



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

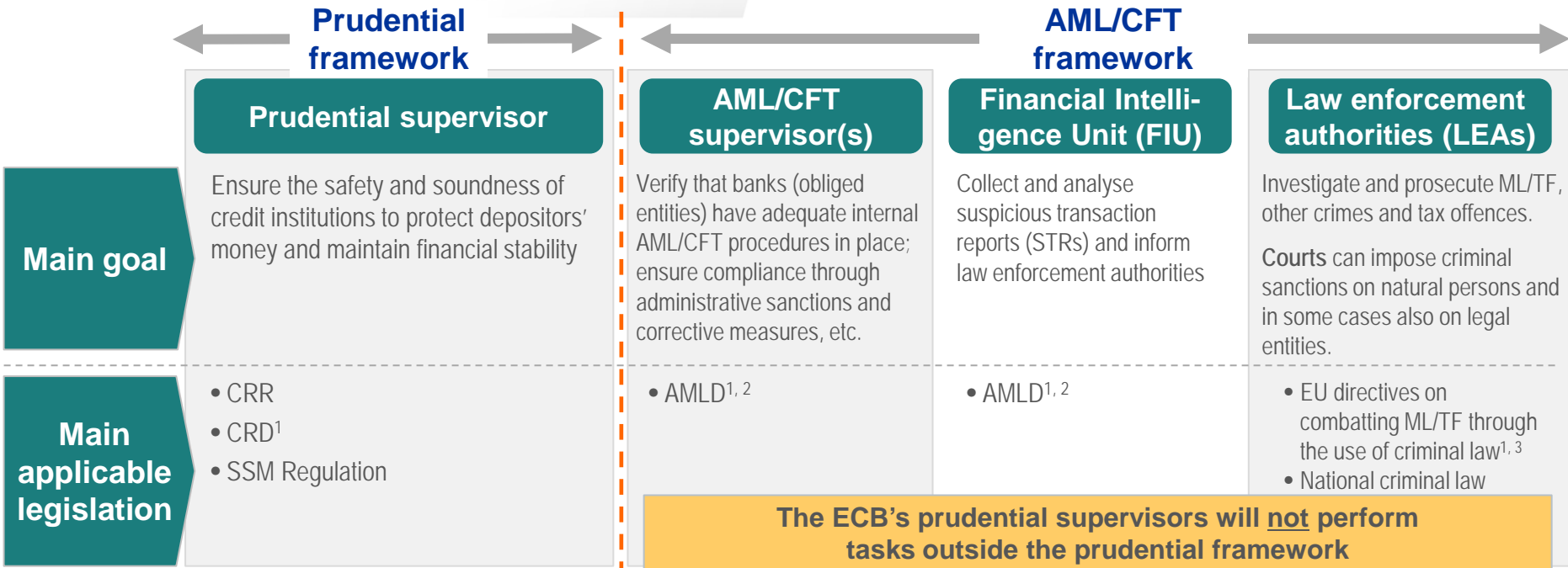
ECB Banking Supervision's role
in Anti-Money Laundering/
Combating the Financing of
Terrorism (AML/CFT)

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Although the ECB's supervisory role is solely prudential...



1. As transposed into national law; 2. Directive (EU) 2015/849 and successive modifications, 3. Directive (EU) 2018/1673 on combating money laundering by criminal law; Directive (EU) 2017/541 on combating terrorism by criminal law

...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

See next slide

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

The AML Agreement¹

- 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
- 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.
- 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

1. Multilateral agreement on the practical modalities for exchange of information pursuant to Article 57a(2) of Directive EU 2015/849. Available [here](#).

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 place¹

1. As at 14 September 2020.

To comply with the enhanced framework, the ECB has set up a horizontal AML coordination function...

Areas of responsibility

Key responsibilities

A Central point of contact for AML/CFT issues	<ul style="list-style-type: none">Act as a central point of contact for AML/CFT issues related to significant institutions and facilitate information exchange with AML authorities
B AML/CFT NCA network coordination	<ul style="list-style-type: none">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
C Centre of expertise on the ML/TF institutional and policy framework	<ul style="list-style-type: none">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

... and updated its supervisory methodologies

Off-site methodology

- An approach on how to **reflect ML/TF risk in the SREP** was developed

On-site methodology

- The **on-site methodology was enhanced** to raise inspectors' awareness of ML/TF-related risks (always within the prudential mandate)

Authorisation (AUT) procedures

- **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)