

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**.

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