

EuReCA

THE EBA'S AML/CFT DATABASE

JUNE 2023

What is EuReCA?

EuReCA is the EBA's Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) database, which was launched on 31 January 2022. Its legal basis is set out in article 9a (1) and (3) of the EBA Regulation.

EuReCA contains information on 'material weaknesses', i.e. serious deficiencies in individual financial institution's policies, procedures, and governance arrangements that make them vulnerable to money laundering and terrorist financing (ML/TF). It also contains information on the measures supervisors imposed on these institutions to correct those deficiencies.

What is a material weakness?

According to article 3 of the [draft Regulatory Technical Standards \(RTS\) on a central database on AML/CFT in the EU](#), a material weakness is:

- a breach of AML/CFT-related requirements;
- a potential breach; and
- an ineffective or inappropriate application of policy and procedure.

Supervisors use EuReCA to access information that they need to perform their functions effectively, by submitting a so-called 'reasoned request' to the EBA.

The EBA uses EuReCA to identify and disseminate information on ML/TF risks and trends. This means that

supervisors are better equipped to tackle ML/TF risks in their respective sectors.

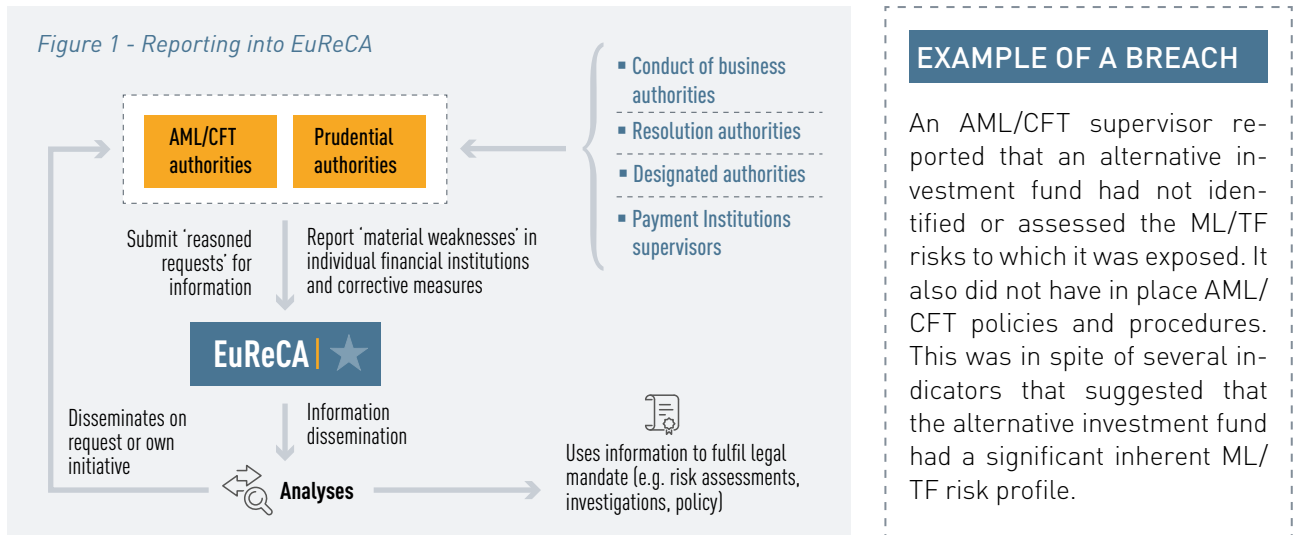
EXAMPLE OF A REASONED REQUEST

An AML/CFT supervisor submitted a 'reasoned request' to the EBA because it was preparing an onsite inspection of an international group on its territory. It wanted to find out if supervisors in other Member States had identified issues in branches of that group. A supervisor from another Member State had reported one material weakness and one measure about a branch of that group to EuReCA. The EBA promptly shared that information with the AML/CFT supervisor.

Who reports into EuReCA?

All EU financial sector supervisors have to report their inspection findings into EuReCA if these findings are serious and if they could affect an institution's ability to tackle ML/TF risk. For example, a prudential supervisor might report concerns about the adequacy of an institution's ICT systems where there is a risk that this could undermine the effectiveness of the institution's internal ML/TF control framework.

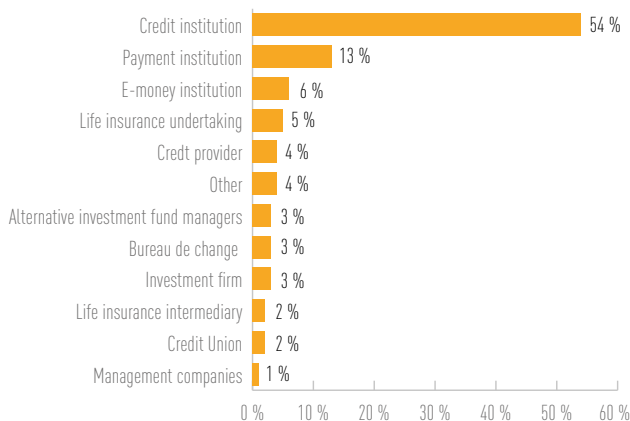
The EBA issued regulatory technical standards that specify how supervisors should report to EuReCA. They also specify that supervisors must report serious findings immediately, and that they do not wait until an inspection is complete, or until a fine has been issued. This is important as it allows other supervisors to act before risks crystallise.



What is in EuReCA so far?

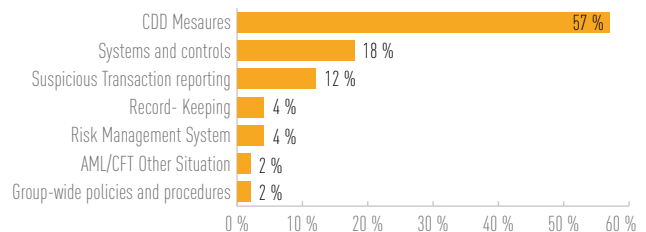
Between 31 January 2022 and 31 May 2023, 29 supervisors submitted more than 700 serious deficiencies and corrective measures affecting 152 financial institutions. These numbers are increasing rapidly as supervisors implement the processes needed to report to EuReCA.

Figure 2 - Material weaknesses by sector



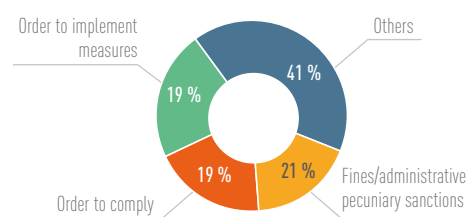
Most submissions to EuReCA so far relate to credit institutions, followed by payment institutions (see Figure 2). The large number of submissions received on credit and payment institutions compared to institutions in other sectors reflects the focus placed by AML/CFT supervisors on those sectors. More than half of the submissions to date relate to deficiencies in institutions' customer due diligence (CDD) framework (see Figure 3) and in particular to deficiencies in institutions' approaches to conducting ongoing monitoring of business relationships and inadequate transaction monitoring systems.

Figure 3 - Categories of material weaknesses reported



80% of all deficiencies reported to date were found during onsite inspections. In most cases, supervisors imposed an order to implement specific measures to remedy the serious deficiency (see Figure 4), but they went further in some cases. The most serious corrective measure reported so far was the withdrawal of authorisation on AML/CFT grounds.

Figure 4 - Type of measures taken by competent authorities



What lies ahead?

Since its launch, EuReCA has contributed to strengthening cooperation and helped make supervision more informed, targeted and effective. The future AML Authority will be able to build on it as the new EU supervisory framework takes shape.