidelines and the risk based approach, which requires the competent authorities to focus their efforts on financial institutions that are exposed to higher ML/TF risk and therefore start the process of setting up colleges with those financial institutions.
7. Two AML/CFT colleges attended by EBA staff were existing AML/CFT sub-structures of prudential colleges that have been operating for a number of years under a different structure and legal basis. However, the lead supervisors of these colleges are now taking steps to bring changes to the composition and functioning of these colleges, to bring them in line with the Guidelines. In one instance, an AML/CFT college was set up for a bank that has a head office in the Member State but operates branches and subsidiaries only in non-EU jurisdictions. According to the Guidelines, this bank does not require a college. However, the lead supervisor recognised the risk associated with this bank and considered it necessary to set up the college.
8. This is the first report published by the EBA on the functioning of AML/CFT colleges in the EU. However, the report acknowledges that not all AML/CFT colleges are fully functional yet considering that the 2-year transition period, at the end of which all colleges should be set up, has not passed yet. The report summarises the EBA's observations in respect of the mapping of financial institutions, composition of AML/CFT colleges, written cooperation and information sharing agreements and meetings of the AML/CFT college and highlights areas that may require more focus from competent authorities when setting up AML/CFT colleges in future. In addition, the report provides examples of good practices observed that all competent authorities should consider adopting in order to ensure effective cooperation within the colleges.



## 2. Observations from AML/CFT colleges

---

### 2.1 Mapping of financial institutions

9. The Guidelines require that all competent authorities carry out mapping of all financial institutions, which operate on a cross-border basis through a branch or subsidiary in their Member State from another Member State or a third country as well as financial institutions that operate from their Member State in another Member State or third countries. Mapping is an important first step in each AML/CFT college as it makes it allows the lead supervisor to identify the members and observers who should be part of the college. Equally, where the competent authority is not a lead supervisor, through mapping, it can identify the colleges that it will be required to attend as a member and plan its resources accordingly.
10. To assist competent authorities in this process, the Guidelines contain a number of templates, which, when completed, should be shared with the EBA. Mapping templates received from the competent authorities will be used by the EBA to ensure that all necessary colleges have been established and to inform the EBA's monitoring priorities for the year going forward.
11. In most AML/CFT colleges attended so far, the mapping carried out by the lead supervisor was shared with EBA staff prior to the college meeting, although the mapping template provided in the Guidelines was not always used. This may have contributed to the mapping being incomplete and therefore some members and observers not being identified. For example, in one college the mapping was based on assumptions that the financial institution's operations in certain jurisdictions had been discontinued without verifying the accuracy of this information, which, when verified, turned out to be false. Equally, in another college the mapping was based on information available on the financial institution's website, without completing the mapping template provided in the Guidelines. As a result, a number of members and observers were missing from the college and it had a negative impact on the extent of discussions and an overall understanding of risks within the college and the functioning of these colleges was impaired.
12. To carry out mapping of financial institutions effectively, competent authorities should consider using a variety of information sources, including information from prudential supervisors. Particularly in circumstances where a college of prudential supervisors already exists, it may provide a good base for mapping required in respect of AML/CFT colleges. However, the competent authorities are reminded that there are a number of operational differences between the two types of colleges, which means that the mapping completed for the purposes of prudential college may not be fully relied upon in all cases and may

need to be supplemented with an additional analysis and mapping by competent authorities to meet the requirements in the Guidelines.

13. In some instances, EBA staff observed that mapping was based entirely on information gathered from the financial institution. However, this information was not always accurate, which meant that some branches and subsidiaries were omitted from the mapping. To prevent this, competent authorities are advised to use a combination of information sources, which can be cross checked against each other. For example, if information is gathered from financial institutions, that it is compared with other information already available to the competent authority, including information from prudential supervisors or public registers.

## 2.2 Composition of AML/CFT colleges

14. In line with the Guidelines, the participation in AML/CFT colleges is generally limited to permanent members and observers. One of the members is the lead supervisor, who is responsible for putting in place all operational aspects at the outset of the college and for ensuring a smooth operation of the college. In certain circumstances, the Guidelines provide that additional attendees may also be invited, however their attendance is limited to a particular session only.
15. In most AML/CFT colleges attended by EBA staff, it was evident that the lead supervisor had taken appropriate steps to identify and invite all permanent members at the outset of the college, with some exceptions where, as set out above, the mapping was inadequate or incomplete.

**Good practice: discussions within the college resulted in a more comprehensive membership**

In one college the lead supervisor had not invited two potential members to the college, on the basis of information suggesting that the financial institution was planning to discontinue its operations in the corresponding Member States, without giving any timelines of when this would happen. After discussing this issue within the college, the lead supervisor carried out further enquiries, which confirmed that one of the members should indeed be invited to the AML/CFT college.

16. While the overall responsibility for establishing the AML/CFT college rests with the lead supervisor, the effectiveness of each college requires a joint effort from all members and observers. This means that, in circumstances where members are aware of other members that should be invited to the college, it is important that they share this information within the college so that the lead supervisor can take necessary steps to invite these members

from now on. Where the lead supervisor is unsure of the exact competent authorities, which are responsible for the supervision of financial institutions' compliance with AML/CFT rules in a particular Member State, he or she can consult the list of all competent authorities in the EU published on the EBA's website.<sup>1</sup>

17. EBA staff have observed that at times the competent authorities' attendance in the colleges may be adversely affected by the timing of the transposition of the Directive, which means that competent authorities in those Member States where Directive (EU) 2018/843 has not been transposed are often prevented from attending or establishing AML/CFT colleges. This has been a case in a number of colleges, where certain members have declined the lead supervisor's invitation to the college or have indicated that their participation may only be limited.
18. In respect of observers, the Guidelines provide a range of different observers that can be invited to the college. However, the proposed observer needs to be approved by all members of the college on a basis of considerations of confidentiality rules applicable to the proposed observer. EBA staff observed that the majority of colleges are still at a preparatory stage as regards to observers. In all colleges the lead supervisor had taken steps to identify observers, however, in many cases, the final decision on which observers to invite has not been agreed by the members yet. In particular, when inviting non-EU supervisors as observers in the college, the lead supervisor and college members are often required to carry out additional checks to ensure that confidentiality requirements applicable to those observers are equivalent to those applicable to the EU competent authorities and to consider the impact that the attendance of the observer might have on the functioning of the AML/CFT college.

**Good practice: agreement by college members before inviting observers from third countries**

In one college, the lead supervisor had carried out mapping in line with the Guidelines and had identified a large number of third country authorities as potential observers in the college. The list of observers was shared with the members prior to the first meeting. During the meeting, the lead supervisor went through the list, advising members of those observers on whom certain equivalence checks have already been carried out and asking the members whether they had any objections to inviting those authorities as observers.

19. As the aim of the AML/CFT colleges is to support the effective oversight of cross-border groups not only from an AML/CFT perspective but also from a more general prudential perspective, it is crucial for the lead supervisor to ensure that there is a two-way exchange of information between prudential supervisors as observers and AML/CFT supervisors as

<sup>1</sup> <https://eba.europa.eu/regulation-and-policy/anti-money-laundering-and-counteracting-financing-terrorism>

members of the college. In most instances, EBA staff observed that prudential supervisors attended the college, but the extent of their participation varied between different colleges. For example, in some instances, the prudential supervisors attended only one session of the college meeting where the lead supervisor provided only a high-level summary of the discussions that had taken place during the AML/CFT college meeting, resulting in only limited exchanges of information between members and observers. It was evident that such approach did not foster the effective exchange of information between the members and observers in the college.

20. In another college, the prudential supervisors, while present during the entire meeting of the college, did not contribute to the discussions because terms of participation for observers were outstanding. To address this, EBA staff encourage all members to work together on developing the terms of participation of observers to clarify the extent of participation by observers and to ensure that observers can constructively participate in the future meetings of the college.

**Good practice: the value added by the attendance of prudential supervisors**

In all colleges where the prudential supervisors were invited and actively participated, their contributions contributed to a greater understanding of the adequacy of the financial institution's governance and risk management systems, in particular by clarifying aspects related to the internal controls framework or sharing similar concerns to those identified by the AML/CFT supervisors.

21. In addition, the Guidelines allow the members to choose if they wish to invite the FIUs or prudential supervisors from third countries to participate in the AML/CFT college. In half of the colleges the EBA has attended so far, the members agreed to invite the FIU to the next meeting, which is yet to take place. In one college, the lead supervisor had approached the FIU prior to establishing the college and the FIU had indicated that it would find it useful to attend the college.
22. The Guidelines allow the attendance of other participants, such as the financial institution, in a designated session of the college meeting, when the attendance of those participants would benefit the discussions within the meeting. This was observed in most colleges where the financial institution was invited to participate in one session of the meeting, although it mostly happened during the second or third meeting of the college. This practice appears to be highly effective, particularly when the members have identified similar shortcomings in respect of the financial institution's systems and controls across different jurisdictions. So the financial institutions were given an opportunity to explain how they propose to address these shortcomings. However, such meeting may require

careful planning on the part of the lead supervisor to ensure that the focus of discussions remains focused on relevant issues that are of most concern to the supervisors.

**Good practice: the focus of the meeting with the bank is determined by the members**

In one meeting of the college, the bank provided only a high-level update on its remediation plan, which did not meet the members' expectations. So the members agreed to provide the bank with a list of specific questions on its remediation plan prior to the next meeting so that the bank could focus its presentation on addressing these questions.

**Good practice: requiring improved information from the bank if the first attempt was not satisfactory**

Following the session with the bank, members of one college expressed their dissatisfaction with the bank's presentation on its remediation plan. The members deemed the plan lacking in detail and time-bound concrete deliverables. As a result, the bank was asked by the college members to produce a more concrete remediation plan, which was later shared with the college and was considered by the members to be adequate.

## 2.3 Written cooperation and information-sharing arrangement

23. The Guidelines require that a written cooperation and information-sharing arrangement (the AML/CFT cooperation agreement) be put in place by members in respect of each AML/CFT college. Generally, the agreement governs operational aspects of the college. In most colleges attended by EBA staff, the terms of the AML/CFT cooperation agreement were discussed and members agreed to use the template agreement included in the Guidelines with some minor modifications.

**Good practice: signing of the AML/CFT cooperation agreement**

In two AML/CFT colleges, the lead supervisor and members of the college completed and signed the AML/CFT cooperation agreement within 2 months from the date of the first college meeting.

24. In addition to the general AML/CFT cooperation agreement, the members jointly are required to draw up the terms of participation for observers. Considering that there are different types of observers attending colleges, the terms of participation may also be different for each of them and therefore there is no template provided in the Guidelines. When drawing up the terms of participation, the members should ensure that the terms

foster the cooperation and information exchange with the observers and that the cooperation is not impaired by restricting terms that are not justified.

25. In line with the Guidelines, EBA staff observed that the lead supervisor had either finalised the contact list of members and observers or taken steps to complete it. In circumstances where the contact list cannot be fully finalized due to, for example, some observers not being approved by the members yet, the lead supervisor should consider sharing with members an interim contact list first, which can then be finalised at a later date. It is the responsibility of all members and observers to ensure that the lead supervisor is notified without delay of any changes to their contact details.

## 2.4 Meetings of the AML/CFT college

26. One of the key objectives of the college meeting is to equip the supervisors responsible for the AML/CFT supervision of a financial institution in different jurisdictions with the most comprehensive and up-to-date information about the group's exposure to ML/TF risks so that the supervisors can adjust their supervisory approach accordingly and take common actions if needed. In line with the Guidelines, the lead supervisor is tasked with the organisation of college meetings and therefore is responsible for ensuring that the exchange of information happens in practice. This can be achieved by ensuring that all relevant participants are invited to attend the college meeting and that those who attend are given an opportunity to provide a comprehensive update in respect of their supervisory approach and their assessment of ML/TF risks associated with the financial institution.

**Good practice: comprehensive input from members and observers during the college meeting**

EBA staff attended a meeting where the lead supervisor had fully met the objective of the college by achieving a good balance between members' and observers' presentations, ad hoc information exchanges and more formal round-table discussions. As a result, all members and observers had an opportunity to contribute to all or part of the discussions, as relevant.

27. The Guidelines prescribe two types of college meetings: scheduled meetings for which the form and frequency is agreed in advance; and ad hoc meetings, which are organised without delay when a serious risk has emerged or crystallised. However, in colleges that were set up in 2020, EBA staff observed three distinct types of college meetings:
  - a preparatory meeting, which was generally the first meeting of the college and focused mainly on the operational aspects of the college, such as the frequency

and form of the meetings, who should be invited as observers and the terms of the written cooperation agreement.

- scheduled meetings, which were subsequent to the preparatory meeting, at which members and observers discussed a variety of topics and often invited the financial institution to participate.
  - ad hoc meetings, which were called at a short notice in response to a particular event.
28. There are no specific provisions in the Guidelines as regards the preparatory meeting of the college. In those colleges that had decided to organise a preparatory meeting first, in addition to operational aspects of the college, time was also allocated for discussions on the financial institution's risk profile and supervisory activities carried out by different supervisors. This approach worked well, as it provided a sufficient overview of the financial institution and, in most instances, highlighted the key issues that the college should focus on in future meetings.
29. In contrast, the Guidelines are explicit in respect of information that should be exchanged during the scheduled meeting and the lead supervisor should refer to the Guideline 7.6 when setting the agenda for the meeting. However, the college is not limited to the exchange of information set out in the Guidelines and may also include information on other topical issues or emerging risks relevant to the financial institution or the sector as a whole, including risks arising from tax crimes. Where the financial institution has put in place an extensive remediation plan, it may be relevant to include a regular update by the financial institution or by the lead supervisor on the status of the remediation plan.
30. As regards to ad hoc meetings, they are essentially different from the scheduled meeting in many ways, including the substance and duration of the meeting. In addition, considering that often the need for such a meeting may be urgent, in some instances, only limited notice of the meeting may be possible. The ad hoc meetings attended by EBA staff, were used as an effective tool by the lead supervisor to raise awareness of significant supervisory measures imposed on the financial institution. However, the objective of the meeting was not always clear to the members and observers attending the meeting, which meant that only limited preparations could be done. Therefore, the lead supervisor should ensure that, as far as possible, sufficient information is shared with the members and observers prior to the ad hoc meeting to allow adequate preparation for it, which may involve discussing the issue with other colleagues within the competent authority.

**Good practice: lead supervisor calls an ad-hoc meeting in response to events that may have an impact on the group**

EBA staff attended three ad hoc meetings of AML/CFT colleges where members and observers were given 2 to 3 weeks' prior notice of the meeting. In two instances, the purpose of the meeting was to discuss recently imposed sanctions on the financial institution and, in one instance, the meeting focused on recent events that might give rise to increased ML/TF risk for the financial institution.

31. In most colleges, it was evident that preparations for the meeting had commenced months ahead and the agenda was shared with the members and observers in good time before the meeting, allowing them to provide input into and feedback on the agenda and to have sufficient time to prepare for the meeting. While some colleges relied heavily on presentations, others preferred round-table discussions. There are no obvious pros and cons in adopting one approach over another, and the lead supervisor and members may need to apply their professional judgment to find the most appropriate way of exchanging information within the college. Therefore, when planning for the meeting, it is important for the lead supervisor to consider how best to ensure a constructive involvement of members and observers in the discussions. To ensure more constructive and tailored questions during the meeting, it may be useful to share any materials or presentations with the members and observers at least 5 days prior to the meeting, giving sufficient time to review and consider the information provided.
32. With two exceptions, all meetings attended by EBA staff were virtual meetings that were held using either video or phone conferencing tools. This was largely determined by the restrictions on movement due to the COVID-19 pandemic, which meant that planned physical meetings were no longer possible. In most cases, the lead supervisors adjusted quickly and found other ways for the meeting to take place while ensuring that the quality of discussions was not impaired. However, the changing environment did present challenges to some competent authorities due to the lack of virtual meeting facilities available to them. Nevertheless, the competent authorities' showed their commitment and worked to overcome these challenges so that the college meetings may go ahead.
33. To that end, EBA staff observed that certain temporary solutions were introduced by competent authorities. For example, in some instances, a help of other members was sought to set up the virtual meeting. In such cases, it is important to consider how these competent authorities will organise non-face-to-face meetings in future as the restrictions on movement are likely to persist for some time. They should also be mindful that even without the restrictions the Guidelines do not require that all college meetings be held face-to-face. Therefore, it is important that going forward competent authorities have adequate communication options available to them for conducting the meetings by video, phone conference or other means, that do not impair the quality and level of the discussions.



34. As regards frequency of meetings, the Guidelines do not prescribe a specific frequency but require that members jointly agree on the frequency and form of the future college meetings. This decision should be based on some of the factors set out in Guideline 7.1, including the level of ML/TF risk associated with a particular financial institution as determined by the lead supervisor. Commonly, members agreed to hold college meetings either quarterly or twice a year. However, often this decision was not based on the financial institution's exposure to ML/TF risks. For example, in two colleges, the agreement to hold college meetings twice a year was reached before the discussion on risks had taken place.

**Good practice: alignment of the frequency of some college meetings with the SREP cycle**

In some colleges, members agreed to align at least one meeting a year with the SREP cycle so that the members can share their assessment of the ML/TF risk profile of the financial institution, which can then be considered as part of the overall SREP assessment for the group.

35. The members are reminded that significant changes in the financial institution's risk rating may also trigger a change in the frequency of the college meetings. For example, if the financial institution's residual risk rating increases due to insufficient AML/CFT systems and controls, the frequency of meetings may also be increased, if deemed necessary by the college members.
36. While the Guidelines do not explicitly require to keep minutes of meetings, it is nevertheless important, as, in the absence of minutes, there is no audit trail in relation to the key discussions and main actions agreed within the college. EBA staff have observed that the majority of lead supervisors keep minutes of the meetings and share them with the members and observers. However, there were some instances when the minutes of the meeting were not shared or, when shared, were incomplete. This resulted in the lead supervisor not being able to track progress on actions previously agreed within the college, which may have a negative impact on the effectiveness of the college in future.

**Good practice: tracking findings and actions**

In three colleges, the lead supervisor, in addition to minutes, compiled a list of main supervisory findings and measures that were discussed during the college meeting.

**Good practice: requesting follow-up information from the bank**

In two Colleges, subsequent to the bank's presentation, the lead supervisor compiled a list of additional questions raised by the members where further clarifications were needed. The bank then was asked to provide written responses to the questions.

37. The lead supervisor should ensure that secure communication channels are used to exchange information within the college. Competent authorities have access to the EBA's secure online platform, which is made available to all colleges. However, competent authorities may choose different communication channels, including their own communication platforms.

## 3. Conclusions

---

38. Cooperation is an essential part of an effective AML/CFT supervisory framework. The EBA's experience over the first year since the publication of the Guidelines shows that AML/CFT colleges are becoming an integral part of that framework.
39. In 2020, the Commission set out its vision of the future AML/CFT regime in the EU. This is likely to bring significant changes to the AML/CFT legal framework, but it is clear that cooperation will remain one of the key AML/CFT priorities and crucial to ensure the effectiveness of this new framework. In particular, as highlighted in this report, the AML/CFT colleges framework is achieving its objective by serving as an important source of information for the competent authorities. Competent authorities should now consider how they can use this information strategically and effectively to advance their supervisory approach to financial institutions operating on a cross-border basis.
40. Since the publication of the Guidelines in December 2019, the EBA has seen a steady rise in a number of AML/CFT colleges being set up, and it recognises the enormous efforts put into this by the competent authorities. The competent authorities' commitment to the AML/CFT colleges framework is evident through their work as lead supervisors when setting up and maintaining the colleges, and as college members through their active participation and comprehensive contributions during the colleges meetings.
41. As is to be expected, the colleges framework is still evolving and, in line with the Guidelines, the competent authorities have another year to put in place all elements to ensure that AML/CFT colleges are set up where this is required by the Guidelines. The EBA's findings and examples of good practice set out in this report will therefore be helpful in focusing competent authorities' attention on specific areas that in the EBA's view are essential to ensure the effective operation of the colleges that competent authorities establish or attend.
42. Firstly, AML/CFT colleges are an important cooperation tool and should be used to exchange information between the supervisors. It is evident that careful planning of the agenda and the lead supervisor's professional judgment are needed to ensure a good balance and timing of discussions within the meeting. However, the exchange of information between the college members and observers should not be limited only to college meetings, as some college meetings may happen annually or less frequently. Therefore, the college structures should be used to exchange information on day-to-day supervisory activities, where relevant.

43. Secondly, colleges are meant to provide a safe environment for exchanging views and information. Therefore, competent authorities should ensure that the operational arrangements of the colleges are finalized in good time, particularly those arrangements that determine the participation and sharing of information between members and observers within the colleges.
44. Finally, for AML/CFT colleges to succeed, it requires a collegial effort from all members and observers that are part of the college. Therefore, it is crucial that the members and observers who are invited to the college, attend and actively participate in the meetings.
45. The EBA will continue monitoring work in AML/CFT colleges and help the competent authorities with setting up new colleges.



**EUROPEAN BANKING AUTHORITY**

---

Floor 27, 20 Av. Andre Prothin, 92927 Paris La Defence

---

Tel. +33 186 52 70 00

---

E-mail: [info@eba.europa.eu](mailto:info@eba.europa.eu)

---

<http://www.eba.europa.eu>