

Regulatory News Alert

EU supervisors highlight money laundering and terrorist financing risks in the financial sector

8 October 2019

Context and objectives

On 4 October 2019, the three European Supervisory Authorities (**EBA, EIOPA and ESMA**) published their second **joint Opinion on the risks of money laundering and terrorist financing affecting the European Union financial sector**. This Opinion is based on data and information provided by national anti-money laundering and countering the financing of terrorism competent authorities (CAs). The objective of this Opinion is to contribute to strengthening the EU's AML and CFT efforts.

ESAs main points of attention

The ESAs found as follows:

- The **monitoring of transactions and suspicious transactions reporting** is still problematic, particularly in sectors where a financial institution's business model is based on frequent transactions;
- The development of adequate **business-wide and customer risk assessments is still a challenge for financial institutions** and is an area that would benefit from more guidance from CAs;
- ML/TF risks arising from the **withdrawal of the UK from the EU** are specifically highlighted;
- There is a **divergences in the national transposition of the Fourth Anti-Money Laundering Directive (AMLD4)**, particularly in the way Member States implemented particular provisions on authorizations, fitness and propriety and assessments of qualifying holdings;
- The ESAs acknowledge that the use of new technologies may offer opportunities to better fight financial crime, however, the increasing use of **new technologies**

by credit and financial institutions may give rise to ML/TF risks if vulnerabilities are not understood and mitigated;

- Rapid spread of **virtual currencies** is also an area of growing concern for the ESAs, as they often give rise to heightened ML/TF risks due to the absence of a common regulatory regime and the anonymity associated with them.

To tackle these risks and concerns effectively, the ESAs consider that **CAs must play a more active role and enhance their engagement with the private sector** to develop a better understanding of new technologies, products and services available to credit and financial institutions. CAs should also consider whether they have a **sufficient understanding of risks and controls** in those sectors where they have carried out only limited assessments and may need to **review their supervisory approach**.

Finally, as a complement to this Opinion, the ESAs have developed an interactive tool, which gives European citizens, CAs and credit and financial institutions a snapshot of all ML/TF risks covered in the Joint Opinion. The interactive tool is available on EBA's website and is based entirely on the information contained in the opinion. It illustrates the content of the joint Opinion with different statistics and charts.

How can Deloitte help?

In this rapidly evolving regulatory landscape, Deloitte can help you stay ahead of the game with our Kaleidoscope Regulatory Watch services, which monitors and analyzes upcoming changes.

Deloitte's AML/CTF advisory specialists and dedicated services will also help you design and implement your renewed business strategy in light of the future evolution of the AML/CFT framework.

Key Deloitte AML services:

- AML/KYC remediation plan
- AML/CTF training
- AML/CTF policy, procedure, and process design or review
- DKYC: externalizing KYC processes

Your contacts

Pascal Eber

Partner – Operations Excellence &
Human Capital
Tel : +352 45145 2649
peber@deloitte.lu

Simon Ramos

Partner – IM Advisory & Consulting Leader
Tel : +352 45145 2702
siramos@deloitte.lu

Bastien Collette

Director – Advisory & Consulting (AML/CTF)
Tel : +352 45145 3372
bacollette@deloitte.lu

Benoit Sauvage

Director – RegWatch, Strategy & Consulting
Tel : +352 45145 4220
bsauvage@deloitte.lu

Eric Collard

Partner – Forensic & AML, Restructuring
Tel : +352 45145 4985
ecollard@deloitte.lu

Jean-Philippe Peters

Partner – Risk Advisory
Tel : +352 45145 2276
jppeters@deloitte.lu

Alice Lehnert

Director – Advisory & Consulting
Tel : +352 45145 2605
alehnert@deloitte.lu

Marijana Vuksic

Manager – Regulatory & Consulting
Tel : +352 45145 2311
mvuksic@deloitte.lu

Deloitte Luxembourg
20 Boulevard de Kockelsheuer
L-1821 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 401
www.deloitte.lu

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