



European Banking Industry Committee

European Banking Federation (EBF) • European Savings Banks Group (ESBG) • European Association of Cooperative Banks (EACB)
European Mortgage Federation (EMF) • European Federation of Building Societies (EFBS)
European Federation of Finance House Associations (Eurofinas)/European Federation of Leasing Company Associations (Leaseurope)
European Association of Public Banks (EAPB)

26 August 2020

Subject: EBIC response to EC consultation on action plan for a comprehensive Union policy on preventing money laundering and terrorist financing.

Dear Madam, Dear Sir,

The European Banking Industry Committee (EBIC) welcomes the opportunity to comment on the public consultation on the action plan for a comprehensive Union policy on preventing money laundering and terrorist financing. We fully support the goal of the EU AML/CFT framework is to ensure harmonised rules in the fight against financial crime across EU jurisdictions and we believe the current consultation is very timely.

Role of the European banking sector

We would like to stress that the European banking industry is highly regulated and has during the past decade invested considerable resources in measures to support the combat of money laundering and terrorism financing and more generally the prevention of financial crime. Financial institutions have special dedicated staffs (e.g. Compliance or AML-Officers) that ensure that all business units are well trained to recognise risks of financial crime. Suspicious transactions are flagged and brought to the attention of public authorities which may use such financial information in their investigations on criminal activities. The European financial sector spends about €100 billion on compliance annually and about 10% of banks' staff are dedicated to compliance tasks. Millions of STRs and SARs are filed by banks to FIUs annually, but barely 1% of the cases are prosecuted.

By bringing together all involved actors we believe that we can make good progress, in particular on the questions exploring the different options for proper AML supervision and for enhancing the EU AML/CFT framework, including by considering whether some aspects could be better addressed through a new Regulation.

Regulatory framework and supervision

Despite some differences on the views of an ideal future AML regulatory and supervisory framework due to the diversity of institutions represented by EBIC, its members share the view that the framework would benefit from further coherence and simplification though the introduction of certain elements of the current Fifth AMLD into a new (technical) Regulation while at the same time strengthening the risk-based approach and considering national specificities.

Further consideration should be given to the fact that the Risk Based Approach and AML compliance are connected to the overall risk management function. Depending on the institution, this will usually cover compliance risk management and governance, risk analysis and internal measures. In order for an institution to effectively manage risk it is very important that the European AML rules establish the Risk-Based Approach as

overarching principle.

Moreover, we believe it would be important to push forward the interconnection of national Ultimate Beneficial Ownership (UBO) Registers. The current landscape is too fragmented in terms of data quality and compliance requirements for financial institutions. Therefore, EU-wide harmonised data reporting and recording formats and connectivity of UBO registers are an absolute necessity. We also believe- even more in the current COVID 19 context- that all legal obstacles to a wider use of e-ID for the on-boarding of customers should be removed.

In addition, EBIC fully agrees that supervision is the cornerstone of an effective AML/CFT framework and that the supervisory cooperation between national authorities is very important. It is difficult for the European Banking Industry at this stage to position itself on these options, without a preliminary impact assessment. Moreover, we notice that all options should be on the table, including the status quo.

Cooperation between authorities and with the banking sector

Finally in EBIC's view, an urgent and useful next step is an enhanced cooperation between supervisors and regulators as well as a strengthened dialogue between them and the banking industry. We would also welcome a greater role for Europol in coordinating the work of the national FIUs and acting as key contact point for supervisory authorities. In this context we would like to stress the positive experience that European banks have had in cooperating with Europol and Interpol in the joint project, EFIPPP. We also welcome the EC intention to work on guidance as the sector needs best practices and the removal of legal uncertainties for such cooperation.

For further details, please see our response to the public consultation questionnaire. We remain at your disposal for any questions you may have.

Yours,

EBIC Chair
Hervé Guider

EBIC AML WG Chair
Indranil Ganguli