
31 March 2020

EBA statement on actions to mitigate financial crime risks in the COVID-19 pandemic

The European Banking Authority supports the measures taken and proposed by national governments and EU bodies to address the adverse systemic economic impact of the COVID-19 pandemic in the form of a general moratorium, payment holidays stemming from public measures or industry-wide payment relief initiatives taken by credit institutions. The EBA has also clarified efforts to alleviate the immediate operational burden on banks by making use of the flexibility embedded in the relevant regulatory frameworks¹.

At the same time, safeguarding the integrity of financial markets is a shared objective of the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) and prudential frameworks. It is essential to preserving the effectiveness and stability of the EU's financial system. The EBA reminds credit and financial institutions that it remains important to continue to put in place and maintain effective systems and controls to ensure that the EU's financial system is not abused for money laundering or terrorist financing (ML/TF) purposes whilst asking competent authorities to support them in this regard.

The EBA calls on competent authorities that are responsible for the AML/CFT supervision of credit and financial institutions under Directive (EU) 2015/849² to support credit and financial institutions' ongoing AML/CFT efforts by

- Making clear that financial crime remains unacceptable, even in times of crisis such as the COVID-19 outbreak;
- Continuing to share information on emerging ML/TF risks and setting clear expectations of the steps credit and financial institutions should take to mitigate those risks; and
- Considering how to adapt the use of their supervisory tools temporarily to ensure ongoing compliance by credit and financial institutions with their AML/CFT obligations.

¹ <https://eba.europa.eu/eba-statement-actions-mitigate-impact-covid-19-eu-banking-sector> and <https://eba.europa.eu/eba-provides-clarity-banks-consumers-application-prudential-framework-light-covid-19-measures>

² Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing

Identifying new and emerging ML/TF risks

As most economies are facing a downturn, financial flows are likely to diminish. However, experience from past crises suggests that in many cases, illicit finance will continue to flow. For example, there is already some evidence of increased levels of cyber crime, COVID-19-related frauds and scams targeting vulnerable people and companies, of fake fundraising campaigns and of criminal networks selling rationed goods at a higher price. Furthermore, as criminals are highly adaptive, new techniques and channels of laundering money are likely to emerge.

The EBA therefore urges competent authorities to

- work closely with credit and other financial institutions, Financial Intelligence Units (FIU) and law enforcement authorities to identify, and raise awareness of, new ML/TF typologies;
- ensure that credit and other financial institutions remain alert to ML/TF techniques that might change due to the economic downturn and where necessary, update their ML/TF risk assessments accordingly. Examples include financial products that become less attractive for ML purposes due to diminishing returns, or ML techniques that give rise to an increased risk of detection, such as early repayment of loans;
- remind credit and other financial institutions to continue monitoring transactions and pay particular attention to any unusual or suspicious patterns in customers' behaviour and financial flows. Credit and other financial institutions should in particular take risk-sensitive measures to establish the legitimate origin of unexpected financial flows, where these financial flows stem from customers in sectors that are known to have been impacted by the economic downturn and COVID-19 mitigation measures. Examples of such customers include cash-intensive businesses in the retail sector, companies involved in international trade, and any type of shell companies in sectors facing the economic downturn which will keep a similar volume of financial flows in the absence of real economic activity. The ESAs' Guidelines on ML/TF risk factors and simplified and enhanced customer due diligence³ have further information on these points; and
- remind credit and other financial institutions to continue to report suspicions of ML/TF to the relevant FIU.

Adjusting AML/CFT supervision

Mitigating the adverse effects of the current pandemic may require temporary adjustments in supervisory activity and potentially, an adjustment of supervisory priorities and plans to ensure that AML/CFT supervision remains effective.

³ <https://eba.europa.eu/regulation-and-policy/anti-money-laundering-and-e-money/guidelines-on-risk-factors-and-simplified-and-enhanced-customer-due-diligence>

The EBA therefore calls on competent authorities that are responsible for the AML/CFT supervision of credit and other financial institutions to consider making full use of the flexibility embedded in the EU's AML/CFT framework and to plan supervisory activities in an effective as well as pragmatic and risk-sensitive way. This may entail, for example, a temporary postponement of non-essential onsite inspections on a case-by case basis even after current restrictions on movement have been lifted, a move towards virtual meetings and inspections where appropriate, or an extension of submission dates for AML/CFT questionnaires where these are being used.

Competent authorities should refer to the ESAs' Guidelines on Risk Based AML/CFT Supervision⁴ for information on different tools competent authorities can use to ensure AML/CFT supervision of credit and financial institutions remains effective.

The EBA remains in close contact with competent authorities to lead, coordinate and monitor their approach to the AML/CFT supervision of credit and financial institutions in the EU.

⁴ <https://eba.europa.eu/regulation-and-policy/anti-money-laundering-and-e-money/guidelines-on-risk-based-supervision>