

Regulatory News Alert

The CSSF integrates revised EBA guidelines on ML/TF risk factors into its regulatory approach

1 October 2021

On 24 September 2021, by way of [Circular 21/782](#), the Commission de Surveillance du Secteur Financier (CSSF) adopted the **European Banking Authority's (EBA) Revised Guidelines on customer due diligence and risk factors** that credit and financial institutions should consider when assessing the money laundering and terrorist financing (ML/TF) risk associated with individual business relationships and occasional transactions ("the Guidelines").

Key additions to the Guidelines that address new ML/TF risks

The EBA's revised Guidelines strengthen the requirements regarding individual and business-wide risk assessments and customer due diligence (CDD) measures. It adds **guidance on the identification of beneficial owners, the use of innovative solutions to identify and verify customers' identities**, and how financial institutions should comply with legal provisions on **enhanced CDD related to high-risk third countries**. The revised Guidelines also define some terms (such as interest risk, residual risk and risk appetite) and provide **more details on TF risk factors**.

The EBA also included **new sectoral guidelines** for crowdfunding platforms; corporate finance firms; account information service providers (AISPs) and payment initiation service providers (PISPs); and firms offering currency exchange services.

The EBA reiterates that financial institutions no longer need to discontinue services to entire customer categories they associate with a higher ML/TF risk (the so-called **de-risking**). Instead, financial institutions should balance the need for financial inclusion with the need to mitigate and manage ML/TF risk. The Guidelines should help financial institutions achieve this balance.

Finally, the Guidelines highlight the need for supervisory authorities and financial institutions to enhance their **tax crime** understanding. In this context, financial institutions should consider other relevant EBA and/or ESMA reports, particularly the [reports](#) and [Action plan](#) on dividend arbitrage trading schemes (*Cum-Ex/Cum-Cum schemes*).

Next steps

The CSSF urges supervised entities to apply the changes **to both future business relationships** and **existing customers** appropriately, as risk assessment and mitigation is an ongoing process and professionals must ensure any new controls apply to both existing and new customer categories.

The Guidelines apply as of **26 October 2021**.

How can Deloitte help you?

Deloitte's subject matter experts can help you design and implement your business strategy in light of the evolution of regulatory frameworks and market trends.

Key Deloitte services include:

- Assessment and guidance with updating compliance control framework and policies
- Assistance with financial crime risk assessment
- Review of client files (KYC) and provision of remediation plan
- AML/CFT training
- DKYC: externalizing KYC processes

Deloitte's Regulatory Watch service helps you stay ahead of the regulatory curve to better manage and plan upcoming regulations.

Your contacts

Subject matter specialists

Bastien Collette

Partner – Advisory & Consulting (AML/CFT)

Tel: +352 45145 3372

bacollette@deloitte.lu

Maxime Heckel

Partner – Forensic & Financial Crime

Tel: +352 45145 2837

mheckel@deloitte.lu

Pascal Eber

Partner – Operations Excellence & Human Capital

Tel: +352 45145 2649

peber@deloitte.lu

Nicolas Marinier

Partner – Forensic & Financial Crime

Tel: +352 45145 3042

nmarinier@deloitte.lu

Regulatory Watch Kaleidoscope service

Simon Ramos

Partner – IM Advisory & Consulting Leader

Tel: +352 45145 2702

siramos@deloitte.lu

Benoit Sauvage

Director – Risk Advisory

Te : +352 45145 4220

bsauvage@deloitte.lu

Jean-Philippe Peters

Partner – Risk Advisory

Tel: +352 45145 2276

jppeters@deloitte.lu

Marijana Vuksic

Senior Manager – Risk Advisory

Tel: +352 45145 2311

mvuksic@deloitte.lu

Deloitte Luxembourg
20 Boulevard de Kockelscheuer
L-1821 Luxembourg
Grand Duchy of Luxembourg

Tel: +352 451 451

Fax: +352 451 452 401

www.deloitte.lu

Deloitte is a multidisciplinary service organisation which is subject to certain regulatory and professional restrictions on the types of services we can provide to our clients, particularly where an audit relationship exists, as independence issues and other conflicts of interest may arise. Any services we commit to deliver to you will comply fully with applicable restrictions.

Due to the constant changes and amendments to Luxembourg legislation, Deloitte cannot assume any liability for the content of this leaflet. It shall only serve as general information and shall not replace the need to consult your Deloitte advisor.

About Deloitte Touche Tohmatsu Limited:

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the “Deloitte organization”) serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 330,000 people make an impact that matters at www.deloitte.com.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2021 Deloitte Tax & Consulting

Designed and produced by MarCom at Deloitte Luxembourg