

## Deloitte Banking Alert

July 2021

### EU plans to strip the EBA of all its money-laundering duties

**The European Commission published on 20<sup>th</sup> of July its plans to take away the European Banking Authority's duties on anti-money-laundering and countering terrorism financing (AML/CFT) and to assign them to a new EU specific supervisory authority.** This action is **designed to repair the reputational damage** that the European Union has endured over the recent years due to the money laundering scandals.

Despite the fact the EBA has clearly put serious efforts in including AML/CTF aspects in the recent revisions of the EBA GL on internal governance, joint EBA and ESMA GL on Fit&Proper requirements and EBA SREP GL, **this action comes a little late for the European Commission which is planning to develop a single rulebook for the new Anti-Money Laundering Authority.**

**The EU's plan is to start the agency's direct supervision in 2026.**

### Key points of the new Anti-Money Laundering Authority (AMLA)

The draft plans reveal that the Commission plans to empty the agency's dedicated unit and transfer the powers to a new Anti-Money Laundering Authority (AMLA).

**The new authority shall have direct supervisory powers over financial companies across the continent and also shall have the power to impose fines of millions of euros** (total penalties not to exceed 10 per cent of annual turnover or €10M – whichever is higher). The main criteria for supervision will be the companies' level of exposure to illicit funds through cross-border business and risky clientele.

**Another major advantage of AMLA consists of its independent board** (unlike the current EBA arrangements). This may result in a major step in cleaning up the financial industry. **Statistics say that approx. 1% of European wealth is involved in "suspect activity", translating into around EUR 160 billion.**

The proposals include a single rulebook that the new watchdog would enforce police uniform rules on customer checks, cash limits and reporting requirements across the bloc. There's also an initiative to improve the coordination among financial intelligence units, the national hubs that analyze reports by banks and other companies on countering suspicious activities.

**The AMLA will have a staff of 250 people but a headquarters location for the agency has not yet been decided – that will have to be ironed out in negotiations with Member States.**

**The new agency is expected to scrutinize some of the EU's "riskiest" financial institutions, as well as their national supervisors, in an effort to crack down on money laundering scandals that have plagued the bloc. The AMLA is expected to directly supervise a small number of the "riskiest, cross-border" banks and financial institutions and will be tasked with overseeing national AML supervision and will also have the power to slap non-compliant entities with multi-million euro fines.**

**According to preliminary plans, the Authority will be up and running by 2024, recruited its staff by 2025 and supervising from 2026.**

## **European Authorities bring in a lot of attention to AML/CTF. Management Body and KFHs must demonstrate relevant knowledge.**

**In the middle of 2020 summer, both EBA and ESMA launched a public consultation on its revised joint Guidelines on the assessment of the suitability of members of the management body and key function holders. This review reflects the amendments introduced by the CRD V and the IFD in relation to the assessment of the suitability of members of the management body.**

One of the main changes brought by the revision of the joint Guidelines on the assessment of members of the management body and key function holders **includes adding aspects covering combating money laundering and terrorist financing, which is crucial for maintaining stability and integrity in the financial system.**

**In this context, the draft joint Guidelines clarify that the knowledge, experience and skill requirements are important aspects in the fit and proper assessment of members of the management body and key function holders as they contribute to identifying, managing, and mitigating money laundering and financing of terrorism risks.**

**In addition to this, on September 30th 2020, the European Banking Authority published its annual Work Programme for 2021, which describes the activities and tasks for the upcoming year and also highlights its key strategic areas of work. Among other important areas, the EBA has prioritized building the infrastructure within the EU to lead, coordinate and monitor AML/CFT supervision.**

## How can Deloitte help you?

The focus on the anti-money laundering is expected to be an integral part of ECB’s supervision during the following years. Deloitte can support you in:

AML/CFT Compliance Assessments	Forensic Audits	AML/CFT Risk Assessments	Compliance Support	Developing automation/ AI solutions	Outsourcing	Investigation	AML/CFT Training
Assessing the internal AML/CTF system (P&Ps). This also includes assessing the internal corporate governance and the fit & proper framework (considering new AML/CTF requirements). Performing mock-up exercises, to establish the level of compliance of the AML/CTF systems before supervisors’ control activities begin	Auditing the AML/CTF frame-work, in accordance with the legislative requirements to ensure a periodical independent audit.	Drafting the AML/CFT Risk Assessment Methodology, including the procedure for AML/CFT risk management. Performing AML/CFT Risk Assessment Exercise.	Assuring the compliance support in developing or revising specific policies and procedures, including Know-Your-Customer & AML/CTF & International Sanctions procedures. Supporting you in developing and/or implementing KYC, UBO and Transaction Monitoring, including Alert Handling, Programmes, by bringing at your service staff with relevant experience in the AML/CTF field.	Developing or implemented automation solutions for Know-Your-Customer and Transaction Monitoring. Supporting the client in process improvement, through AI solutions.	Assuring the Money Laundering Reporting Officer’ function or supporting MLRO by outsourcing to us various AML/CFT compliance obligations.	Performing various analysis or investigations of the modus operandi of large corporates or groups of companies to detect any potential risks to money laundering. Performing investigations based on ML/TF & FinCrime incidents and whistleblowing reports.	Providing Regulatory AML/CTF Training to the top management and the key personnel.

For further questions regarding the aspects mentioned in this alert, please don’t hesitate to contact us.



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