

# Q4 2023 Financial Crime Quarterly Update

October - December 2023



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

Q4 2023 was particularly busy at a European level, with important decisions being made on the new Anti-Money Laundering Authority, as well as the introduction of criminal offences and penalties for the violation of EU sanctions and the publication of a new EU list of prominent public functions.

In November, the Irish Government officially submitted Ireland's bid to host the Anti-Money Laundering Authority in Dublin, while FATF were busy publishing a wide range of reports and insights throughout the final quarter of the year.

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

**Sinead Ovenden**

Partner, FS Risk and Regulation

**\*\* PwC AML Survey 2023 Results: read more [here](#). \*\***

# Contents

Topics	Page no
Irish Financial Crime Updates	3
European Financial Crime Updates	7
UK Financial Crime Updates	19
Global Financial Crime Updates	23
FATF Insights	27
How can PwC help you	33

# Irish Financial Crime Updates



## Ministers McGrath and Carroll MacNeill publish Ireland's bid to host the new EU Anti-Money Laundering Authority

On November 15th 2023, the Minister for Finance, Michael McGrath TD and the Minister of State for Financial Services, Credit Unions and Insurance, Jennifer Carroll MacNeill TD published Ireland's application to host the new EU Anti-Money Laundering Authority, AMLA.

Nine EU member states submitted an application to the European Commission to host the new authority, which is envisaged to be a significant EU institution tasked with the supervision of compliance with anti-money laundering and countering financing of terrorism (AML/CFT) rules and standards. It is expected that the AMLA will be established in 2024, and become fully operational by 2026 - 2027. Initially it will supervise entities in the financial services sector and will eventually supervise firms in the non-financial sector as well.

In a speech on October 25th delivered to EU Member State ambassadors, Minister McGrath acknowledged that Ireland has been a major beneficiary of the success of the EU project, noting that Dublin is now an established center for regulated international financial services.

The decision to bid was motivated by a number of factors according to the Minister, including:

- The priority Ireland attaches to AML and counter financing terrorism as a policy;
- The role that EU institutions play in shaping the development of the Single Market and the increasing importance of those institutions on the direction of the global financial system;
- The importance of locating AMLA in a financial center that is not already hosting such an institution; and
- The capacity of Ireland to make a positive contribution to the future direction of the EU by hosting an operational and influential AMLA in Dublin.

Minister McGrath also noted that, *"Ireland's application to host a significant new European authority marks an important point in our 51st year as proud members of the European Union. As a truly diverse and multicultural society, with a proven track record of attracting global firms, Dublin is the ideal location for AMLA offering everything it needs to be a success."*

In addition, Jennifer Carroll MacNeill added, *"Dublin is already home to a large globally interconnected financial centre and is recognised as a technology powerhouse that combines with our rich cultural heritage to create the ideal conditions to build this important new EU institution."*

*Dublin offers Europe a range of modern, high quality and centrally located office buildings to host AMLA and with good transport links with our EU neighbors, Dublin offers everything the staff of AMLA and their families need to thrive."*

The European Commission is currently conducting a general assessment of all applications and will submit this to the Council and the European Parliament in the coming weeks.

Ireland's bid can be viewed in full [here](#).

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ European FC Updates
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

## Central Bank of Ireland High Cost Credit Providers Newsletter



- ❑ Introduction
- ❑ **Irish FC Updates**
- ❑ European FC Updates
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

In November 2023, the Central Bank of Ireland (CBI) released a newsletter addressed to High Cost Credit Providers (HCCPs). The purpose of the update was to keep these firms informed on important topics as the sector transitions from annual to five-year licence renewals and to more focused supervision by the CBI. Some of the topics included in the newsletter were:

- The Central Bank's multi-year supervisory strategy for the sector and new annual reporting requirements;
- A revised pre-approval process when seeking to add or amend loan products, and recent changes to the Central Bank portal including a new section for Fitness & Probity applications;
- Reminders to firms of their ongoing obligations under the 2022 Regulations, AML legislation and the Central Credit Register Act; and
- Regulatory updates relating to Scams and Advanced Fee Fraud, and the Individual Accountability Framework.

The newsletter specifically called out the AML Dear CEO Letter issued by the CBI in June of this year, reminding firms in the sector of their obligations, such as;

- Having documented business risk assessments and robust AML/CFT policies and procedures in place including policies and procedures for PEP & Financial Sanctions screening;
- Having appropriate governance framework in place to ensure ongoing oversight of compliance by firms with AML/CFT legislation;
- Obtaining appropriate customer due diligence documentation;
- Appropriately identifying suspicious transactions; and
- Timely submission of the annual Risk Evaluation Questionnaire (REQ).

Firms were encouraged to review the contents of the Dear CEO letter, their AML/CFT frameworks and processes against the findings, and make any amendments/changes as appropriate. The newsletter contains links to various supporting documents to regulation and relevant papers on the topics addressed and be read in full [here](#).

## Joint statement on Ireland's bid to host the Anti-Money Laundering Authority

- ❑ Introduction
- ❑ **Irish FC Updates**
- ❑ European FC Updates
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

On December 21st 2023, a joint statement was released on Ireland's bid to host the Anti-Money Laundering Authority (AMLA) by Ibec, Financial Services Ireland, Irish Funds, Insurance Ireland, Banking and Payments Federation Ireland, and the Law Society of Ireland. The statement read:

*"We are supporting Ireland's campaign to bring the new European Anti-Money Laundering Authority (AMLA) to Ireland. The authority would further bolster the positive global standing of Ireland's financial services sector, as well as many relevant sectors such as Insurance, Technology and Cyber.*

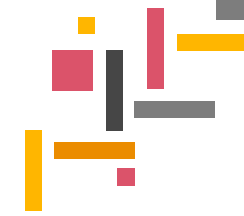
*Ireland has developed a strong standing as a hub for robust regulation and enforcement. Ireland is home to substantial investments in sectors such as International Financial Services, FinTech, Technology, and Cyber, and we have strong trading links with the UK and the US.*

*Locating AMLA in Dublin would not only further enhance our reputation among international investors but also solidify Ireland's standing as an excellent place to do business. We believe Ireland has the necessary expertise, skills, and stakeholder support to be a successful location for AMLA. Hosting this new regulator would be a powerful demonstration of the deep pool of knowledge and expertise within the industry, including areas such as governance, technology, and administration."*



# European Financial Crime Updates





## Deal reached on the establishment of AMLA

On December 13th 2023, the European Parliament (EP) and the Council of the EU reached a political agreement on establishing the new Anti-Money Laundering Authority (AMLA). However, during these discussions agreement was not reached on the location of the future agency. These discussions will continue and include Dublin among the list of potential locations to host AMLA.

Through these discussions it was agreed that AMLA will be tasked with supervising the EU's new rulebook on combating dirty money flows and that it will be charged with directly supervising the most risky financial entities - those with operations in at least 6 member states - and in any event, supervising one per member state. AMLA will have strong powers to step in in case of supervisory failures and take over supervisory tasks.

Additionally, AMLA will also act as a central hub helping coordinate the actions of supervisors in different EU countries and ensuring convergence of supervisory practices. Based on a proposal from the Parliament, AMLA will also be tasked with mediating and settling disputes between national authorities.

Furthermore, AMLA would support financial intelligence units in analysing suspicious transactions and detecting money laundering cases, notably by supporting joint analysis and managing FIU.Net, the IT system used for Financial Intelligence Unit (FIU) information sharing.

Co-rapporteur Eva Maria Poptcheva (Renew, Spain) said: *"We have a deal on the substantive provisions of the new Anti-money Laundering Authority. AMLA will be a game changer to crack down on dirty money in the EU. It will supervise the 40 riskiest financial entities and it will oversee the non-financial sector to prevent cases like the Pandora Papers."*



- ❑ Introduction
- ❑ Irish FC Updates
- ❑ **European FC Updates**
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

## Council and Parliament agree on procedure to select seat for new authority

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ **European FC Updates**
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

On December 18 2023, the Council and the European Parliament representatives reached a common understanding on the process for selecting the seat of the future European authority for countering money laundering and terrorist financing (AMLA). This understanding was reached following on from the provisional agreement on the design of AMLA.

Regarding the location of the authority, the Council and the Parliament have worked together to ensure a selection process that is transparent, fair and equitable to all candidates.

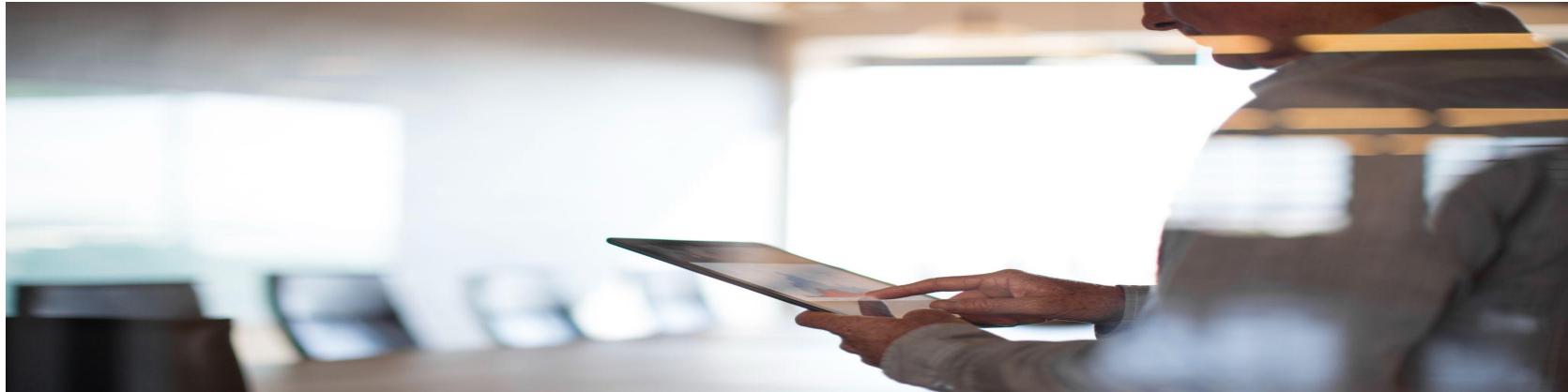
The co-legislators agreed on the principle of organising joint public hearings to allow representatives of member states' candidacies to present their applications. The co-legislators will assess each application according to the selection criteria included in the call for applications, the information provided by candidates in their application forms, the Commission's assessment of those forms as well as the outcome of the joint public hearings.

The final decision on the location of AMLA's seat should be made by the co-legislators in an informal inter-institutional meeting at political level, where the Parliament's and the Council's representatives will vote together at the same time with the same number of votes attributed to each co-legislator.

The location of the seat resulting from the process will be included in the AMLA regulation and formally adopted as part of the text.



## EFAMA publishes position on the AML package trilogues



On September 26th 2023, the European Fund and Asset Management Association (EFAMA) released its position paper on the AML package trilogues. The position paper notes that EFAMA remains supportive of the new AML/CFT framework of the EU envisaged in the AML Package proposed by the Commission. The EFMA draws attention to a few areas which they consider of utmost importance for the asset management industry, including the following:

- The concept of the “beneficial ownership”, including the ownership interest threshold and the identification of beneficial owners with specific provisions for collective undertakings;
- Nominee disclosures;
- Relations with third-countries and offshore financial centres;
- The reporting of suspicious transactions;
- Internal procedures and compliance functions;
- A risk-based approach to politically exposed persons; and,
- The recognition of the markets’ specificities in the AMLA Regulation.

Detailed responses were provided in relation to key amendments to the draft AML regulation, the AML Directive and the AMLA Regulation.

The EFAMA position paper can be read in full [here](#).

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ **European FC Updates**
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

## EBA publishes risk assessment report of the European Banking System

On December 12 2023, the European Banking Authority, published its Risk Assessment Report of the European Banking sector, as part of the “2023 EU Transparency Exercise”. This report gives an overview of the insights and risks facing the sector, including:

- Macroeconomic uncertainty remains elevated;
- Climate-related and broader ESG risks are increasingly in banks’ focus;
- The impact of higher interest rates resulting from monetary policy tightening continues to affect economies worldwide;
- Lending growth slowed down as demand is negatively affected by increased interest rates;
- Banks have increased their reliance on market-based funding; and
- Operational risk has increased in recent years, partly driven by geopolitical tensions

Under the topic of Operational Risk and Resilience, the report includes a section on financial crime risks, the EBA outlines that the high number of money laundering cases in recent years in European banks has caused substantial reputational damage to the banking system.

While highlighting the benefits of the new European AML package, the EBA notes that the ongoing negotiations on the AML/CFT legislative package and the scale of the proposed reforms has created legal uncertainty and hesitation by some credit institutions to proceed with investments in their financial crime controls.

The EBA notes that risk awareness appears to have increased slightly, however, the results of the recent EBA Opinion on ML/TF risks outline that the risk in the sector continues to present “significant to very significant” ML/TF risks.

The full details on the 2023 EU wide transparency exercise can be found [here](#).



- ❑ Introduction
- ❑ Irish FC Updates
- ❑ **European FC Updates**
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

## EBA publishes quarterly risk dashboard - Q2 2023

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ **European FC Updates**
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

On October 10<sup>th</sup> 2023, the European Banking Authority (EBA) published its latest risk dashboard, covering data from Q2 2023. This dashboard summarises the main risks and vulnerabilities in the banking sector in the European Union, as reported by EU institutions. This data is also complemented by analyses based on market data and other sources as of mid-September 2023.

Some of the key risks identified through the dashboard are listed below:

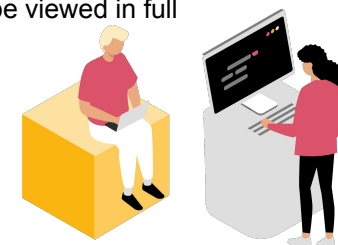
- Slower economic growth weighs on loan growth ;
- Profitability continues to improve;
- Capital improved due to higher profitability;
- Operational risks remain a key concern;
- Easing inflation and a strong labour market are not enough to support economic growth .

Under the topic of “Operational Risks”, it was highlighted that fraud and AML/CFT circumvention remains a key risk driver for operational risks. The EBA’s EuReCa data shows that since the last EBA risk dashboard, from June 2023 to August 2023, competent authorities reported 143 serious deficiencies, or ‘material weaknesses’, in 57 institutions. They also reported 50 ‘corrective measures’ that they imposed on institutions to correct these deficiencies.

The dashboard highlighted that:

- Most deficiencies relate to credit institutions. Electronic Money Institutions (EMIs) constituted the second-most reported sector, but this could be due to supervisory priorities and timescales and may not be due to changes in EMIs’ AML/CFT controls environment;
- Most material weaknesses relate to institutions’ customer due diligence (CDD) policies and procedures, and in particular weaknesses in institutions’ approaches to transaction monitoring; and
- Fines and administrative pecuniary sanctions were the most common measure applied, however the most serious applied within the period under analysis was the full withdrawal of authorisation of a bureau de change.

The EBA dashboard results can be viewed in full [here](#).



## EBA publishes its 2024 Work Programme Document



- ❑ Introduction
- ❑ Irish FC Updates
- ❑ **European FC Updates**
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

On October 3rd 2023, the European Banking Authority (EBA) published its 2024 work programme.

The programme defines and structures how the authority intends to fulfil its mission and mandates in a most efficient manner for the year ahead. The EBA tasks stem from agreed or prepared EU legislations and from its founding regulation. Those need to be tackled in line with the broader Union priorities and strategies for the financial sector which are reflected in five overarching priorities defined for the EBA at the horizon of 2026 in the areas of the EU Single Rulebook, financial risk identification, data, third-party and crypto-asset service provision, and conduct.

From an AML/CFT perspective, the EBA document outlines that one of the medium-term priorities is to ensure a smooth transition to the new AML/CFT framework. Through 2024, the EBA intends to work closely with competent authorities and the European Commission to facilitate the transition to the EU's new legal and institutional AML/CFT framework.

As part of this process, the EBA plans to:

- Prepare the transfer of data, knowledge and powers to AMLA;
- Support national competent authorities in their preparatory work;
- Provide technical advice to the European Commission as necessary; and
- Help to put in place the gateways necessary to make the effective cooperation between prudential and AML/CFT supervisors and regulators possible going forward.

At the same time, the EBA will continue to lead, coordinate and monitor the EU financial sector's fight against ML/TF in line with its legal mandate and until AMLA is established and exercises fully its mandate and powers. It will foster the implementation of robust approaches to tackling ML/TF, sanctions and other financial crime risk across the EU by building supervisory capacity, and by intervening where necessary through guidance and outreach where information available to it suggest that weaknesses exist. The AMLA is currently expected to be established in 2024. The EBA will adjust its work programme as necessary once the date of establishment is known. This may mean that planned deliverables will be re-prioritised.

The full work programme can be viewed [here](#).



## Agreement reached on new rules criminalising the violation of EU sanction

On December 12 2023, the European Council and the European Parliament concluded their negotiations for an EU law which introduces criminal offences and penalties for the violation of EU sanctions. The European Commission has welcomed this provisional agreement. The directive ensures that those who violate or circumvent EU sanctions will be prosecuted. The law lays down that member states will need to define certain actions as criminal offences. These include:

- helping persons subject to EU restrictive measures to bypass a travel ban
- trading sanctioned goods and running transactions with states or entities which are hit by EU restrictive measures
- providing financial services or performing financial activities which are prohibited or restricted
- covering up the ownership of funds or economic resources by a person, entity or body which is sanctioned by the EU

Inciting, aiding and abetting these offences will also be punishable as a crime.

It was also noted that trade with war material would constitute a criminal offence not only when committed intentionally but also if committed with serious negligence.

The provisional agreement will now be submitted to the member states' representatives (Coreper) for endorsement. If approved, the text will then be formally adopted by both the Council and European Parliament.



- ❑ Introduction
- ❑ Irish FC Updates
- ❑ **European FC Updates**
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

## European Union publishes list of Prominent Public Functions

On November 10th 2023, the European Union published a list of prominent public functions at national level, at the level of International Organisations and at the level of the European Union Institutions and Bodies. The list was published in the Official Journal of the European Union and is broken down by Member State. It gives an overview of the specific positions within each country that are aligned to the defined categories, alongside other categories specific to individual Member States. An overview of the Irish list is provided below, while a full list from all Member States can be found [here](#).

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ **European FC Updates**
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

Provision	Application
'a member of the administrative, management or supervisory body of a state-owned enterprise'	'state-owned enterprise' is considered to be limited to commercial bodies and includes bodies listed on the 'NonFinancial Corporation Sector' or the 'Financial Corporation Sector' within the Register of Public Sector Bodies as published and updated by the Central Statistics Office
'a head of state, head of government, government minister or deputy or assistant government minister'	Includes: 1) The President 2) The Taoiseach 3) Government Ministers and Ministers of State
'a member of a parliament or of a similar legislative body'	Includes: 1) Members of Dáil Éireann 2) Members of Seanad Éireann
a member of the governing body of a political party	Members of the executive committee and any other executive offices (or equivalents) of any registered political party in the State which has registered under section 25 of the Electoral Act 1992 as amended.
'a member of a supreme court, constitutional court or other high level judicial body whose decisions, other than in exceptional circumstances, are not subject to further appeal'	Includes: 1) Judges of the Supreme Court
'a member of a court of auditors or of the board of a central bank'	Includes: 1) The Central Bank of Ireland Board
'an ambassador, chargé d'affairs or high-ranking officer in the armed forces'	Includes: 1) The most senior official of a foreign embassy in the State 2) Members of the Irish diplomatic service holding roles of equivalent seniority to (1) outside the State 3) The Chief of Staff and Deputy Chief of Staff of the Defence Forces
'a director, deputy director or member of the board of, or person performing the equivalent function in relation to, an international organization'	'international organisation' refers to an organisation that is established by, or on the basis of, an agreement between two or more states. There are no international organisations that fall within the scope of this definition in Ireland.

# Final Report - amended guidelines on the characteristics of a risk-based approach to anti-money laundering and terrorist financing supervision

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ **European FC Updates**
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

On November 27th 2023, the European Banking Authority (EBA) published its amended Guidelines on the characteristics of a risk-based approach to anti-money laundering and terrorist financing supervision.

These amendments extend the scope of the AML/CFT risk based approach Guidelines to AML/CFT supervisors of crypto-asset service providers as defined in Regulation (EU) 2023/1114 (MiCAR). Through these amendments, these guidelines foster a common understanding by competent authorities in the EU of the risk-based approach to the AML/CFT supervision of crypto-asset service providers and how it should be applied.

The amendments:

- emphasise the importance of cooperation among competent authorities, prudential supervisors and other stakeholders;
- highlight the importance of a consistent approach to setting supervisory expectations where multiple competent authorities are responsible for the supervision of the same institutions;
- provide guidance on the sources of information available to competent authorities when supervising crypto-asset service providers;
- set out how competent authorities should determine the type of guidance needed within the sector and how to communicate this guidance in the most effective manner;
- stress the importance of training to ensure that staff from competent authorities are well trained and have the technical skills and expertise necessary for the execution of their functions, including the supervision of crypto-asset service providers.

The guidelines will be translated into the official EU languages and published on the EBA website. The deadline for competent authorities to report whether they comply with the guidelines will be two months after the publication of the translations. The guidelines will apply from 30 December 2024.

The guidelines can be accessed [here](#).



## EBA Consultation Paper: Guidelines on preventing the abuse of funds and certain crypto-assets transfers for money laundering and terrorist financing purposes

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ **European FC Updates**
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

On November 24th 2023, the European Banking Authority (EBA) launched a consultation paper on new guidelines on preventing the abuse of funds and certain crypto-asset transfers for money laundering and terrorist financing (ML/TF) purposes, under Regulation (EU) 2023/1113 ('The travel rule guidelines').

The 'travel rule' Guidelines specify the steps that Payment Service Providers (PSPs), Intermediary PSPs (IPSPs), Crypto-Asset Service Providers (CASPs) and Intermediary CASPs (ICASPs) should take to detect missing or incomplete information that accompanies a transfer of funds or crypto-assets. They also detail the procedures that these providers should put in place to manage a transfer of funds or a transfer of crypto-assets that lack the required information.

The main objective of these Guidelines is to prevent the abuse of funds and crypto-assets transfers for terrorist financing and other financial crime purposes. The Guidelines also ensure that relevant authorities can fully trace such transfers where this is necessary to prevent, detect or investigate money laundering and terrorist financing.

To achieve this, the EBA promotes the development of a common understanding by PSPs, IPSPs, CASPs and ICASPs and competent authorities across the EU, of what are the effective procedures to detect and manage the transfer of funds and crypto-assets lacking the required information on the payer/originator and the payee/beneficiary, and how they should be applied.

The deadline for the submission of comments is 26 February 2024.

The full consultation paper can be viewed [here](#).



## EBA Consultation Paper: Guidelines on internal policies, procedures and controls to ensure the implementation of Union and national sanctions



- ❑ Introduction
- ❑ Irish FC Updates
- ❑ **European FC Updates**
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts



On December 21st 2023, the EBA launched a public consultation on two sets of Guidelines on internal policies, procedures and controls to ensure the implementation of Union and national restrictive measures. The consultation notes that Restrictive measures are binding on any person or entity under the jurisdiction of Member States. They comprise individual measures, i.e. targeted financial sanctions, and sectoral measures, i.e. financial and economic measures or embargoes. Through these Guidelines, the EBA creates, for the first time, a common understanding, among payment service providers (PSPs), crypto-asset service providers (CASPs) and their supervisors, of the steps they need to take to be able to comply with restrictive measures.

One set of draft Guidelines is addressed to financial institutions and prudential supervisors and sets common, regulatory expectations regarding the role of senior management, internal governance and risk management in the restrictive measures context.

A second set of draft Guidelines, addressed to PSPs and CASPs, sets out what PSPs and CASPs should do to be able to comply with restrictive measures when performing transfers of funds and crypto-assets and focus, in particular, on know your customer (KYC), screening and due diligence.

These guidelines have been issued under Article 23 of the 2023 Regulation on information accompanying transfers of funds and certain crypto-assets.

The consultation runs until 25 March 2024 and full details can be found [here](#).

# UK Financial Crime Updates



## AFME response to the HMT consultation on reforming the AML/CTF supervisory regime

On September 29th, 2023, the Association for Financial Markets in Europe (AFME) provided a response to the recent consultation opened by His Majesty's Treasury (HMT) in the UK, in relation to the consultation on reforming the AML/CTF supervisory regime. This consultation contained four proposed models, with the 3rd model being the model that AFME members are most supportive of:

1. **Option 1:** Office for Professional Body Anti-Money Laundering Supervision (OPBAS)+;
2. **Option 2:** Professional Body Supervisors (PBS) consolidation;
3. **Option 3:** Single Professional Services Supervisor (SPSS);
4. **Option 4:** Single Anti-Money Laundering Supervisor (SAS).

In relation to the options that are not supported by the AFME, they commented:

- **Option 1 (OPBAS):** While the AFME agrees that supervision of professional service providers should be enhanced by introducing consistent oversight and enforcement amongst all entities subject to AML regulation, this should be tackled by delegating this responsibility to a public rather than private sector entity.
- **Option 2 (PBD):** AFME suggests that a consolidation of Professional Body Supervisors (PBS) is preferable to having multiple such bodies. Multiple PBDs could create inconsistencies in approach due to a lack of aligned thinking and consistent decision making across all supervised firms, as well as inefficient funding which would limit the scope of effectiveness of the bodies.
- **Option 4 (SAS):** AFME strongly opposes the option to create a SAS. Members note that the Financial Conduct Authority and the Gambling Commission will continue to supervise firms in areas other than AML/CTF and some impacted firms would not necessarily have a single supervisor. This creates a dual or multiple regulation model that may not be harmonious and may result in certain firms having more than three separate regulators which increases the regulatory and compliance burden.

In support of option 3, the AFME draws attention to the following considerations where implementing a SPSS:

- The importance of the professional service providers as gatekeepers of the AML regime preventing or interrupting illicit financial flows;
- The importance of effective and consistent supervision of the industry;
- The efficiency of resources - time, allocation and cost;
- Limiting the disruptions of supervisory regime changes/enhancements.

The AFME asks the HMT to consider the above response to this consultation and welcomes further engagement with HMT to discuss in more detail.

The response to the consultation can be found in full [here](#).

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ European FC Updates
- ❑ **UK Financial Crime Updates**
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

## AASG Letter On AML Supervisory Reform published

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ European FC Updates
- ❑ **UK Financial Crime Updates**
- ❑ Global FC Updates
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts



On September 29th 2023, the Accountancy AML Supervisors' Group (AASG), which represents the 13 Professional Body Supervisors (PBSs) which oversee AML/CTF compliance for the accountancy sector in the UK, wrote a joint letter to Baroness Penn, Parliamentary Secretary. The letter expresses their shared concern for some of the models proposed in the Treasury's consultation: "Reforming anti-money laundering and counter-terrorism financing supervision". The PBSs, believe only one of the suggested models can support that ambition within a reasonable timescale, and without significant risks or costs: Model 1 (OPBAS+). This model suggests building on the existing framework rather than consolidating supervisors.

The AASG is of the view that the other three models carry with them significant risks, which at best could see money laundering grow and at worst see the whole supervisory regime collapse. The AASG outlined their concerns, which can be summarised into three main areas:

1. **Transition and failure risk** – the AASG are of the view that the consultation severely undervalues the importance of transition and failure risk, noting that Models 2, 3 and 4 will require an enormous administrative task to ensure ML supervision is maintained while the respective supervisor is set up.
2. **Loss of expertise** – the AASG highlights that the supervision of AML/CFT in the accountancy sector is not suited to a one-size-fits-all approach. It cannot be assumed that staff at PBSs can simply transfer over to a new single regulator as they will often have responsibilities outside of AML.
3. **Feasibility** – the AASG notes that Models 2, 3 and 4 would likely incur significantly higher fees given the challenges a consolidated PBS would face. They note that a public sector option, as presented under Models 3 and 4 would also be very costly to the taxpayer and not proportionate to the problems the consultation seeks to solve.

The letter can be read in full [here](#).



# Global Financial Crime Updates



# Wolfsberg Group Payment Transparency Standards 2023

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ European FC Updates
- ❑ UK Financial Crime Updates
- ❑ **Global FC Updates**
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

In October 2023, the Wolfsberg Group (the Group) released its amended Payment Transparency Standards, replacing those that the Group previously published in 2017. The Group has always viewed payment transparency as a foundational element to an effective financial crime compliance programme. The need for updated standards is in large part due to the advancements made in innovation in the field of payments services and open banking, which has helped make the international financial system more efficient, competitive and inclusive. The new standards aim to:

- Determine mutual terminology that can be applied across the financial services industry, including new market entrants who may or may not be regulated to the same degree as traditional banks;
- Expand the list of key stakeholders to include payment market infrastructures (PMIs) and their competent authorities;
- Re-establish the core principle, despite new and emerging payment methods, that a payment is a payment, and as such the debtor agent (the ordering Financial Institution) – bank or non-bank – maintains the obligation to ensure that a new payment is structured appropriately, identifying clearly the debtor and creditor in any transfer of funds;
- Clarify the roles and responsibilities of the intermediary agent (the intermediary FI) and the creditor agent (the beneficiary FI). This should include their ability to identify suspicious activity and/or conduct sanctions screening when the information accompanying a payment is limited;
- Assist the industry and associated stakeholders to identify payment transparency challenges.

The Wolfsberg Payment Standards should be applicable to:

- Cross-border payments;
- Domestic payments, as applicable under local regulations, including domestic PMIs
- All fiat currencies, including digital representations of fiat currencies such as Central Bank Digital Currencies (CBDCs);
- Payments regardless of value, including transactions carried out using a credit, debit or prepaid card where the underlying intent of the transaction is to effect a person-to-person transfer of funds, and;
- Debtor, intermediary, and creditor agent PSPs

The Standards further stresses that payment transparency cannot be resolved solely by payment and compliance specialists within banks, but would require an agreement among all payments stakeholders, including competent authorities, non-banks and PMI's within their own jurisdiction.

The published standards are supplemented with detailed charts and graphs which clearly outline the responsibilities of financial intermediaries all along the various stages of payment processing.

The full standards can be viewed [here](#).



## Basel Committee publishes discussion paper on digital fraud

On November 15th 2023, the Basel Committee on Banking Supervision (BCBS) published a discussion paper on digital fraud and banking. The paper explores the supervisory and financial stability implications of digital fraud in banking, including existing data availability and measures to mitigate such risks.

The paper notes that technological banking advancements can both provide benefits and present risks to bank soundness and financial stability, for example, digital fraud where criminals are exploiting digitalisation to commit online fraud on a greater scale and scope than previously seen.

Furthermore, fraud risks have also evolved in response to the Covid-19 pandemic. The pandemic has accelerated changes in customers' behaviour, including the increased reliance on remote- and online financial services. This, in turn, has further increased the scope and nature of fraud risks

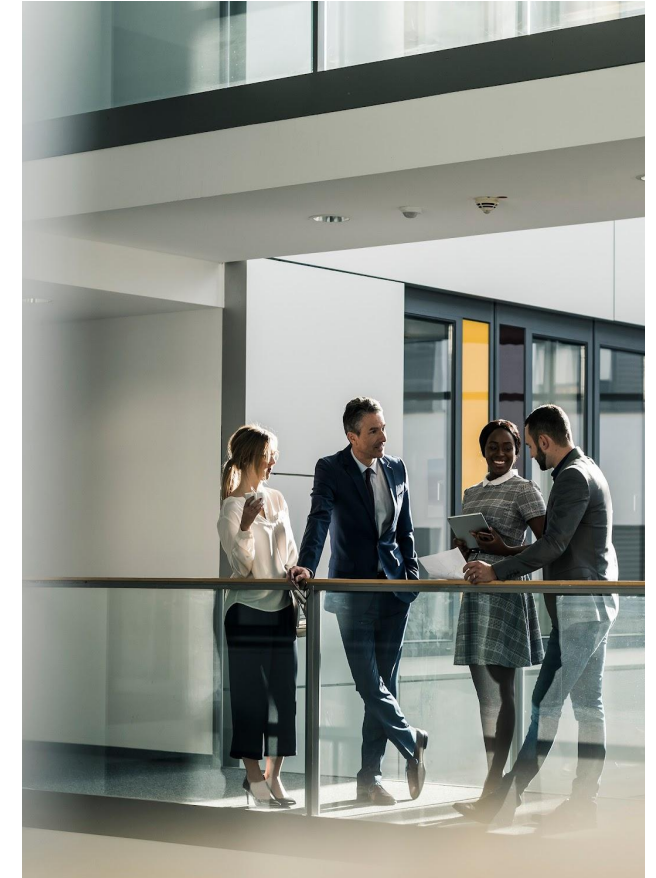
The BCBS discussion paper provides a high-level assessment of the supervisory and financial stability implications of digital fraud for the global banking system. Its purpose is to elicit comments and feedback from a broad range of interested stakeholders. It is structured around three broad sets of questions:

- (i) **What is digital fraud?** What are its main defining features? How does digital fraud affect banks and how should policymakers think about it?
- (ii) **What are the supervisory and financial stability implications?** How is supervision and financial stability affected by digital fraud? Why is digital fraud of relevance to the Committee and its mandate? What empirical data is available to assess its magnitude and prevalence?
- (iii) **What is being done to mitigate digital fraud risks within the banking sector?** What initiatives have been pursued, or are planned, at the domestic, regional and global level?

The BCBS intends for the paper to provide a high-level assessment of these questions. It is not a comprehensive and exhaustive analysis of digital fraud. The Committee invites comments on the paper by 16 February 2024.

The paper can be read in full [here](#).

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ European FC Updates
- ❑ UK Financial Crime Updates
- ❑ **Global FC Updates**
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts



## IMF 2023 Review of The Fund's AML/CFT Strategy

On December 5th 2023, the International Monetary Fund (IMF) released a paper reviewing the Fund's efforts to safeguard financial integrity and proposing the way forward for the Fund's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Strategy. The paper takes stock of the implementation of the IMF's AML/CFT strategy since 2018. It also proposes deepening the integration of financial integrity issues and an enhanced focus on the macroeconomic impact of AML/CFT issues for the way forward.

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ European FC Updates
- ❑ UK Financial Crime Updates
- ❑ **Global FC Updates**
- ❑ FATF Insights
- ❑ How PwC can help you
- ❑ Contacts

The report was based on five background papers, as outlined below:

- **Background Paper I: Macroeconomic impact of illicit financial flows (IFF)** - This background paper takes stock of the efforts to estimate and address cross-border IFF and discusses potential solutions that the Fund could advance to mitigate IFF, highlighting how technology can be leveraged to analyse big data on cross-border payments and prioritise efforts.
- **Background Paper II: AML/CFT Risk based supervision of banks - the impact of financial integrity failures on financial stability** -This background paper explores the impact of ML and related predicate crimes on banking sector stability. The paper identifies potential short- and medium-term impacts of financial integrity failures on individual banks' performance and systemic stability, and outlines a framework piloted by Fund staff for the quantification of such impacts.
- **Background Paper III: Relevance of AML/CFT to other Fund policies** - This background paper highlights the relevance of AML/CFT and broader financial integrity issues in the context of other Fund policies.
- **Background Paper IV: The fund's relation with the FATF network and Egmont group of FIUs** - In relation to the FATF, the paper discusses the FATF Standards and their evolution, the Fund's contribution to assessments, the framework to ensure the quality and consistency of AML/CFT assessments, and the FATF's high-risk and other monitoring jurisdictions or International Co-operation Review Group (ICRG).
- **Background Paper V: Feedback from stakeholders** -This background paper provides detailed results from staff's consultations with internal and external stakeholders on the Fund's AML/CFT strategy.

The full strategy review can be accessed [here](#).



# FATF Insights



## FATF Advances Efforts to Counter Money Laundering and Terrorist Financing

In October 2023, the fourth Plenary of the Financial Action Task Force (FATF) under the Presidency of T. Raja Kumar of Singapore was held. During this Plenary, FATF advanced numerous initiatives to strengthen global anti-money laundering and counter-terrorist financing standards. Some of the key areas addressed included:

- Improving Asset Recovery;
- Collaboration with Asset Recovery Networks (ARINs);
- Combating the Abuse of NPOs for Terrorist Financing;
- Crowdfunding for Terrorism Financing;
- Illicit Financial Flows from Cyber-Enabled Fraud;
- Misuse of Citizenship and Residency by Investment Programmes;
- Beneficial Ownership and Transparency; and
- Compliance with FATF Standards - increased monitoring overview.

Further details on these topics can be found [here](#).

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ European FC Updates
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ **FATF Insights**
- ❑ How PwC can help you
- ❑ Contacts

## FATF Report: Illicit Financial Flows from Cyber-Enabled Fraud

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ European FC Updates
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ **FATF Insights**
- ❑ How PwC can help you
- ❑ Contacts

In November 2023, the Financial Action Task Force (FATF), the Egmont Group, and INTERPOL jointly published its report “Illicit Financial Flows from Cyber-Enabled Fraud”.

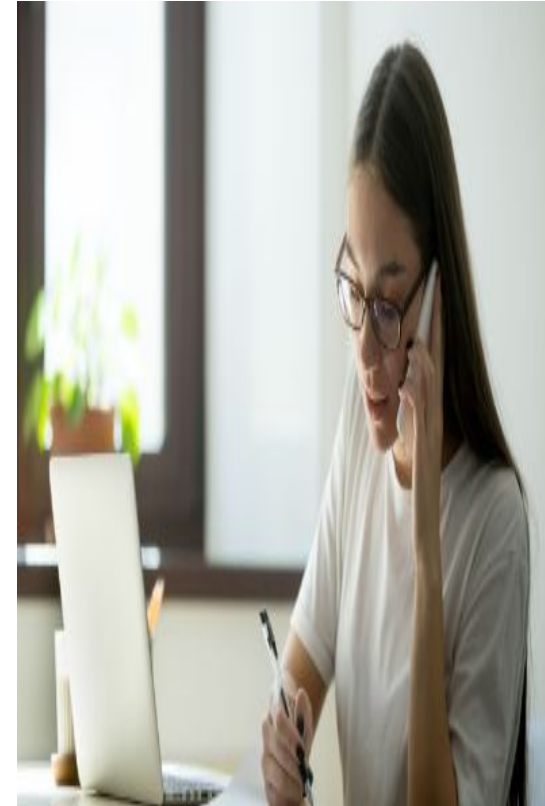
The report notes that cyber-enabled fraud (CEF) is a growing transnational organised crime, and the criminal syndicates involved in it are well structured with special areas of criminal expertise, including money laundering. CEF syndicates are also found to be linked to other types of criminality, such as human trafficking and forced labour in CEF call centres.

The report highlights that money laundering groups and professional enablers are involved in the CEF-ML process, typically involving money mules, but can also include shell companies and legitimate businesses. These ML networks also feature different types of financial institutions, including banks, payment and remittance providers, and virtual asset providers (VASPs). A combination of ML techniques are also used, including cash, trade-based money laundering (TBML), and unlicensed services.

The report concludes that jurisdictions need to respond more effectively through:

- Employing initiatives to increase victim reporting and enhance suspicious transaction reporting;
- Effectively analysing voluminous information inflows to tackle CEF;
- Given the cross-cutting nature of CEF, creating strong domestic coordination mechanisms in order to holistically combat and prevent CEF and related ML..

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



## FATF Report: Crowdfunding for Terrorism Financing

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ European FC Updates
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ **FATF Insights**
- ❑ How PwC can help you
- ❑ Contacts



On October 31st 2023, the FATF released a report on crowdfunding applicable to terrorist financing (TF), which analyses how terrorists have exploited fundraising platforms and crowdfunding activities on social media to seek funding for their terrorist cause from a global audience. The report notes four main ways in which terrorists misuse crowdfunding platforms:

- **Abuse of humanitarian, charitable and non-profit causes** which can act as a front to raise funds for terrorism.
- **Dedicated crowdfunding platforms or websites** which, given the volume and variety of activity, makes it difficult to detect illicit activity.
- **Social media platforms and messaging apps** to allow extremists to amplify their messages and lead users to specific fundraising causes.
- **Interaction of crowdfunding with virtual assets**, including the use of privacy coins and anonymity enhancing services such as tumblers and mixers.

The report notes the most common indicators of such terrorist financing, including:

- Crowdfunding campaign lacks information about the purpose, goals and ultimate beneficiaries of the campaign, or is fundraising for a vague cause.
- Project description includes links to websites or social media pages with hateful rhetoric or symbolism, or praise a terrorist or violent extremist organisation.
- Campaign encourages donors to provide funds across different platforms or provides instructions on how to fragment the payments.
- Campaign is run by individuals or groups who are not affiliated with the charity or organisation that the funds are purported to benefit.
- Crowdfunding platform used hosts or enables other projects related to terrorism or violent extremism, or doesn't explicitly prohibit this type of content in their terms of service.
- Crowdfunding campaign is taking place in geographic zones where terrorist organisations are known to operate or with links to conflict zones.

The full report can be read [here](#).

## Updated: International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation

In November 2023, the FATF published updates to its international standards and recommendations on combating money laundering and the financing of terrorism & proliferation. The updates address:

- The revision of FATF's asset recovery standards and the glossary definitions related to asset recovery; and
- Clarification amendments to Recommendation 8 and INR. 8 (interpretive note to recommendation) to strengthen the implementation of focused, targeted and risk based measures on non-profit organisations.

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ European FC Updates
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ **FATF Insights**
- ❑ How PwC can help you
- ❑ Contacts

**Improving asset recovery:** amendments agreed to the FATF recommendations will provide countries with enhanced tools to more effectively freeze, seize, and confiscate criminal property, both domestically and through international cooperation. The revised Recommendations require countries to have policies and operational frameworks that prioritise asset recovery and establish non-conviction-based confiscation regimes in their legal systems. They also provide new features, such as the power to suspend transactions related to money laundering, terrorist financing and serious crime. This will allow relevant national authorities to secure criminal assets more swiftly, increasing the chances of successful confiscation and potential recovery for victims.

The FATF have noted that they will now work to revise relevant parts of its assessment methodology for the next round of mutual evaluations to take into account the changes to the recommendations.

**Non-profit organisations:** This revision was agreed to address the misapplication and misinterpretation of Recommendation 8, that had led countries to apply disproportionate measures on Non-Profit Organisations (NPOs). The newly adopted amendments clarify that focused, proportionate and risk-based measures are at the core of an effective approach in identifying, preventing and combating TF abuse of NPOs. When implemented appropriately, they will preserve the integrity of the NPO sector, the donor community, and the financial institutions and intermediaries they use, without unduly disrupting or discouraging legitimate NPOs activities. Among the many changes to Recommendation 8 (R.8), a few key updates include:

- R.8 now requires countries to periodically identify organisations that fall within the FATF definition of NPOs and assess the TF risks posed to them, i.e. R.8 does not apply to the entire universe of organisations working in the not-for-profit realm;
- R.8 requires countries to have in place focused, proportionate and risk-based measures to address TF risks identified.
- Countries should be mindful of the potential impact of measures on legitimate NPO activities.

The amended international standards and FATF recommendations can be viewed [here](#).

## FATF Report: Recovering International Proceeds of Crime through Inter-Agency Networks

- ❑ Introduction
- ❑ Irish FC Updates
- ❑ European FC Updates
- ❑ UK Financial Crime Updates
- ❑ Global FC Updates
- ❑ **FATF Insights**
- ❑ How PwC can help you
- ❑ Contacts

On November 16th 2023, the FATF published a report on the use of Asset recovery Inter-Agency Networks (ARINs) to recover the proceeds of crime internationally. The report notes that only a fraction of the proceeds of crime are recovered globally, therefore ARINs can have an important role in improving the effectiveness of international asset recovery efforts.

This was the first third-party review of ARINs by FATF and focused on their global impact, functions and the challenges they face.

The eight distinct ARINs operate independently, each with their own governance structure, mandate and guiding principles. Participation in an ARIN is not compulsory. There are currently 178 Member jurisdictions within ARIN networks, including 159 members of the FATF's Global Network of 205 countries and jurisdictions. ARINs can help strengthen ties between investigators and asset recovery offices, act as intermediaries with other regional networks and collaborate with other international organisations to strengthen asset recovery actions.

This report helps policymakers better understand the role and impact of ARINs and identifies areas for potential improvement so that these international networks can fulfill their potential of helping countries “follow the money” and take the profit out of crime

The report is available in full [here](#).



# How can PwC help you?



## PwC Financial Services Regulatory Team

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

### Customer Due Diligence & ESG

Our team are experienced in designing policies and procedures for conducting ESG risk assessments, as well as identifying ESG risk:

- Leveraging our established AML / KYC due diligence and risk assessment process to support firms in identifying ESG risk in their customer portfolios and creating a suitable ESG framework.
- Providing access to our network of ESG practitioners consisting of Subject Matter Experts, trainers, experienced project managers and due diligence analysts.

### AML Remediation Programmes

PwC have 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.

### AML Risk Mitigation

The appropriate assessment 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.

### 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

# Contact

## FS Risk and Regulation - Financial Crime



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