EBA - European Banking Authority - News on prevention of money laundering and terrorist financing

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This month, the European Banking Authority (EBA) published **three documents** on the subject of prevention of money laundering and terrorist financing (ML/TF):

1) **Biannual opinion on risks of ML/TF affecting the EU's financial sector** (EBA/Op/2021/04);
2) **Revised Guidelines on ML/TF risk factors**- *Guidelines on customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions - "The ML/TF Risk Factors Guidelines"* – (EBA/GL/2021/02); e
3) **Public consultation, running until 20 April, on amendments to the Guidelines on risk-based ML/TF supervision** (EBA/CP/2021/11).

Globally, on these three elements, the EBA highlights the amendments, introduced with regard to so-called **de-*risking* practices**, which cover cases where obliged entities decide to refuse to enter into a business relationship or decide to terminate a business relationship with certain categories of clients they consider presenting a high risk of ML/TF.

The proposed amendments, which follow previous discussions in this area, reflect the need to ensure that such practices are duly considered by obliged entities, considering the need to ensure access to financial services and to avoid financial exclusion.

A concern that recourse to these practices may be motivated by the insufficiency of the mechanisms implemented by the obliged entities and the lack of robustness of their ML/TF risk assessment systems underlies these amendments.

In this context, the EBA seeks to reinforce that the applicable legislation does not impose to the obliged entities that **they interrupt the provision of services to categories of clients to which they associate a higher ML/TF risk**, but that they should articulate the need for financial inclusion when mitigating and managing ML/TF risk.

Finally, and in particular as regards to the above-mentioned (2) ML/TF Risk Factor Guidelines, please note that they are addressed to both financial institutions and supervisory authorities and will now be translated into the various official languages.

With its revision, among other points, the requirements on risk assessments are strengthened, new guidelines on the identification of beneficial owners, on the use of innovative solutions to identify and verify the identity of clients and regarding high-risk third countries are added.

In addition, sectoral guidelines are provided for, namely, crowdfunding platforms, corporate finance, account information service providers and payment initiation service providers and exchange agencies.

The revised guidelines also further detail risk factors of terrorist financing.

Together, these amendments aim to promote the implementation of a more effective and risk-based approach by the obliged entities, and Banco de Portugal is expected to monitor the issue in the near future.

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