

Regulatory News Alert

European Union strengthens its AML regime

26 July 2019

EBA Opinion on communications to supervised entities regarding ML/TF risks in prudential supervision

On Wednesday 24 July, the European Banking Authority (EBA) published an Opinion **urging for closer cooperation and exchange of information between prudential supervisors and Financial Intelligence Units (FIUs).**

The EBA hereby clarifies the importance of the link between prudential supervision and AML/CFT supervision and therefore invites prudential supervisors to:

- Be aware of, and act upon ML/TF risks which may pose prudential risks to the institutions they supervise
- Endeavor to **mutually exchange information and cooperate with AML/CFT authorities** concerning individual and group entities, both domestically and across borders
- Warn institutions that concerns about ML/TF **will be considered in the prudential supervisory process** and in particular, but not solely:
 - When considering whether to authorize an institution
 - As part of ongoing supervision, in the assessment of acquisitions of qualifying holdings and in the fit and proper assessment of the management body
 - In the context of the supervisory review and evaluation process (SREP)
 - When taking any administrative measures, to ensure that AML/CFT-related weaknesses are taken into account in applying prudential supervisory measures.

The **EBA issues this Opinion to send a clear signal to the industry that ML/TF risks are also factored into the prudential supervisory process** and that prudential supervisors cooperate closely with AML/CFT supervisors for this purpose, while respecting the specific tasks of both supervisors.

EU Commission communication on implementation of the EU's ML/TF framework

On the same day, the European Commission adopted a **Communication and its four reports** stressing the need for all-encompassing implementation of the EU AML directives,

and to raise awareness of the topic among obliged entities. In particular, the Communication assesses the risks affecting the Union and highlights the improvement of the EU's legal framework.

The Commission addresses ML/TF concerns and challenges, bringing further clarifications on the current framework, by publishing:

- A report on **supranational risk assessment of ML/TF risks** affecting the EU, showing some horizontal vulnerabilities with regard to:
 - Anonymous products
 - Identification of beneficial owners
 - New unregulated products, such as virtual assets
 - Full implementation of AMLD IV and AMLD V by the Member States.
- A report on **Financial Intelligence Units (FIU)** highlighting failures in FIUs:
 - Cooperation with third countries
 - Dialogue with obliged entities
 - Compliance with the EU's data protection framework while exchanging information with third countries.
- A report on the **Interconnection of national centralized automated mechanisms of the MS on bank accounts**:
 - Assessment of IT solutions at EU level which may serve as models for a possible interconnection of the centralized mechanism
 - EU-wide interconnection is technically feasible to speed-up access to financial information and facilitate cross-border cooperation.
- An **assessment of recent alleged ML cases** involving EU credit institutions revealing following deficiencies:
 - Supervisors only intervened after significant risks have already materialized
 - Repeated compliance and governance failures
 - Fragmented regulatory and supervisory approaches that impinged on the effectiveness of cooperation among various actors.
- The Commission concludes that although many risks and shortcomings have already been or will shortly be addressed thanks to the recent changes in the regulatory framework, some of the shortcomings identified are structural in their nature and have not yet been addressed. For this reason, the Commission will continue to monitor the implementation of the updated legal framework and of the recommendations in its supranational risk assessment.

How can Deloitte help you?

At this rapidly evolving crossroads between regulations, 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/CTF framework.



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
bacliffe@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 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, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/lu/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

© 2019 Deloitte General Services

Designed and produced by MarCom at Deloitte Luxembourg