

London, 24 March 2023

Mrs Raluca **Pruna**, Head of Unit
Mrs Claude **Bocqueraz**, Deputy Head
Mrs Chiara **Bacci**, Team Leader
Financial crime (FISMA.D.2)
Directorate-General for Financial Stability, Financial Services and Capital Markets Union
European Commission

Re: EU AML Reform Package

Dear Mrs Pruna, Mrs Bocqueraz and Mrs Bacci,

The International Banking Federation (IBFed)¹ has appreciated the opportunity to comment upon the European Commission's AML/CFT reform package and wishes to support an effective trilogue conclusion on this important portfolio.

As you know, IBFed is the representative body for national and international banking federations from leading financial nations around the world. This worldwide reach enables the IBFed to function as the key international forum for considering legislative, regulatory, and other issues of interest to the banking industry and its customers. We also have a keen interest in the efficiency of the global tax system.

IBFed supports the Commission's ambition to harmonise national AML/CFT measures through EU-level legislation, guidance, and supervision. International regulatory fragmentation has complicated the work of regulators, law enforcement and multinational

¹ The International Banking Federation (IBFed) was formed in 2004 to represent the combined views of our national banking associations. The IBFed collectively represents more than 18,000 banks, including more than two thirds of the largest 1,000 banks in the world. IBFed member banks play a crucial role in supporting and promoting economic growth by managing worldwide assets of over 75 trillion Euros, by extending consumer and business credit of over 40 trillion Euros across the globe, and by collectively employing over 6 million people. The IBFed represents every major financial centre and its members' activities take place globally. With its worldwide reach the IBFed is a key representative of the global banking industry, actively exchanging with international standard setters and global supervisory bodies on subjects with an international dimension or with an important impact on its members.

banking. This fragmentation enables criminals to exploit regulatory weaknesses and inconsistencies in one jurisdiction to launder funds and move them around financial markets. The Russian laundromat – whereby Russian state funds were moved out of the country through use of a Moldovan bank – is a good example of how these loopholes can be exploited.²

However, it is important that EU harmonisation and other reforms are properly targeted to support the risk-based approach and do not mandate additional routine checks and data gathering requirements that go beyond FATF standards and are disproportionate to the vast majority of low-risk customers and transactions.

It is also important to recognise that the benefits of EU reform would not be limited to initiatives and partnerships within the European Economic Area (EEA). Harmonisation and alignment could also facilitate global campaigns against cross-border threats such as grand corruption, human trafficking, and the illegal wildlife trade.

Against this background, we would like to reiterate our strong support for international harmonisation of the ownership threshold for beneficial ownership reporting. Jurisdictions have established a single threshold across different types of entities, with many requiring financial institutions to identify the identity of any individual who owns 25% or more of a legal entity. We recognise the importance of a risk-based approach to identifying beneficial ownership but would encourage international harmonisation of the ownership threshold at which institutions must identify beneficial owners. International harmonisation would still allow international banks and other obliged entities to apply risk-sensitive measures, such as varying the scope and degree of verification, monitoring and investigation of ownership, while reducing the scope for criminal abuse and improper regulatory arbitrage.

We hope that our contribution is useful and would like to thank you for taking our input into consideration.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Hedwige Nuyens', written over a horizontal line.

Hedwige Nuyens
Managing Director IBFed

² See Organized Crime and Corruption Reporting Project, *The Russian Laundromat Exposed* (Mar. 20, 2017), <https://www.occrp.org/en/laundromat/the-russian-laundromat-exposed/>.