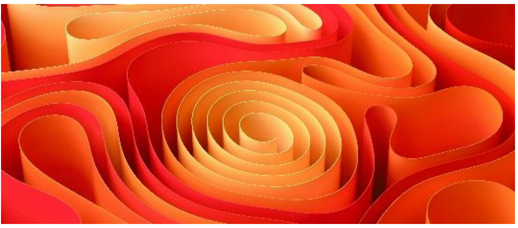
Pills
Regulatory/Supervisory Pills | N.135 September 2025



TOPICS:
AML/CFT

SOURCE
European Banking Authority

EBA Says a Careless Use of Innovative Compliance Products can Lead to Money Laundering and Terrorism Financing Risks

- The **EBA's 2025 Opinion and Report on Money Laundering and Terrorist Financing (ML/TF) Risks** identifies a fast-evolving and increasingly complex threat landscape across the EU financial sector, influenced by digital innovation, geopolitical shifts, and regulatory transformation.
- **Key sectoral findings include**: 1) **FinTech** - Rapid growth, especially through acquisitions and cross-border services, is accompanied by inadequate AML/CFT controls. A majority of competent authorities (CAs) reported heightened ML/TF risks due to insufficient customer due diligence (CDD), cybercrime exposure, and weak internal governance; 2) **RegTech** - Though potentially beneficial, RegTech's improper implementation has led to compliance failures. Key risks include outsourcing, automation without oversight, and poor in-house expertise, with systemic vulnerabilities due to the sector's reliance on a limited number of providers; 3) **Crypto Assets** - Despite regulatory transition under MiCA and the FTR, the sector remains high-risk. CASPs often lack adequate systems, and some entities attempt to evade registration. Spillover risks into other sectors (e.g., e-money, payments) are increasing. Concerns also persist about fraudulent schemes like "rug pulls" and the growing misuse of stablecoins for terrorist financing; 4) **Fraud and Cybercrime** - These threats are escalating, driven by AI and automation. Criminals employ generative AI to simulate legitimate activities and bypass identity controls, making traditional AML/CFT tools less effective; 5) **Sanctions Compliance** - Complex EU sanctions packages challenge implementation, especially with instant SEPA credit transfers and fragmented card payment infrastructures. EBA introduced two sets of guidelines to enhance harmonised compliance, applicable from end-2025.
- **Positive trends** include a reduction in risks linked to tax crime and de-risking practices. Enhanced supervisory engagement has improved residual risk profiles in sectors such as credit institutions and investment funds. Nevertheless, most breaches still stem from CDD shortcomings, and risks associated with products and services now surpass those linked to customer profiles.