

# AML/CFT Supervision

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# Regulation and Supervision (R.26)

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- Financial institutions should be subject to adequate regulation and supervision
- Fit and proper measures
- Application of Core Principles, including for consolidated group supervision
- Other institutions to be licensed or registered and subject to supervision or oversight
- **IN addressing risk-based approach to supervision**

# Risk-Based Approach (RBA)

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- RBA to supervision / monitoring for financial institutions and DNFBPs
  - Take into account national ML/TF risks
  - Understand the sectoral ML/TF risks (including products/services)
  - Understand specific ML/TF risks of entities supervised / monitored – difference between Financial Institutions and DNFBPs
  - Resources allocated according to risks - focus on higher risk areas
  - Not static – periodic reviews

# Powers of Supervisors (R27)

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- Supervisors should have powers to supervise or monitor and ensure compliance by financial institutions with AML/CFT requirements.
- Supervisors should have the authority to conduct inspections of financial institutions.
- Supervisors should be authorized to compel production of any information relevant to monitoring compliance with the AML/CFT requirements.
- Supervisors should be authorized to impose sanctions in line with Recommendation 35
- for failure to comply with the AML/CFT requirements. This should include powers to impose a range of disciplinary and financial sanctions, including the power to withdraw, restrict or suspend the financial institution's license.

# Regulation and Supervision of DNFBPs (R28)

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- Casinos should be licensed, regulated and supervised (and subject to fit and proper tests)
- Other DNFBPs should be subject to effective systems for monitoring and ensuring compliance with AML/CFT requirements, by a supervisor or self-regulatory body (SRB)
- Fit and proper tests extended also to other DNFBPs

# IO3 - Supervision

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*Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBPs for compliance with AML/CFT requirements commensurate with their risks.*

- How well does the country prevent criminals and their associates from owning or controlling FIs or DNFBPs?
- How well do the supervisors understand the risks ?
- How well do supervisors supervise whether FIs and DNFBPs are complying with their AML/CFT requirements?
- To what extent are remedial actions and/or sanctions applied?
- Can supervisors demonstrate that their actions affect compliance?
- Do supervisors promote FIs and DNFBPs understanding of risks?

# 4<sup>th</sup> EU Directive

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- Similar requirements to FATF Recommendations
- But there are some differences:
  - In the case of credit institutions, financial institutions, and providers of gambling services, competent authorities must have **enhanced supervisory powers**
  - Cheque cashing offices and trust and company service providers be licensed or registered and providers of gambling services be regulated (and fit and proper tests for those who hold a management function or are the beneficial owners)
  - Other DNFBPs: competent authorities take the necessary measures to prevent criminal convicted in relevant areas or their associates from holding a management function in or being the beneficial owners of these DNFBPs

# Questions?

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