



AML Platform Conference

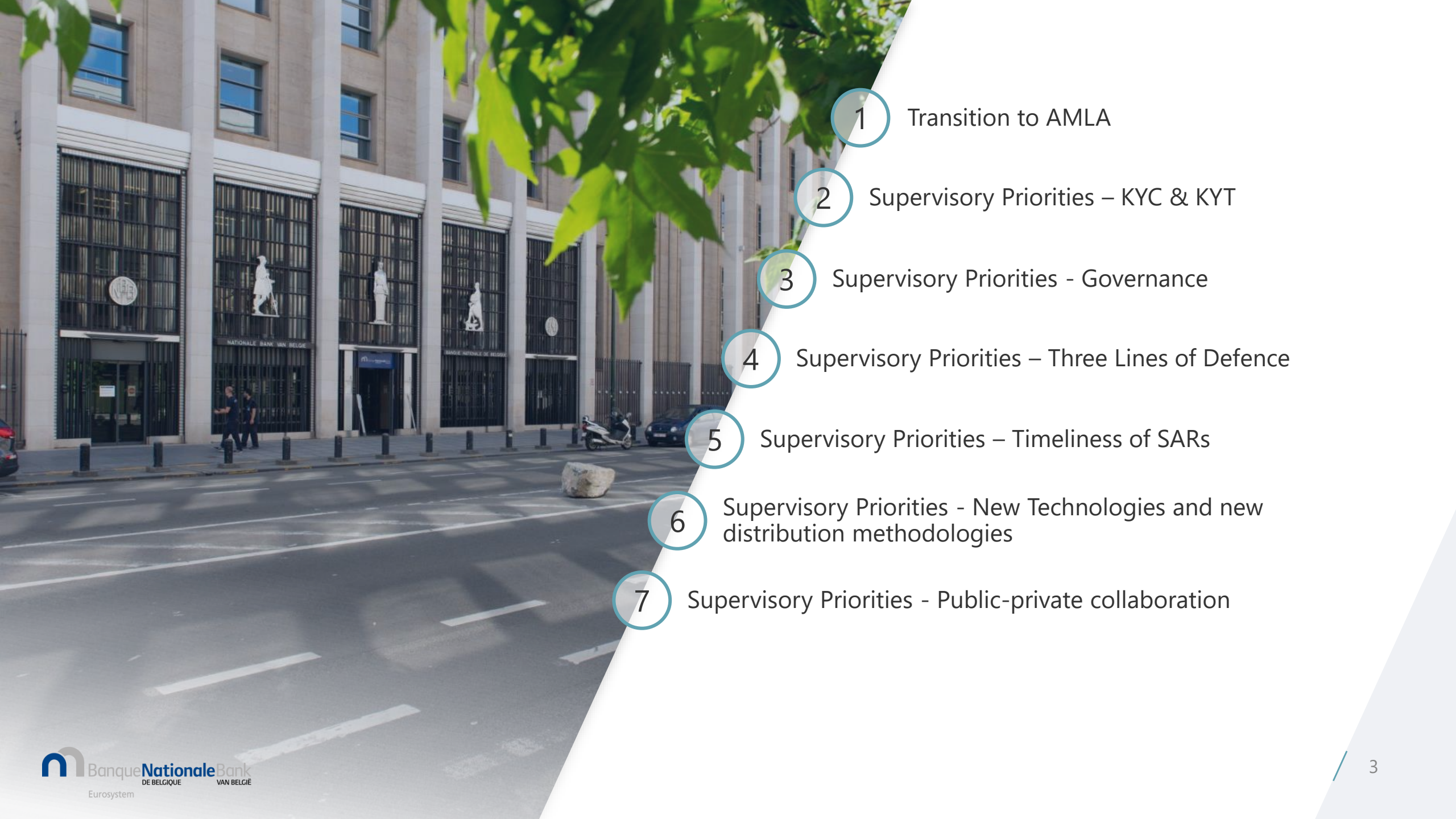
A Short Overview of Supervisory Priorities

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Dries Cools, Head of AML/CFT Policy and Off-site Supervision Unit

Key Themes of the Day

- *Sense of urgency: we are fighting (organized) crime.*
 - *Public-public cooperation: fostering a culture of collaboration*
 - *Public-private cooperation: towards exploiting public-private partnership under AMLR*
 - *Cross-country cooperation: towards AMLA*
- *FATF Mutual Evaluation will reinforce these themes.*



1 Transition to AMLA

2 Supervisory Priorities – KYC & KYT

3 Supervisory Priorities - Governance

4 Supervisory Priorities – Three Lines of Defence

5 Supervisory Priorities – Timeliness of SARs

6 Supervisory Priorities - New Technologies and new distribution methodologies

7 Supervisory Priorities - Public-private collaboration

Transition to AMLA

- AMLA now exists, legally, and in fact, with a Chair, and an Executive Board. General Board has already been convened.
- The European Commission has set up a **Task Force** to facilitate the work towards the establishment of AMLA. The focus is on HR and the future IT needs of AMLA. Task force will expire by year end.
- On 31 December 2025, the **EBA will lose the AML/CFT-related tasks and powers** which were strengthened and concentrated at the EBA in 2020, cf. developing the Union AML/CFT supervisory handbook, peer reviews of AML/CFT supervisors, determining breaches of Union law, etc.
- **EBA guidelines on AML/CFT** shall remain applicable (if still relevant) until new AMLA guidelines on the same subject apply.
- AMLA shall provide for a suitable **transition period** for the application of the **new guidelines**



Towards AMLA – state of play

- **Effective supervision of 40 institutions as of January 2028**
- **Rulebook in the making**
 - Under consultation
 - Art 12(5) AMLAR (criteria for the selection process)
 - Art 31(2) AMLD6 (risk methodologies) – *being tested as we speak*
 - Art 22(1) AMLR1 (information required for CDD)
 - Art 39(7) AMLD6 (breaches and pecuniary sanctions)
 - Next round of priorities
 - 19.9 AMLR RTS on lower thresholds for high-risk transactions and entities
 - (10.4 AMLR) GL on business-wide risk assessment
 - (26.5 AMLR) GL on ongoing and transaction monitoring
 - (15.3 AMLAR) ITS on Cooperation for direct supervision
 - (46.4 AMLD) RTS on Home/Host Cooperation between supervisors
 - (11.6 AMLAR) RTS on Central AML/CFT Database
 - NBB-FSMA Joint Analysis of the new Level 1 and 2 framework. Impact on current web page

Supervisory Priorities – KYC

- **Understanding and verifying your client remains an attention point observed in the NBB's on- and off-site work.**
- **Corporates**
 - **Understanding of UBOs**
 - When you are prompted of an UBO change, do you recertify your client?
 - Do you exploit publicly available information (*Moniteur belge, Banque Carrefour des Entreprises, UBO Register*)
 - Do you rely on UBO register, or do you verify information yourself?
 - **Newly created businesses: is it a specific risk factor?**
- **Periodic reviews:** How in-depth is your periodic review? Do you factor in transaction behaviour in your periodic CDD review?

Supervisory Priorities - KYC (cont'd)

- **First Party Fraud**

- Less 3rd party fraud

- 3rd Party Fraud = Fraud committed by an unrelated third party, who claims to be the client of a financial institution. E.g. account takeover fraud.
 - More secure ways of client verification make 3rd party fraud harder.

- But what if your client is not the one defrauded, but is the actual fraudster, i.e. first party fraud

- 1st party fraud = client misrepresents herself, or the purpose of their business relationship. The client tricks other people into channelling funds into their fraudulent account. Boiler room scams.

- What to do?

- Focus fraud scenarios, not only on outgoing funds, but also incoming funds
 - Strengthen collaboration between fraud and AML teams

Supervisory Priorities – KYT

- Are your **scenarios sufficiently adaptable**? Do you swiftly incorporate new typologies from public documents into your scenarios (e.g. Vademecum CTIF).
- **Verification of source of funds** remains an attention point.
- **Artificial Intelligence**
 - AI KYT/KYC tools do not always yield intended results.
 - Roll-out often takes more time than thought.
 - Cautious approach is warranted: parallel run and back testing is key.
 - NBB is engaged in in-depth workshops with FIs.

Supervisory Priorities – Local Presence

- **Local presence**
 - Group Policies and Procedures need to be at least as strict as local Belgian regulations
 - Scenarios need to take into account Belgian typologies.
 - Are KYC/KYT analysts at group level sufficiently aware of Belgian typologies?
 - Tools used at central level might be good, but local entity needs to be able to channel up their understanding of Belgian risk typologies.

Supervisory Priorities – Three lines of defence

- How first and second line are organized can to some degree differ; but **key objective is to have three strong and independent lines that challenge each other.**
- **Observed weaknesses at 1st LOD**
 - Insufficient ownership of identified ML/FT risks
 - Insufficient AML expertise (best practice = centralized AML team)
 - No quality assurance checks within the 1st LoD
 - Inadequate internal reporting (often overly concentrated at the level of the AMLCO team within the 2nd LoD)
 - Lack of direct steering by effective and senior management of the 1st LoD in terms of AML

Governance – Three lines of defence (*cont'd*)

- **Observed weaknesses at Second LoD**
 - Shortage of resources (especially human resources)
 - Inadequate quality assurance controls within the AMLCO function
 - Lack of own risk analysis and corresponding compliance and monitoring plan (insufficient attention paid to the internal control tasks of the AMLCO function)
 - Standardised periodic checks - insufficiently risk-based
 - No root cause identification (= lack of a critical mindset)
 - Inadequate understanding and/or inclusion of duties as an independent oversight body
- **Observed weaknesses at Third LoD:**
 - If outsourced: inadequate governance, lack of resources, poor knowledge of the institution, standardised risk assessment and action plan (not risk-based)
 - If internal: inadequate governance, lack of resources, lack of expertise

Supervisory Priorities – Timeliness of SARs

- ***'Immediately / without delay'***. No hard maximum, but no longer than necessary
- In individual cases, it takes too long
- Ex ante notification is mostly unrealistic when executing payments.
- However, even in ex post notifications: timeliness is key. Bank accounts are often used for a limited period for criminal activities.
- The quicker the notification, the quicker CTIF and judicial authorities can intervene to freeze accounts that still contain funds.
- Are relevant (combinations of) signals picked up on time? E.g. in complex TBML cases.
 - E.g. use of certain corporate forms (*société en nom collectif*) together with an increase of transaction volume of payments abroad,...
- We have set up a public-private working group on this with CTFI, judicial authorities, police and private sector to address this conundrum.

Supervisory Priorities - New Technologies and new distribution methodologies

- **Virtual IBANs**

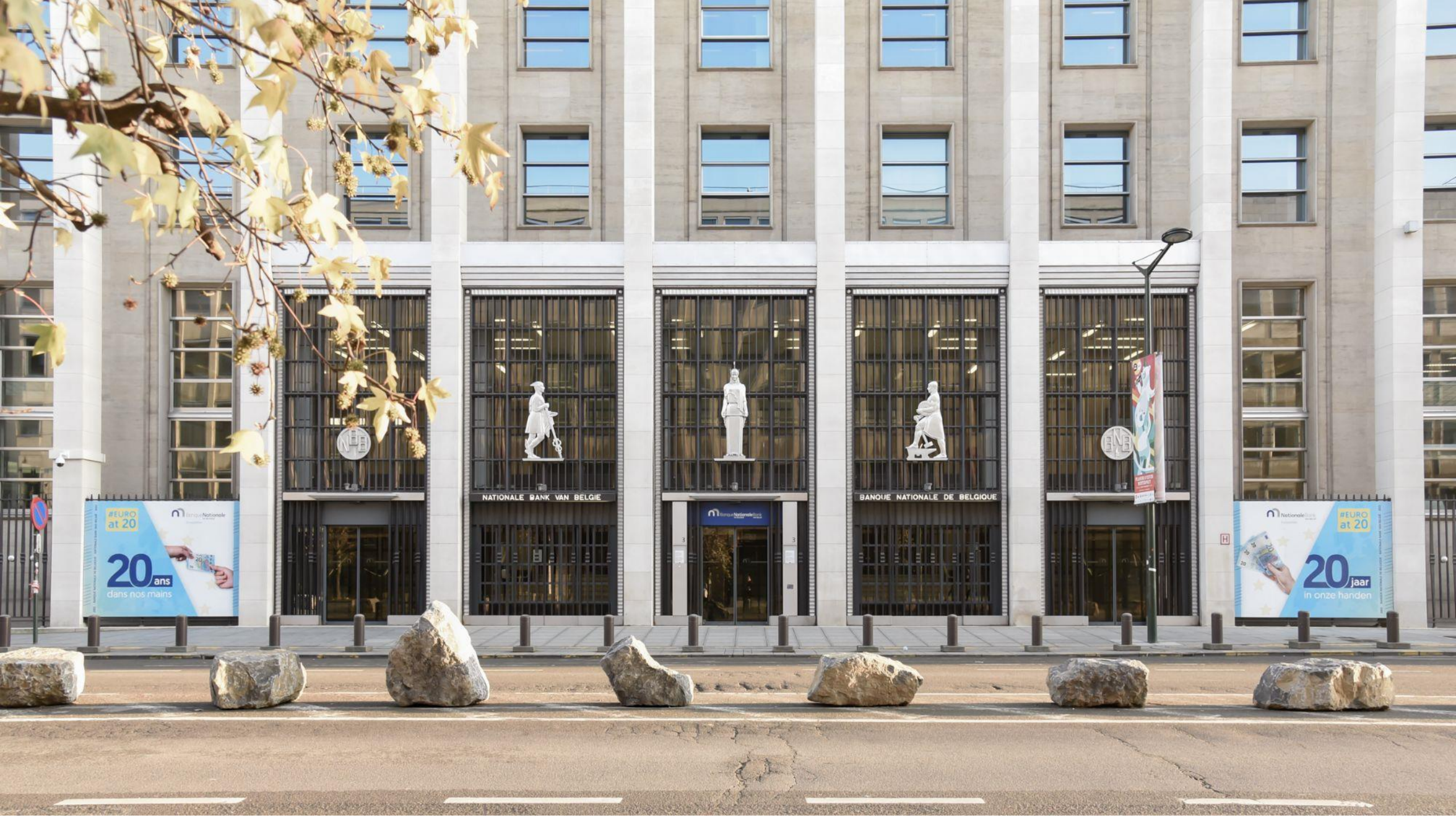
- Continued focus of attention.
- AMLR art. 22: new CDD requirements in AMLR for issuing FI, and for the FI to whom the VIBAN has been issued. This follows the existing NBB supervisory approach.
- AMLD art. 16: Bank Account Registry transparency of VIBANs

- **White Labelling (embedded finance)**

- License made available to non-financial institution: financial services integrated in non-financial digital platforms or market places (white label partners).
- Wide range of embedded products offered.
- FI needs to monitor products offered by white label partner.
- Monitoring is harder when WL partner is allowed to use their own KYC / KYT procedures. Risk of over-reliance on compliance practices of white label partner. Does the FI still know its clients that might be onboarded by WL partner?

Supervisory Priorities - Public-private collaboration

- Art. 75 AMLR: **partnerships for information** sharing among financial institutions; possibly including supervisors, subject to data protection safeguards.
- 2025 **NBB Sectoral Risk Assessment**: we will consult AML Platform Partners and the financial sector.



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