

Q1 2024 Financial Crime Quarterly Update

January - March 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.

From an European perspective, Frankfurt was chosen by the European Parliament and Council of the European Union as the seat of AMLA, the EU’s new enforcer in the fight against money laundering and terrorism financing. Nine candidates, including Ireland, applied to host AMLA and presented their candidacies in joint public hearings. In the vote, Frankfurt received a majority of validly cast votes on the 1st round of voting, and was chosen to host the agency.

In Ireland, the Central Bank of Ireland’s Regulatory Supervisory Outlook Report 2024 and accompanying Letter to the Minister for Finance were published on 29 February 2024. This included a detailed Spotlight on Financial Crime including AML/CFT supervisory priorities.

In the UK, the FCA provided a comprehensive update on their progress against their 3 year Financial Crime Strategy and looked ahead to identify key areas of focus in the coming year.

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

Sinead Ovenden
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Contents

Topics	Page no
Irish Financial Crime Updates	3
European Financial Crime Updates	5
UK Financial Crime Updates	8
Global Financial Crime Updates	10
How can PwC help you	11



Frankfurt selected to host new EU AMLA

In February 2024, Frankfurt was chosen by the European Parliament and Council of the European Union as the seat of AMLA, the EU's new enforcer in the fight against money laundering and terrorism financing.

Ireland, along with eight other Member States, had applied to host the headquarters of AMLA. Following the vote, the Irish Minister for Finance, Michael McGrath TD said: *"I want to congratulate Frankfurt and the German Government on their success in winning this incredibly competitive race to host AMLA. From the outset, we were clear that our priority is to deliver on the AML package and we will work now with Germany, and all Member States to make AMLA a success."*

Key highlights from the European Parliament in relation to AMLA include:

- Nine candidates in total applied to host AMLA and presented their candidacies in joint public hearings. In the vote, Frankfurt received a majority of validly cast votes on the 1st round of voting, and was chosen to host the agency.
- The AMLA regulation is part of a wider package of laws to reform the EU's framework for combating money-laundering and terrorist financing. Now that the entire package has been provisionally agreed between Parliament and Council, this needs to be formally adopted by both before they can enter into law.
- Parliament is expected to vote on its final approval in the plenary session of 22-25 April.

Once adopted, the AMLA regulation will apply from July 2025. Before then, the European Commission is responsible for establishing the Authority and for its initial operations.

You can read the full European article [here](#) and Minister Michael McGrath's speech [here](#).



CBI publishes Supervisory Outlook, highlighting priorities, activities and risks for the year ahead

The Central Bank of Ireland's Regulatory Supervisory Outlook Report 2024 and accompanying Letter to the Minister for Finance were published on 29 February 2024. AML and Financial Crime is addressed throughout the report, acknowledging that the new AML/CFT European legislative package will transform the existing AML Framework, while also highlighting the ongoing risks in relation to AML.

This is particularly true for Payment and E-Money firms, where the CBI are signalling an increase in risk drivers and the risk outlook for 2024/5, noting that "There is evidence that some firms' understanding of ML/TF risk and the robustness of their controls is not commensurate with the higher inherent risk exposure of the sector".

The Outlook Report also contains a Spotlight on Financial Crime (FC), which describes the financial crime landscape, the particular responsibilities the Central Bank has in preventing FC and its key priorities over 2024/25. In relation to supervision, areas highlighted include:

- Ensuring the highest risk entities have effective AML/CFT control frameworks in place through the CBI's risk-based supervision;
- More targeted focus on supervising the Payment and E-money sectors to assess whether significant AML/CFT issues that have already been identified or reported are specific to firms or sector wide;
- Thematic supervision across sectors focusing on firms' ML/TF risk assessment arising from international money flows and the appropriateness of their control frameworks to manage and mitigate these risks; and
- Further enhancements to the CBI's data collection and analysis from its Risk Evaluation Questionnaires, resulting in bespoke questionnaires for sectors.

A link to the Supervisory Outlook can be found [here](#).

Minister for Justice secures approval to draft legislation to enhance CAB powers

In January 2024, the Minister for Justice, Helen McEntee TD, announced plans for legislation to further strengthen the State's ability to seize criminal assets.

Giving details of the "Proceeds of Crime (Amendment) Bill 2024", which will make significant changes to the Proceeds of Crime Act, the Minister said that following Cabinet approval, the Bill is expected to be drafted and brought before the Oireachtas this year. The Bill will strengthen the ability of the Criminal Assets Bureau to target the proceeds of crime, the Minister said:

"Last year, over 600 asset profilers worked tirelessly, all over the country, in different Garda divisions, operating as the eyes and ears of CAB. Their job is to deliver first-hand knowledge of criminality in their local areas. Now, this new Bill will ensure that when, on foot of their great work, a Court determines property is the proceeds of crime, immediate action can be taken to ensure that the holder immediately loses the benefit of it. It also speeds up the process to dispose of the asset for the benefit of the State."

At the moment, once the High Court has determined that an asset is a proceeds of crime, it can take at least seven years before it may be ultimately confiscated. This Bill will reduce that period to two years. Following Government approval for publication, the General Scheme of the Bill will now be sent to the Joint Oireachtas Committee on Justice for pre-legislative scrutiny, in accordance with Dáil Standing Order 173.

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

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

EBA Guidelines on ML and TF risk factors extended to Crypto Asset Service Providers

On 16th January 2024, the EBA extended their Guidelines on Money Laundering and Terrorist Financing risk factors to Crypto Asset service providers (CASPS).

When publishing these guidelines, the EBA noted that CASPs can be abused for financial crime purposes, including ML and TF. The risks of this happening can be increased, for example, because of the speed of crypto-asset transfers or because some products contain features that hide the user's identity. Therefore, it is important that CASPs know about these risks and put in place measures that effectively mitigate them.

By extending the scope of the ML/TF Risk Factors Guidelines, the EBA harmonises the approach that CASPs across the EU should adopt when implementing the risk-based approach to AML/CFT as part of their business. The deadline for competent authorities to report whether they comply with the Guidelines will be two months after the publication of the translations into the official EU languages.

The amending Guidelines will apply from 30 December 2024.

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



AFME welcomes Anti Money Laundering Authority's operationalisation

On 22nd February 2024, the Association for Financial Markets in Europe (AFME) issued a press release commenting on the finalisation of the Anti-Money Laundering (AML) package and the announcement today of where the new EU Anti Money Laundering Authority (AMLA) will be based.

James Kemp, Managing Director at the Association for Financial Markets in Europe (AFME), said: *'With the host city of Frankfurt now selected, we look forward to the AMLA's operationalisation. The new authority is a welcome addition to the European system of financial supervision and will strengthen the efforts of national authorities in countering financial crime.'*

He further noted that "Financial crime is constantly evolving and criminals continually seek new ways to exploit vulnerabilities in the financial system. AFME members stand ready to support AMLA and supervisory authorities across the EU in this move to a strengthened system to counter money laundering and terrorist financing threats".

"AFME suggests that AMLA promotes a proportionate risk-based approach to combating money laundering and terrorist financing as adopted in the Regulation and Directive. This should drive a primary focus on regime effectiveness through continual assessment of the efficacy of countermeasures and measuring results in terms of illicit asset recovery and disrupting organized crime.

A link to the full press release can be accessed [here](#).

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

Council and Parliament strike deal on new AML Regulation and AML Directive

On January 18th 2024, the Council and Parliament found a provisional agreement on parts of the anti-money laundering package that aims to protect EU citizens and the EU's financial system against ML/TF.

With the new package, all rules applying to the private sector will be transferred to a new regulation, while the directive will deal with the organisation of institutional AML/CFT systems at national level in the member states.

The provisional agreement on the anti-money laundering regulation will, for the first time, exhaustively harmonise rules throughout the EU, closing possible loopholes used by criminals to launder illicit proceeds or finance terrorist activities through the financial system.

The texts will now be finalised and presented to member states' representatives in the Committee of permanent representatives and the European Parliament for approval. If approved, the Council and the Parliament will have to formally adopt the texts before they are published in the EU's Official Journal and enter into force.

Further details on the Anti-Money Laundering Regulation and the Anti-Money Laundering Directive can be found [here](#).

EBA AML/CFT Newsletter Published

On January 8th 2024, the EBA published their AML/CFT newsletter, which contained a summary of all the relevant AML/CFT updates from 2023. This included:

- Results from the EBA's assessment of Competent Authorities' approaches to the AML/CFT supervision of Banks;
- Insights from a meeting between the EBA and representatives of the Payment Institution sector where AML/CFT compliance was discussed; and
- the publication of the annual Risk Assessment of the European Banking Sector.

The EBA Newsletter can be accessed [here](#).



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

Provisional request for advice on AML/CFT

In March 2024, the European Commission has issued a provisional request for advice to the European Banking Authority (EBA) regarding regulatory technical standards and guidelines under the future anti-money laundering / countering the financing of terrorism (AML/CFT) framework.

This request for technical advice is provisional since the new AML/CFT framework has not yet entered into force. The provisional agreement was reached by the Council and the European Parliament on the AMLAR on 13 December 2023 and on the AMLR and AMLD on 18 January 2024 which was endorsed by Coreper on 14 February. Currently, the three acts are subject to legal revision prior to their formal adoption by the European Parliament and the Council. Their publication in the EU Official Journal is planned for summer 2024.

The advice sought by the European Commission includes:

- the methodology underpinning AMLA's selection of directly supervised firms;
- the methodology EU AML/CFT supervisors will use to assess ML/TF risks;
- Information necessary for the performance of CDD; and
- criteria to determine the seriousness of a breach.

The European Commission request for information can be read [here](#).



FCA Financial Crime Update

On February 8th 2024, the FCA provided an update on the progress of their 3 year strategy on Financial Crime (originally published in 2022) and looked ahead, identifying four key areas of focus in the coming year.

The look back summary focused on updates in relation to Fraud, Money Laundering and Sanctions, and how the FCA work with firms through a Partnership approach.

Looking ahead, the FCA have identified four areas where further collaborative action can help shift the dial decisively on reducing and preventing financial crime. The four areas identified by the FCA are:

1. Data and technology - while technology is transforming fraud and money-laundering detection, cyber fraud, cyber-attacks and identity fraud are increasing in scale, sophistication and impact as artificial intelligence (AI) becomes more widespread.
2. Collaboration - Financial crime is not just an issue for the financial sector, but for other sectors too. One of the key factors in successfully reducing financial crime is for firms and wider partners to work collaboratively.
3. Consumer awareness - Raising consumer awareness is essential to combating financial crime.
4. Metrics - Measuring the effectiveness of fraud and money laundering prevention will allow firms to be clear on the impact their interventions are having.

In closing the article, the FCA highlights next steps, noting that while recent progress has been made in addressing the rise in financial crime, bolder and more innovative solutions need to continue to make a bigger dent.

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



FCA warns firms over anti-money laundering failings

On March 5th 2024, the FCA issued a Dear CEO letter setting out their findings from their recent assessments of how firms are complying with money laundering regulations. The FCA advised that Financial crime is a priority for the FCA and initial findings from their data-led review of a sample of firms indicates that some are still not getting the basics right'. Common issues identified by the FCA include:

- Discrepancies between firms' registered and actual activities.
- Financial crime controls which had not kept pace with business growth.
- A failure to risk assess their own or their customers' activities properly.
- Inadequate resourcing and oversight of financial crime issues and requirements.

The letter requests firms to complete a gap analysis against each of the common weaknesses outlined by the FCA within six months of receipt of the letter. Firms are also requested to take prompt and reasonable steps to close any gaps identified

The full Dear CEO Letter can be found [here](#).



FCA Market conduct and transaction reporting issues Newsletter

On February 14th 2024, the FCA issued their newsletter on Market conduct and Transaction Reporting issues. This newsletter focused on the FCA observations on trade by organized crime groups (OCGs) and how firms can mitigate the risks of being used to facilitate their trade.

Suspicious trading by members of OCGs in products whose underlying securities are UK and internationally listed equities, forms a significant component of the overall volume of suspicious trading the FCA observes in equity markets.

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Suspensions that a firm might be executing trades on behalf of OCGs could be triggered by:

- Clients regularly generating Suspicious Transaction (ST) and Order Reports (STORs);
- Clients frequently trading before announcements of M&A activity;
- Clients opening positions shortly before, and closing those positions immediately after, publication of speculation about M&A in the media, without waiting until any relevant issuer has commented on the speculation;
- Several clients trading in the same security for the first time;
- Clients with any connection to other current or former clients about whom the firm has concerns, or whose trade has resulted in STORs. This might include trading in similar ways.

The FCA provide insights into what firms can do to guard against OCGs.

A link to the FCA Newsletter can be found [here](#).

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

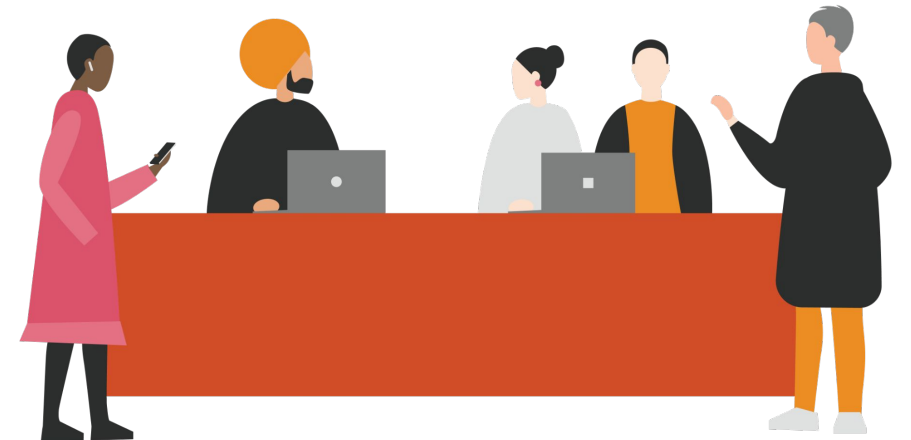
Wolfsberg publish updated Country Risk FAQs

In March 2024, the Wolfsberg Group published an updated Country Risk Frequently Asked Questions (FAQ) document. The revised FAQs provide a comprehensive understanding of the implications of country risk in the context of anti-money laundering (AML) and counter-terrorism financing (CTF) measures, including customer due diligence (CDD) requirements.

The Group has updated its FAQs based on members' current best practices and to suggest how the Group believes those practices should develop over time. The prior version of these FAQs, published in 2018, has now been retired.

A link to this new FAQ document can be found [here](#).

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



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

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