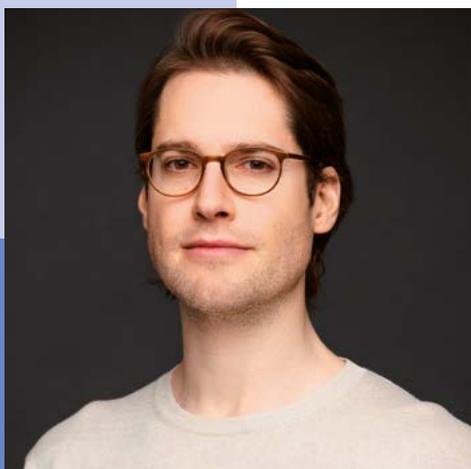# AML: PROGRESS AND PRIORITIES

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Putting the new AML/CFT supervisory system from theory into practice

The European Anti-Money Laundering Authority (AMLA) is taking shape. Not only has it an office in Frankfurt but most importantly a growing number of talented and motivated people. What is more, its main policy-making body, the General Board, is constituted and the members of its Executive Board will be appointed very soon. At the same time national supervisory authorities (NCAs) like the Financial Market Authority (FMA) in Austria are further stepping up their efforts to contribute to the creation of a new AML/CFT supervisory system in the EU.

Joint preparation for putting the new AML/CFT supervisory system into practice includes the development of several technical standards in priority areas. An area particularly important for establishing a common supervisory approach as soon as possible is the preparatory work undertaken by national supervisors under the leadership of the EBA on a common risk assessment methodology. Speaking the same language in terms of money laundering (ML) and terrorist financing (TF) risks is a joint priority as this is prerequisite to identify common trends in ML/TF across borders and entity types and to understand the need for joint action, notably in the context of joint supervisory teams (JSTs) to be set up in the medium term.

Another area where the FMA is coordinating its preparatory efforts and collaborating with other NCAs in the transition to AMLA is the usage of SupTech tools, data and reporting. Smooth information exchange and collaborative data governance which allows for jointly leveraging data and rapid as well as direct interactions are key for AMLA to succeed in "connecting the dots" across NCAs and integrating their work with the intelligence of FIUs. When it comes to SupTech, for instance, the FMA has been developing a tool to systematically assess the in- and outgoing transactions of crypto asset service providers to measure the ML/TF risk they are exposed to and to identify emerging trends related to such financial flows. Other NCAs have complementary analysis tools and within the Single Supervisory Mechanism common core IT-systems. Tools and systems like those could be easily shared among AML/CFT authorities thereby levering their analytical power and fostering economies of scale against the background of scarce resources.

> **Putting the new AML/CFT supervisory system into practice starts with a joint action plan.**

AMLA has a key role in terms of capacity building, developing and sharing of IT-services as well as organising joint trainings and staff exchanges. Having truly collaborative (IT-)structures and sufficient highly qualified staff in both AMLA and the NCAs is the foundation of the new AML/CFT supervisory model. While in the start-up phase NCAs will have to contribute with and through their best staff members, once AMLA is fully up and running its staff would ideally spend parts of their career supporting the work of NCAs locally. Only if staff mobility eventually goes both ways between NCAs and AMLA fostering mutual understanding and learning, will we develop a most-needed common supervisory culture.

Effective collaboration among supervisors is a key ingredient for effectively preventing financial crime and hence critical for the success of AMLA. The FMA has come a long way in collaborating with other authorities in- and outside the EU due to the cross-border activities of the financial groups under its supervision – be it on various concrete cases, tasks and projects, be it in different formats such as joint on-site inspections, AML/CFT colleges or JSTs in the area of prudential banking supervision, just to name the most important ones. With a view to preparing the ground for AMLA, we are taking stock of relevant lessons learnt and sharing them mutually with other NCAs to learn from each other.

Preparation and collaboration need to go beyond the EU and financial sector. Because the risks do not stop at the EU borders, the FMA together with several other NCAs has been initiating work on a common approach to involve authorities from third countries in AML/CFT colleges – AMLA will be instrumental to take this work further and help strengthen supervisory cooperation also with our partners outside the EU. Because the system is only as strong as its weakest link, the FMA has been setting up domestic structures to further enhance the coordination and collaboration with the AML/CFT supervisors responsible for the various obliged entities of the non-financial sector in Austria. It turns out that establishing sustainable collaboration at all levels requires first and foremost mutual trust, built on honest engagement, firm commitments and shared benefits.

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Effective AML/ CFT compliance: Key guidelines for financial supervisors

To ensure ongoing compliance of financial institutions with the requirements set out in the Sixth AML/ CFT Directive (AMLD6), financial supervisors must further enhance their risk-based approach, supported by continuous educational initiatives. These activities are essential to ensuring that obliged entities comply with AML/ CFT regulations and continuously enhance their practices and procedures. A proactive stance is necessary to help financial institutions remain vigilant in identifying, assessing, and mitigating potential AML/CFT risks.

Supervisors should develop compre-hensive risk assessment questionnaires for their obliged entities, which should be completed on a regular basis, including both monthly and annual submissions. These assessments provide critical data that can be used to evaluate the risk levels of individual entities, as well as entire industry sectors. To refine and improve these assessments, supervisors need to develop and apply a dynamic risk matrix that facilitates both individual entity assessments and sector-wide evaluations. The insights gained from these assessments allow for a more precise understanding of AML/

CFT risk scores, ensuring better align-ment with regulatory requirements and compliance obligations.

The data collected in this manner should be utilised in the development of a structured, risk-based supervision plan. Such plan must prioritize higher-risk entities and activities, ensuring that they undergo more frequent and thorough reviews. Where irregularities are identified during supervisory activities, appropriate corrective actions should be recommended. In cases of significant non-compliance, stronger measures may be necessary, including the initiation of misdemeanour proceedings or other regulatory actions.

Supervisory findings should also guide the organization of specialized training sessions for obliged entities. These training programs must be designed to address identified deficiencies, raise awareness of emerging AML/CFT risks, and equip financial institutions with the knowledge and tools necessary to strengthen their internal compliance frameworks. Furthermore, fostering a shared understanding of regulatory expectations across the financial sector enhances the overall compliance effectiveness.

The adoption of reliable and verified technological solutions is encouraged within the framework of the EU AML regulations. Financial institutions should implement advanced technological tools, such as transaction monitoring systems, automated risk detection tools, and customer due diligence platforms, to improve their ability to detect and respond to suspicious activities. However, the selection of these technologies must be carried out with caution to ensure alignment not only with the EU AML/CFT regulations, but also with specific national legislative requirements, thereby achieving comprehensive compliance.

Strengthening AML/CFT compliance starts with a proactive, risk-based approach.

For national supervisors, cooperation with other supervisory bodies from other EU member states plays a crucial role in strengthening the AML/ CFT frameworks. Supervisors should actively engage in international training programs, supervisory colleges, and exchanges of best practices to enhance their regulatory approaches and ensure

a more harmonized approach to AML/ CFT compliance.

Participation in committees and working groups within the European supervisory bodies, such as AMLA, provides an opportunity to share practical experiences and contribute to shaping the AML/CFT regulatory landscape at the European Union level. Such engagement is particularly important for the supervision of financial institutions that engage in cross-border operations, as it facilitates a coordinated approach to AML/CFT compliance across multiple jurisdictions.

The insights gained from international cooperation, training programs, and supervisory activities should be leveraged to refine national training initiatives and education programs. By identifying areas requiring improvement, financial institutions can continuously enhance their compliance efforts, ensuring alignment with AML/CFT regulations.

With the rapid advancement of technologies such as machine learning and artificial intelligence, financial supervisors need to focus on strengthening their technological capabilities to support AML/CFT compliance. While AI holds immense potential in improving AML processes, it must be deployed with a clear and thorough understanding of its functionalities, ensuring that biases and transparency concerns are effectively addressed. The application of AI in AML remains an evolving field, requiring ongoing discussions and exchanges of practical experiences to maximize its effectiveness and ensure its responsible use in financial supervision and compliance efforts.

CHRISTOPHER P. BUTTIGIEG

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Steering Malta through the new EU AMLCFT regulatory framework

The new EU Anti-Money Laundering and Countering the Financing of Terrorism (AMLCFT) regulatory framework presents both challenges and opportunities for Malta's regulatory agencies and financial industry, which are working to adapt to evolving standards while enhancing operational capabilities and preparing for increased scrutiny by the European Anti-Money Laundering Authority (AMLA).

This article discusses the proactive strategies adopted by the Malta Financial Services Authority (MFSA) and the Financial Intelligence Analysis Unit (FIAU) in Malta, to ensure timely compliance with the new regulations, focusing on three key areas:

- participation in the European Banking Authority's (EBA) development of Technical Standards;
- internal implementation strategies; and
- initiatives for industry outreach and guidance.

1. EBA – Technical standards

The EBA is set to submit technical standards for the new AMLCFT framework to the European Commission by the fourth quarter of this year, supported by a dedicated committee responsible for drafting these standards. Recently, the EBA initiated its first consultation on key areas, including criteria for institutions under the AMLA's supervision, assessments of money laundering and terrorist financing risks, customer due diligence information requirements, and financial penalty indicators. The MFSA and the FIAU are actively involved in this drafting process, ensuring that the unique needs of smaller jurisdictions like Malta are addressed while emphasizing regulatory proportionality. This approach is crucial for tailoring regulations to the risk profiles and capacities of diverse entities, fostering effective compliance while alleviating burdens on smaller operators.

2. MFSA FIAU - Practical implementation

The FIAU is Malta's supervisor for AMLCFT, with the MFSA serving as both a prudential and conduct supervisor, incorporating AML/CFT considerations into its supervisory processes. Both agencies are assessing their internal procedures to align with the new EU AMLCFT framework and upcoming reforms from AMLA. A key development is the integration of AMLA's risk assessments with those of the FIAU and the MFSA, requiring changes to enhance risk evaluation methodologies. Additionally, the formation of joint supervisory teams between AMLA and FIAU staff signifies a shift toward greater collaboration and information-sharing, which is crucial for effective oversight in a complex regulatory environment. Ongoing discussions also emphasize leveraging insights from existing frameworks, like the European Central Bank's Single Supervisory Mechanism, to reinforce AMLA framework for AMLCFT supervision.

> **Steering Malta through the new EU AMLCFT Regulatory Framework.**

3. Outreach with the industry and the importance of early preparation for practical implementation

The FIAU and MFSA have launched extensive initiatives to guide the industry through the new EU AMLCFT framework and associated AMLA reforms, which are set to impact the Maltese financial services sector significantly. To enhance understanding and adaptability, the FIAU and the MFSA have organized seminars and conferences to share critical information about the upcoming regulatory changes with supervisors, law enforcement agencies and industry stakeholders. This proactive engagement highlights the importance of early preparation for practical implementation, equipping stakeholders with the necessary knowledge and tools to navigate the new EU AMLCFT regulatory landscape. By promoting compliance and resilience, the FIAU and MFSA aim to ensure that entities can effectively adapt to these changes, thereby reinforcing the integrity and stability of Malta's financial ecosystem amid evolving international standards.

Conclusion

In conclusion, the implementation of the new EU AMLCFT framework presents both challenges and opportunities for the financial services sector. The proactive efforts of the MFSA and FIAU in providing guidance, fostering collaboration, and incorporating industry feedback are vital for a smooth transition to the new regulatory landscape. By emphasising proportionality, a risk-based approach, supervisory effectiveness, and cooperation among supervisory, intelligence, and law enforcement agencies, the MFSA and FIAU are facilitating compliance while bolstering the resilience and integrity of Malta's financial ecosystem. As the country navigates these changes, a commitment to ongoing dialogue and adaptation will be crucial for developing a regulatory framework that is both robust and conducive to sustainable economic growth.

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Egmont Group: Driving innovation and collaboration in global AML/CFT efforts

The Egmont Group enhances the global AML/CFT framework by fostering cooperation and intelligence exchange with over 175 Financial Intelligence Units (FIUs), which serve as key hubs for financial intelligence related to money laundering (ML), terrorist financing (TF), and predicate crimes.

Beyond FIU-to-FIU cooperation, the Egmont Group collaborates with international organizations to align FIUs' insights with global policies and standards, ensuring cohesive AML/CFT practices. The Egmont Group also engages the private sector by providing guidance, typology reports, and facilitating dialogues to improve reporting of suspicious transactions and address emerging risks.

Looking ahead, the Egmont Group focuses on emerging ML/TF risks tied to new technologies and digital assets. It promotes using advanced data analytics, AI, and machine learning to enhance FIU effectiveness and global cooperation,

ensuring FIUs can tackle evolving crime threats. In that regard, the Egmont Group, together with FATF, INTERPOL, and UNODC, works on a project to enhance international cooperation in ML/TF matters, providing guidance for competent authorities. Other ongoing projects aim to boost FIU effectiveness in asset recovery and tackle laundering of environmental crime proceeds. Increasing public awareness of financial intelligence's role in combating climate change is also a focus.

The Egmont Group operates in a complex global environment, where jurisdictional differences in legal frameworks, regulatory approaches, and institutional capacities present challenges to effective AML/CFT coordination. Many FIUs face resource constraints, impacting their ability to gather, analyze, and share intelligence effectively. A key challenge is the threat to the operational independence and autonomy of FIUs, hindering impartial intelligence sharing, especially in politically sensitive cases. Despite these challenges, the Egmont Group has driven innovative approaches to enhance FIU effectiveness, promoting advanced tools, offering training, and encouraging collaboration for better intelligence sharing, overcoming jurisdictional limitations.

> **The Egmont Group fosters global AML/CFT cooperation with FIUs, key hubs for financial intelligence.**

Resource constraints and varying levels of independence have led to innovative solutions, promoting cooperation among FIUs to combat ML/TF effectively. The Egmont Group addresses key topics through joint projects with FATF, INTERPOL, IMF, WCO, and UNODC, constant policy reviews, and participation in international AML/CFT initiatives. Joint financial investigations use the secure ESW platform to track illicit financial flows across jurisdictions. By promoting timely information exchange, the Egmont Group helps FIUs act as a global intelligence network, identifying and disrupting illicit networks before funds enter the legitimate economy. Trust and autonomy are crucial for FIUs to share sensitive intelligence swiftly and securely.

There is longstanding coordination between EU AML/CFT bodies and the Egmont Group. For example, the Egmont

Group is a longstanding member of the EU FIU Platform, hosted by the European Commission, where discussions occur regarding the enhancement of the FIU.Net and its transfer under AMLA administration. The Egmont Group finds this discussion particularly relevant, focusing on enhancing technology's role in facilitating informal international cooperation. An area where ESW plays a significant role with the future application of pseudonymized matching capabilities, allowing secure identification of subjects of common interest. This enhances detection and effective information exchange between FIUs. Automation is another topic where the Egmont Group sees common perspectives and room for shared activities. The European Commission is a longstanding partner, regularly presenting during Egmont Group meetings on their supranational AML/CFT approach.

The Egmont Group has made significant strides in promoting the integration of AI, machine learning, and big data analytics in FIUs' AML/CFT frameworks, enhancing data analysis to detect money laundering patterns and uncover hidden links between entities and transactions. The Egmont Group has facilitated knowledge exchange between FIUs, helping them adopt technology tools effectively and enhancing their data analysis capacity despite resource limitations. At the same time, the Egmont Group emphasizes the need for coherent IT business strategies within FIUs. Technology adoption must align with operational goals and legal mandates, requiring governance, strategic investment, and coordination between teams to ensure technology investments are effective.

Integrating AI and advanced technologies presents challenges, particularly regarding data governance, quality, and security, given the sensitive nature of financial intelligence handled by FIUs. Ultimately, while technology can enhance FIU effectiveness, its value hinges on solid IT strategies, data quality and security, and alignment between technology and strategic goals—areas where the Egmont Group continues to provide critical support.

JEROME LACHAND

General Secretary – CCF Group

Leveraging technology in anti-money laundering (AML) at CCF Bank

With the introduction of the Anti-Money Laundering Directive 6 (AMLD6) by the European Union, CCF Bank has faced the challenge of refining its AML practices. In a context of an in depth transformation of the French retail bank inherited from HSBC, CCF is leveraging on advanced technologies like Artificial Intelligence (AI), machine learning, and Robotic Process Automation (RPA) to enhance its AML framework. Additionally, CCF Bank ensures high-quality data governance while navigating integration challenges.

Optimizing AML models for enhanced detection

Optimizing internal models to make them more precise and predictive is a cornerstone of CCF's AML setup. Periodical back testing enables us to adjust the thresholds to reduce the false positives without weakening the level of control or the number of suspicious activity reports (SAR). An internal SAR database has also been setup, that improved the models but also sped up the staff training process. Complementing model data with information gathered within the branch network also improved the models' predictions.

Robotic process automation (RPA) for efficiency and accuracy

RPA has been crucial in automating repetitive tasks in CCF Bank's AML framework, such as data entry, transaction monitoring (TM), and reporting. RPA bots can scan transactions against sanction lists and flag suspicious activities, significantly reducing manual errors and enhancing processing speed. RPA also allowed for creating dedicated dashboards where TM analyst can find all necessary information to examine a case swiftly. This automation significantly increased productivity, enabling the bank to optimize TM teams' size in particular. Basic activity automation also allows staff to focus on more complex and interesting investigations, leading to improved efficiency in AML operations.

Upgrading AML staff activity requires significant investment in training. As part of the CCF Academy, dedicated programs are being setup, to help staff leverage on advanced technologies tools effectively, improving both the efficiency of AML processes and staff's ability to analyze suspicious transactions.

> **CCF is improving effectiveness and efficiency of its AML setup with advanced technologies.**

Integrating advanced technologies into AML processes

This process of integrating advanced technologies into CCF's AML organization will continue. As a second step, the objective is to have AI and machine learning play a pivotal role in transaction monitoring and customer due diligence. These technologies will improve our real-time detection models by analyzing large volumes of historical transaction data. Machine learning models learn from past data, improving their ability to identify emerging threats and reduce false positives. This will enable the bank to better identify complex laundering schemes, ensuring better compliance with AMLD6.

CCF Bank will also integrate Natural Language Processing (NLP) to enhance its Know Your Customer (KYC) process. NLP algorithms analyze unstructured data from sources like news articles, legal documents, and social media. By improving risk assessment, this technology can help the bank identify potential red flags and assess clients' risk profiles more accurately. This will speed up the onboarding process and ensures thorough due diligence.

Ensuring data quality & integrity

Integrating data from multiple sources, including KYC records, transaction systems, and sanction lists, is always a challenge. These data sources often reside in silos, making it difficult to create a cohesive and accurate dataset. Answering Financial Intelligence Units' requests on time is also challenging when diverse elements have to be consolidated. To address this, CCF is implementing advanced data integration tools that enable seamless data flow across systems, ensuring that all AML data is standardized and clean.

With the increased regulatory scrutiny under AMLD6, CCF Bank has implemented robust data governance frameworks to ensure that the data used in AML detection is accurate and up-to-date. This includes data validation checks, real-time reconciliation, and data lineage tracking. The bank also fully complies with GDPR to protect personal data purges outdated elements.

Conclusion

CCF Bank has made significant strides in enhancing its AML framework, and is now in midstream. Upcoming technologies like AI, machine learning, and NLP have a very significant potential to further improve detection capabilities. But this evolution should also take into account other regulations such as GDPR and AI regulation. This generates for banks an additional level of complexity, and also some kind of regulatory uncertainty. Instead of facing silo approaches from regulators, having clear guidelines combining the various applicable regulations would help.

PERRINE KALTWASSER

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AI and digital technologies are powerful tools to scale up the AML fight

For more than 30 years and the publication of the 1st AML Directive, banks have been continuously adapting their internal processes to regulatory requirements provided for in the successive AML/CFT packages. They are key players and the main providers of information to FIU (financial intelligence units), thanks to the implementation of dedicated services for investigations and to huge investments in IT, training, and compliance tools.

The new AML Regulation, directly applicable in all the EU Member States, will ensure greater alignment between countries and avoid gaps in national transpositions, particularly detrimental as the strength of the whole AML system depends on its weakest link. Applicable from 10 July 2027, it will be supplemented in July 2026 by AMLA guidelines and technical standards.

For La Banque Postale, as for all banks, this new regulation will lead to a significant change in the current KYC and organisational processes in terms of AML/CFT. Among important evolutions that will have to be taken into account: the recording of new mandatory KYC data, the possible use of the European E-wallet – a new electronic identification solution provided for in the e-IDAS Regulation –, a larger scope for enhanced due diligence obligations (new categories of concerned customers, extension of PEPs), or the new deadlines for periodic review of KYC information, five years maximum for all clients and one year for customers with a high AML/CFT risk.

As the fight against AML intensifies and regulatory measures become more complex, new technologies and artificial intelligence (AI) are now a major lever for meeting both challenges of strengthening risk coverage plans and improving team efficiency.

In the first case, La Banque Postale is working on a deep learning algorithm to identify cases of terrorist financing. The algorithm being developed works on more than 100 variables related to the client or his transactions. The latest tests managed to isolate cases out of a population of over 10,000 high-risk clients, and out of these cases, a majority were subject to suspicious reports that were not identified by the current tools. La Banque Postale goes on testing and hopes to put this new algorithm into production.

> **The use of AI devices could be expanded to many situations in the areas of AML/CFT.**

In the second case, La Banque Postale is working on machine learning to simplify the work of the AML analysts by sorting the alerts produced by the systems. They will have two groups of alerts in front of them, one with a low probability of ending in suspicion reports, the other with a high probability. This will save the teams precious time. La Banque Postale is also working on generative AI by proposing templates for suspicious reports to analysts based on the elements recovered in the alert.

High-quality and well-structured data are prerequisites for any AI work. La Banque Postale has been dealing with this issue for several years since its AML tools are in-house tools that La Banque Postale developed 5 years ago around a data lake. 80% of the development time is devoted to this essential phase of data qualification. La Banque Postale was therefore made aware, very early on, of compliance on these issues. At the compliance department, the data scientists work very closely with data managers, who are specialists of this multi-petabytes data lake.

Integrating AI and other technologies into the AML framework means moving from proof of concept to the industrial phase. There is a technical challenge in this transition: transforming a laboratory experiment into an industrial process impacting the daily lives of dozens of employees with a high requirement for regularity and reliability. Beyond the technical aspect, there is the human challenge with a need to help employees fully understand their new work environment and the new production process. Finally, we face a regulatory challenge since these practices are governed by the AI Act, ensuring a responsible use of AI. La Banque Postale must ensure that it complies with it at each stage, in development, production, and recalibration.

Finally, AI devices can be applied to many situations in the areas of AML/CFT (prioritisation of alert processing / prequalification, predictive models on the follow-up to be given to alerts, detection of risky customer profiles, improvement of the risk exposure coverage rate, etc.). The fight against money laundering and terrorist financing is therefore an opportune area to benefit from all the advances in AI. However, it should not be forgotten that AI is only a tool; the information generated by AI in all processes regarding customers should then be subject to appropriate and proportionate human control, especially for enhanced examinations.