

# Q2 2024 Financial Crime Quarterly Update

April - June 2024



Welcome to the latest edition of our Financial Crime update, which outlines all of the latest news and regulatory changes across the world of Financial Crime.

This quarter saw a major milestone in the programme of the European Union to fight financial crime, with the publication of the new regulations in the EU’s official journal at the end of May. These regulations establish the EU Anti-Money Laundering Authority (AMLA) and the new EU single rulebook. There has also been a lot of activity in preparation for the new AMLA, particularly from the European Banking Authority, as they prepare to handover responsibility for AML in 2025.

While all of this is ongoing, day to day work has not stopped and Q2 saw the publication of a number of insightful reports covering Virtual IBANs, Payment Fraud and the financial crime risks related to Non-fungible Tokens.

We hope you enjoy reading this newsletter, which contains further details on the issues outlined above, and more!

**Sinead Ovenden**  
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## Setting up the new EU AMLA for success - Remarks by Deputy Governor Derville Rowland at the European Anti-Financial Crime Summit

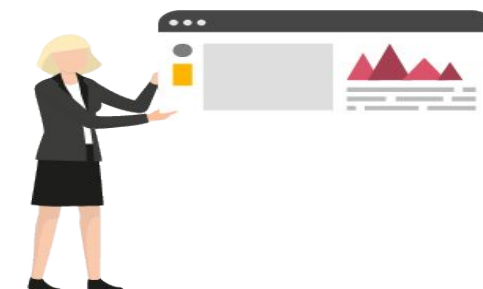
Speaking at the European Anti-Financial Crime Summit on May 16th 2024, Deputy Governor of the Central Bank of Ireland (CBI), Derville Rowland, discussed the new European Anti-Money Laundering Framework and the establishment of the new Anti-Money Laundering Authority (AMLA). Ms Rowland framed her remarks in the context of the current and future challenges in the financial crime eco-system, highlighting that *“the scale of the challenge faced by regulators, law enforcement and industry in an environment of almost continuous technological advancement is immense”*. Ms Rowland noted that *“Digitalisation, artificial intelligence and further moves to a world online for the next generation means that traditional views and methods of preventing financial crime are obsolete”*. She also noted, however, that these technology advances *“present more opportunities for transparency, deterrence, detection and disruption”*

Key areas covered by Ms Rowland in her speech in relation to the new Framework and AMLA include:

- **Europe's response to challenges:** the EU AML framework is an acknowledgment that a more collective and coordinated approach is required;
- **Setting up AMLA for success:** Europe now has an opportunity to get the design right for AMLA so that it is set up in a way that when a shock or risk crystallises that it stands up to scrutiny;
- **Risk Based Approach:** AMLA needs to employ a risk-based approach from the outset, while tackling divergent approaches across jurisdictions.
- **Governance:** Briefly addressing the governance of AMLA, Ms Rowland noted that it is a cornerstone of good regulatory governance that there is operational independence and technical expertise to oversee the discharge of the mandate.
- **Skills & Capabilities:** AMLA will require staff that are not only highly trained supervisors but will also require talented staff with expertise in the development of policy and enforcement investigations.
- **Building on strong foundations:** While AMLA is a new authority it is not truly building from scratch as it can leverage off and build on the work already done at European and national level.

Ms Rowland concluded her speech by noting that AMLA's success is not dependent on any single factor and that vigilance, agility, and innovation are constantly required. She expressed the anticipation for AMLA's progress and affirmed the Central Bank of Ireland's commitment to meeting shared objectives.

The full speech from Ms Rowland can be read [here](#)



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## Fraud SMART Warning on Investment Scams

On May 7th 2024, FraudSMART, an initiative led by the Banking & Payments Federation Ireland (BPF), issued a warning to consumers regarding highly convincing investment scams. The key points raised were:

### 1. Emerging trend of 'recovery scams' see victims re-targeted

- FraudSMART highlighted that victims of investment fraud are being re-targeted by criminals in what is known as 'recovery scams';
- These criminals promise to recover the victims' money but require an upfront fee first.

### 2. Deceptive techniques used by Fraudsters

- Fraudsters are using deceptive and elaborate techniques, including using the names and branding of well-recognized banks and investment firms;
- Some fraudsters are creating 'copy cat' profiles on social media of a real employee or 'agent' from an investment firm to convince people of their legitimacy."

### 3. Investment fraud is now the highest grossing crime type in Ireland

- Recent figures from An Garda Síochána reveal that nearly €60 million was stolen from investment fraud victims in the past four years;
- Investment fraud is now the highest grossing crime type in Ireland;
- Victims of this type of fraud are typically over 50 years of age.

Detective Superintendent Michael Cryan of the Garda National Economic Crime Bureau, advised all members of the public, particularly those over age of 50, to be on alert for these scams, to be wary of offers only advertised through social media or allegedly endorsed by celebrities and highlighted if you believe you may be victim of investment fraud to report it to your bank and An Garda Síochána as soon as possible

A checklist to avoid recovery scams is provided in the article.

You can read the full FraudSmart article [here](#)

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## European Banking Authority Annual Report 2023

On the 6th of May 2024, The European Banking Authority (EBA) published the first part of its 2023 Annual Report, highlighting key achievements and activities over the last 12 months.

One of the core priorities of the EBA in 2023 was to enhance “capacity to fight money laundering and terrorist financing in the EU”. In addressing this priority, the EBA notes the following key areas of focus throughout 2023:

- Addressed emerging risk, by building on the comprehensive regulatory framework in place, issuing new guidelines and updating existing guidelines;
- Tackled unwarranted de-risking (publishing two new Guidelines and a factsheet to help not-for-profit organisations), ensured compliance with restrictive measures and built robust approaches to AML/CFT for crypto-asset service providers (CASPs) and their Competent Authorities (CA);
- Fostered supervisory cooperation by supporting information exchange and by continuing to develop the AML/CFT colleges framework (more than 260 colleges now set up);
- Published the Fourth Opinion on the risks of ML/TF affecting the EU’s financial sector. For the first time, the EBA used data from their new central database on AML/CFT, EuReCA, to inform their analysis.
- Continued its staff-led, in-depth assessments of CAs’ approaches to AML/CFT supervision, publishing a report on aggregate findings and a summary of recommendations issued during its third round of reviews in July 2023; and
- Contributed to shaping the new AML/CFT framework throughout 2023.

The Report also sets out the EBA’s key priority areas for 2024, which includes “increasing focus on innovation and consumers while preparing the transition to the new AML-CFT framework”. In preparation for the transition to AMLA, the EBA will:

- Work closely with CAs and the Commission to facilitate the transition to the EU’s new legal and institutional AML/CFT framework; and
- Continue to foster the implementation of robust approaches to tackling ML/TF, sanctions and other financial crime risk across the EU, in line with its legal mandate and until AMLA begins fully to exercise its mandate and powers.

The full EBA Annual Report can be found [here](#).



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## Getting ready for AMLA : the EBA’s contribution to the new AML/CFT regime

In June 2024, the EBA released a factsheet on how it plans to prepare for the transition to the new AML/CFT regime. Some of the key steps being taken by the EBA to transition to the new EU AML/CFT Framework include:

- **Advising the Commission on important aspects of the new AML/CFT regime:** the EBA has been asked by the European Commission to prepare
  - a common methodology that EU supervisors will use to assess the ML/TF risk of individual financial institutions;
  - the methodology that AMLA will use to select directly supervised institutions.
  - common customer due diligence standards; and
  - criteria to determine pecuniary sanctions and administrative measures.

The EBA will finalise this work by the end of October 2025;

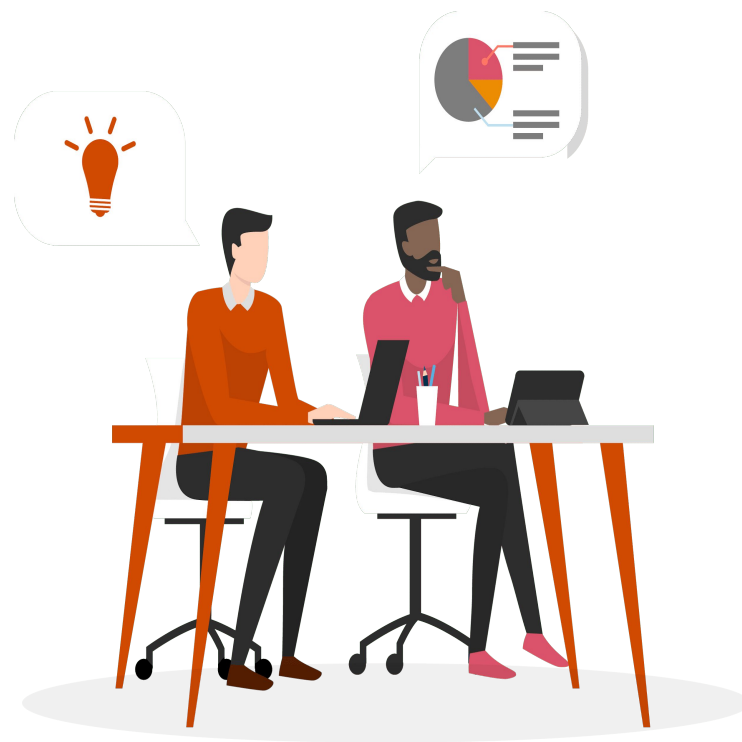
- **Ensure that lessons learned are handed over to AMLA:** allowing AMLA to start its work on a sound evidence basis, including information about ML/TF risks based on data submitted to EuReCA and insights gained through the EBA’s assessment of CAs’ approaches to AML/CFT supervision and through its monitoring of AML/CFT colleges;
- **Ensure continuity of the EU’s AML/CFT efforts:** Throughout the transition period, the EBA continues to address emerging risks and foster an effective approach to managing common anti-financial crime challenges.
- **Helping national competent authorities get ready for AMLA:** The EBA has set up a Forum of EU AML/CFT supervisors, which meets every 6 weeks and provides a space for discussion and information exchange, focusing on the practical aspects of the transition

In conclusion, after transferring the powers that are specific to AML/CFT to AMLA, the EBA will remain responsible for addressing ML/TF risk across its prudential remit. The EU legislation requires AMLA and the EBA to cooperate closely through, joint guidelines, mutual consultations and governance arrangements that are designed to maximise the synergies between prudential and AML/CFT supervisors and regulators.

The full EBA Fact Sheet can be found [here](#).



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## EBA to start collecting information on natural persons through the EuReCA Database

On 2nd May 2024, the EBA announced that supervisors across the European Union (EU) are now able to report names of natural persons to EuReCA, the EU central database on AML/CFT of the EBA. This database contains information on serious AML/CFT deficiencies in individual financial institutions that have been identified by EU supervisors. It also contains information on the measures taken by supervisors to address those deficiencies.

If a serious deficiency or a measure is linked to a natural person, for example a customer or a beneficial owner, supervisors will be able to report this information to EuReCA. Supervisors can also report the name of a member of the management body or a key function holder in a financial institution, if necessary, because a lack of honesty or integrity can cause or lead to serious problems in a financial institution's governance arrangements, business model or activities and ultimately, weaken the institution's AML/CFT defences.

Further information on this change and the EuReCA Database can be found [here](#).

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## EBA Report on Virtual IBANs

On the 24th of May 2024, the EBA published a Report on the issuance and use by payment service providers (PSPs) of 'virtual IBANs' (vIBANs). The EBA notes in their report that there isn't a common definition of vIBANs, however, there are common characteristics that the EBA has observed with vIBANs and the upcoming AML Regulation will provide a definition of vIBANs: 'an identifier causing payments to be redirected to a payment account identified by an IBAN different from that identifier'.

Within the report, the EBA identified 10 key risks and challenges arising for Financial Institutions for vIBANs. From an AML perspective, there is a risk of ML/TF as the end users of vIBANs may be unknown to payment service providers (PSPs), including counterpart PSPs, which means that the information used to monitor transactions may not be reliable; and the lack of visibility for national competent authorities (NCAs) of the scale of vIBAN offerings in their jurisdiction preventing the NCAs from assessing the adequacy of controls implemented by PSPs to mitigate risks arising from vIBANs.

Some of the other key risks and challenges identified by the EBA in relation to vIBANs include:

- an unlevel playing field and regulatory arbitrage issues due to divergent interpretations of the applicable legislation by NCAs in different Member States;
- Risks to end users of vIBANs arising in circumstances where they are not holders of the master account;
- Consumer detriment due to the lack of transparency of certain key information on e.g. the applicable complaints procedures or the deposit guarantee scheme (DGS) under which the consumer is covered.

The report offers some suggestions about the actions that could be taken by PSPs, the co-legislators and NCAs to mitigate the risks identified in this report.

The full EBA Report can be found [here](#).



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## EBA Opinion on new types of payment fraud and possible mitigants

On April 29, 2024, the European Banking Authority (EBA) released an Opinion Report, which assess payment fraud data for the year 2022, (this data became available at the end of 2023). The report addresses relevant insights that can be gained from a number of key areas, including:

- The impact that the security requirements under PSD2 have had on fraud levels across the EU - the EBA has observed that Strong Customer Authentication (SCA), complemented by transaction monitoring as well as the other security measures imposed by the PSD2 and the EBA Regulatory Technical Standards for SCA and common and secure open standards of communication under PSD2 (the RTS) , has been successful in mitigating fraud overall;
- Emerging fraud trends observed and new types of payment fraud - Despite the positive effect SCA has had in terms of fraud reduction, the EBA has observed high levels of fraud for some specific payment instruments, geographic dimensions, jurisdictions, or combinations thereof; and
- Potential additional measures to combat fraud, beyond the fraud mitigation measures proposed by the EU Commission in the PSD3 and PSR proposals and the service ensuring verification of the payee in case of credit transfers in Euro introduced in the SEPA regulation.

The full EBA Opinion Report article can be found [here](#)



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## New EU rules to combat money-laundering published in the EU's official journal

### Regulation (EU) 2024/1620 - Establishing the EU AMLA:

On the 31st May 2024, the regulation establishing the new EU AML Authority was published in the EU's official journal. The regulation notes that the "objective of the Authority shall be to protect the public interest, the stability and integrity of the Union's financial system, and the proper functioning of the internal market". Chapter II of the Regulation sets out the tasks and powers of the Authority, including information on the direct supervision of selected obliged entities.

The regulation will apply from 1 July 2025, with a small number of provisions already applicable (as at 26 June 2024), enabling set up work to begin. The Regulation can be accessed [here](#).

### DIRECTIVE (EU) 2024/1640 - Mechanisms to be put in place by MS

This Directive, which was published on the 31st May 2024, will replace the existing fourth and fifth Money Laundering Directives. It contains provisions that are not appropriate for a Regulation and require national transposition, such as rules concerning national supervisors and Financial Intelligence Units in Member States.

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 10 July 2027 (with a small number of provisions applicable after this date). The Directive can be accessed [here](#).

### Regulation (EU) 2024/1624 - Prevention of the use of the financial system for ML/TF purposes

On the 31st May 2024, the regulation addressing the new EU AML / CFT single rulebook was published in the EU's official journal. This Regulation lays down rules concerning:

- the measures to be applied by obliged entities to prevent money laundering and terrorist financing;
- beneficial ownership transparency requirements for legal entities, express trusts and similar legal arrangements; and
- measures to limit the misuse of anonymous instruments

The regulation will apply to all obliged entities from 10 July 2027, except for football agents and professional football clubs, to which it shall apply from 10 July 2029. The Regulation can be accessed [here](#).

### DIRECTIVE (EU) 2024/1654 - Centralised Bank Account Registries

This Directive, which was published on the 31st May 2024, provides measures to allow designated competent authorities responsible for the prevention, investigation, detection or prosecution of criminal offences to access and search the interconnected system of centralised bank account registers through the Bank Account Register single access point.

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 10 July 2027 (with a small number of provisions applicable after this date). The Directive can be accessed [here](#).

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## Public consultation on FATF ML NRA Guidance Update

On the 30th June 2024, the Financial Action Task Force (FATF) launched a public consultation on updates to the FATF Money Laundering National Risk Assessment Guidance. The FATF is currently in the process of updating its guidance on National Risk Assessments (NRA), in particular concerning Money Laundering NRAs. The goal is to update the NRA guidance to make it more effective, comprehensive and useful for all stakeholders involved.

The FATF invites contributions from the private sector, civil society and academia to ensure the guidance is aligned with their experiences. At this stage, the FATF has not finalised the draft NRA Guidance and will consider the views received to revise the text before its proposal for adoption at the FATF October 2024 Plenary.

The questionnaire can be found [here](#) and responses are to be provided by 22 July 2024, 18h00 CET.



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## Urgent action needed to fight money laundering and terrorist financing

During a high-level Side Event at the 33rd Commission on Crime Prevention and Criminal Justice in Vienna on May 13, 2024, the heads of the Financial Action Task Force (FATF), INTERPOL, and the United Nations Office on Drugs and Crime (UNODC) issued an unprecedented call to action event, highlighting that urgent action is needed to fight money laundering and terrorist financing.

The FATF President T. Raja Kumar said that 'Global financial integrity is critical for stability, inclusion, and peace'. 'It can only be achieved through the robust and effective implementation of money laundering and terrorist financing standards'. He added that asset recovery is a key preventive strategy' that all governments must adopt.

While the three leaders highlighted recent enhancements to FATF's international standards on anti-money laundering and terrorism financing, they also called for accelerated progress on policy reforms and capacity building ahead of the UN 2026 Crime Congress, to be hosted by the United Arab Emirates.

Further details on this event can be found [here](#).



## US Treasury Releases First Ever Non-fungible Token Illicit Finance Risk Assessment

On May 29 th this year, the U.S. Department of the Treasury published a 2024 Non-fungible Token (NFT) Illicit Finance Risk Assessment. The assessment looks at how vulnerabilities associated with NFTs and NFT platforms may be exploited for illicit finance purposes, including money laundering, terrorist financing, and proliferation financing. The risk assessment recognises that most money laundering, terrorist financing, and proliferation financing by volume and value of transactions occurs in fiat currency or otherwise outside the digital asset ecosystem via more traditional methods. However, the assessment finds that NFTs are highly susceptible to use in fraud and scams, many of which are traditional schemes that involve NFTs, and can be stolen from victims.

The assessment examined several mitigation measures, including industry solutions to help platforms and consumers identify potential scams, law enforcement authorities and public announcements, analysis of public blockchain data and existing regulations and requirements for industry participants, finding that they partially mitigate the identified threats and vulnerabilities associated with NFTs.

The full Risk Assessment released by the Treasury can be found [here](#).

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## 2024 Egmont Plenary: “The Next Generation FIU”.

The 30th annual Egmont Group (EG) Plenary hosted by the Financial Intelligence Unit (FIU) of France (Tracfin) took place from June 2 – 7, 2024, in Paris, France. The central theme of this plenary focused on “the next generation FIU”, where three sub-topics were addressed:

### 1. Developing the future workforce of the FIU.

Focusing on the evolving role and responsibilities of FIUs, in the global AML/CFT environment, the panel and audience explored ideas of how to build and evolve FIUs, both as effective AML/CTF system leaders and fulfilling environments for the staff working within them.

### 2. How will the future FIU use technology?

The new strategic approaches related to the implementation of Emerging Technologies provide FIUs with the opportunity to enhance their effectiveness which was explored through a structured conversation and audience discussion.

### 3. Future FIU’s role in addressing emerging crime types.

The final session focused on emerging financial criminal activities, such as laundering of the proceeds of environmental and tax crime; and explored with a distinguished panel the FIU’s role in the early identification and addressing of these crimes.

Further details on these topics and other areas discussed at the Plenary can be found [here](#).



Our Financial Services Regulation Team at PwC Ireland have the experience and expertise to provide solutions that have the overarching aim of addressing new and existing financial crime threats. Get in touch to find out more on how we can help you.

## Central Bank RMPs focused on AML

PwC can assist firms in navigating the many demands and challenges of addressing and responding to an AML focused RMP with a selection of our services provided below:

- Design and implementation of a RMP response framework, including tracking, monitoring and reporting
- Constructing a Governance framework, that includes management and Board reporting
- Developing risk mitigation planning, implementation, and progress monitoring
- Leveraging the latest technology to assist in assessing risk and data analytics

## Target Operating Model

PwC can assist firms in transforming their AML / Financial Crime Target Operating Model through:

- Reviewing your current operating model to identify / address regulatory gaps
- Assessing and advising on the most appropriate technology available to manage your FC risks
- Advising on your 3LOD structure to ensure that all FC activities are operating effectively, efficiently and meeting regulatory expectations;
- Designing Policies, Procedures and Processes to manage FC within your organisation.

## AML Remediation Programmes

PwC has vast experience in conducting large scale AML remediation programmes, achieved by:

- Designing a tailored and specific remediation plan, which includes a formalised governance framework and comprehensive resource planning.
- Providing a team of highly experienced and industry focused individuals.
- Assisting clients with the delivery of the programme, including customer outreach and independent quality assurance.
- Assistance with key AML processes, including CDD, Transaction Monitoring and Screening.

## AML Risk Mitigation

The appropriate assessment of risk is a key area of focus for the CBI. We can support you to assess and enhance your AML risk assessment process through the review of:

- Your Business Wide Risk Assessment - identification of gaps and opportunities for improvement in AML/CFT methodology
- Your Customer Risk Assessment process - identifying and assessing a comprehensive list of risks making up your customer's risk profile.

## FC Technology & Automation

PwC has significant experience in assisting clients with managing and assessing their Financial Crime Technology infrastructure, including:

- The assessment of existing Technology;
- Identification of new FC technology requirements; and
- Support in the implementation of new technology with your organisation.
- Identification of opportunities to introduce automation and Gen AI into your FC & AML processes.

# Contact

FS Risk and Regulation - Financial Crime



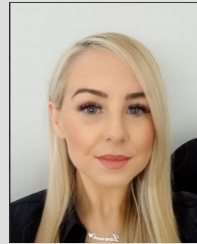
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