ECB Banking Supervision’s role in Anti-Money Laundering/
Combating the Financing of Terrorism (AML/CFT)

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ECB representative to the Supervisory Board

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Although the ECB’s supervisory role is solely prudential…

<table>
<thead>
<tr>
<th>Main goal</th>
<th>Prudential supervisor</th>
<th>AML/CFT supervisor(s)</th>
<th>Financial Intelligence Unit (FIU)</th>
<th>Law enforcement authorities (LEAs)</th>
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<tbody>
<tr>
<td>Prudential framework</td>
<td>Ensure the safety and soundness of credit institutions to protect depositors’ money and maintain financial stability</td>
<td>Verify that banks (obliged entities) have adequate internal AML/CFT procedures in place; ensure compliance through administrative sanctions and corrective measures, etc.</td>
<td>Collect and analyse suspicious transaction reports (STRs) and inform law enforcement authorities</td>
<td>Investigate and prosecute ML/TF, other crimes and tax offences. Courts can impose criminal sanctions on natural persons and in some cases also on legal entities.</td>
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| Main applicable legislation | • CRR | • CRD\(^1\) | • SSM Regulation | • AMLD\(^1, 2\) | • AMLD\(^1, 2\) | • EU directives on combating ML/TF through the use of criminal law\(^1, 3\) | • National criminal law |

The ECB’s prudential supervisors will not perform tasks outside the prudential framework

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...recent changes in the EU framework envisage an enhanced role for prudential supervisors in AML/CFT

- **AMLD5**
  - Clarified the legal basis for the exchange of information between prudential and AML/CFT supervisors, required support for the conclusion of an AML Agreement

- **CRD V**
  - Introduced new AML/CFT-related requirements for prudential supervisors regarding authorisation and withdrawal procedures and Supervisory Review and Evaluation Process (SREP); obligation to cooperate with AML/CFT supervisors and FIUs and notify European Banking Authority (EBA) under certain conditions

- **Amendment to ESAs’ regulations**
  - Reinforced the EBA’s mandate to prevent the use of the financial system for money laundering and terrorist financing (ML/TF), introduced new reporting requirements

- **ESA guidelines on AML/CFT colleges**
  - Established AML/CFT colleges to which prudential supervisors should be invited as observers

See next slide
The AML Agreement

1. In accordance with the AMLD5, the ECB signed an agreement in January 2019 establishing the practical arrangements for the exchange of information with around 50 national AML/CFT competent authorities in the European Economic Area.

2. The Agreement allows for a structured exchange of information between the ECB and the AML/CFT competent authorities:
   - at the participants’ request;
   - on the participants’ own initiative:
     - which “should” take place for specific cases, e.g. imposed sanctions or measures;
     - but “may” also take place for other reasons, e.g. to provide information on a business model.

3. In all cases, the information shared must be “relevant and necessary” for the receiving entity to fulfill its respective role as prudential or AML/CFT supervisor.

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The AML Agreement - Implementation

- The ECB actively transmits information to AML/CFT competent authorities under the AML Agreement
  - The information transmitted to AML/CFT competent authorities mainly comprises excerpts from SREP letters, on-site inspection reports and findings from off-site analyses
- AML/CFT competent authorities also share information with the ECB regularly and on an ad hoc basis
  - Primarily AML/CFT risk assessments, supervisory measures and excerpts from on-site inspection reports

In total, more than 500 exchanges have taken place\(^1\)

1. As at 14 September 2020.
To comply with the enhanced framework, the ECB has set up a horizontal AML coordination function...

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<th>Areas of responsibility</th>
<th>Key responsibilities</th>
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<tr>
<td><strong>A</strong> Central point of contact for AML/CFT issues</td>
<td>• Act as a central point of contact for AML/CFT issues related to significant institutions and facilitate information exchange with AML authorities</td>
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<tr>
<td><strong>B</strong> AML/CFT NCA network coordination</td>
<td>• Set up, in cooperation with the national competent authorities (NCAs), an AML network of prudential supervisors to achieve a consistent system-wide approach to better integrate ML/TF risk into prudential supervision</td>
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<tr>
<td><strong>C</strong> Centre of expertise on the ML/TF institutional and policy framework</td>
<td>• Act as an in-house centre of expertise on prudential issues related to AML/CFT issues; represent the ECB in external groups focusing on AML/CFT from a prudential supervision perspective</td>
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… and updated its supervisory methodologies

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<th>Off-site methodology</th>
<th>On-site methodology</th>
<th>Authorisation (AUT) procedures</th>
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<td>• An approach on how to reflect ML/TF risk in the SREP was developed</td>
<td>• The on-site methodology was enhanced to raise inspectors’ awareness of ML/TF-related risks (always within the prudential mandate)</td>
<td>• Existing policies enhanced to take a more proactive approach to ML/TF related issues (including in the areas of qualifying holding acquisitions, fit and proper assessments and withdrawal of authorisation)</td>
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