

Introductory statement of the Director of
Regulation of the European Banking
Authority (EBA), Committee of Inquiry into
Money Laundering, Tax Avoidance and
Tax Evasion (PANA) of the European
Parliament

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Introductory statement by Isabelle Vaillant, EBA Director of Regulation

Brussels, 13 October 2016

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Dear Chairman, dear Members of the PANA Committee of the European Parliament,

On behalf of the European Banking Authority, I would like to thank you for inviting me to take part in this public hearing.

The widespread and systemic abuse of the financial system by the so-called 'Panama Papers' undermines the integrity and stability of the financial system we are here to protect. It is, therefore, important that steps are taken to understand what went wrong, and what we need to do to enhance the safeguards.

I thought it would be helpful to briefly explain the EBA's interest in anti-money laundering and wider financial crime issues. I will then provide you with an overview of what the EBA has done

since the Panama Papers scandal first broke. I would like to conclude with some thoughts on how to improve the effectiveness of Europe's approach to tackling financial crime.

The EBA's role

The EBA is an independent EU Authority. Its statutory objective is to maintain the stability and effectiveness of the EU financial system, including by promoting sound, effective and consistent regulation and supervision and by safeguarding the integrity, transparency and orderly functioning of financial markets.

The EBA's scope of activity explicitly includes anti-money laundering and counter-terrorist financing (AML/CFT). We work closely with ESMA and EIOPA to foster a consistent approach to tackling financial crime across the European financial services industry.

The EBA's powers

In order to carry out these duties, the EBA may issue opinions, recommendations or guidelines and, in the areas mandated by EU legislation, draft legally binding standards. Competent authorities have a legal duty to do whatever they can to comply with our guidelines.

The EBA is above all a standard-setter. Its powers and resources to enforce the standards it sets are limited. But where the EBA becomes aware of malpractice or suggestions that a competent authority may have failed to adhere to the standards it has committed to implementing, it will investigate.

The EBA's action following the Panama Paper leaks

The EBA has followed the Panama Paper scandal with great concern. From a supervisory point of view, it is important to understand

- Whether the revelations point to a systemic problem with institutions' compliance with applicable AML/CFT and wider internal control requirements;
- Whether the revelations suggest that competent authorities may have failed effectively to supervise institutions' compliance with these requirements; and
- What the prudential impact of these revelations might be.

To this end, the EBA has

- Asked competent authorities to consider whether supervisory action is warranted and to keep the EBA informed as findings from that action are beginning to emerge;
- Asked competent authorities to cooperate with their foreign counterparts, including, where relevant, in supervisory colleges;
- Assessed whether immediate changes to the EBA's existing approach are warranted.

It is clearly too early to draw conclusions.

However, as a first step, following in-depth discussions at the EBA's Board of Supervisors and the Joint Committee's AML Sub-Committee, the EBA has concluded that although its existing guidelines on AML/CFT and internal governance already address many of the issues at stake, more can be done to further clarify and strengthen the expectations in this field. Work is now underway to update two guidelines, namely the EBA's 2011 guidelines on internal governance and the 2015 draft Joint Committee's guidelines on AML/CFT. Both guidelines explicitly highlighted the financial crime risk associated with doing business in jurisdictions with high levels of opacity and lower levels of compliance with international tax transparency standards long before the Panama Paper scandal broke. We are now adding further details, where warranted, to make these Guidelines even more specific.

The EBA will also continue to assess the situation as supervisory findings begin to emerge and will consider the implications for its work based on the information obtained. For example, there are indications that there may be some real or perceived legal obstacles to the exchange of information between different competent authorities, and between different parts of a same financial group. The EBA has begun working on ways to enhance cooperation in AML/CFT issues, but legal obstacles to the exchange of information between authorities have to be removed.

To conclude

I would like to take the opportunity to stress once again how important the work of this Committee will be.

More rules may not necessarily be the answer: from a financial services supervision perspective at least, the EU already has a comprehensive legal framework in place to make sure that institutions act with integrity and do not facilitate or commit financial crime.

That said, as you will be aware, there are two areas where we believe change is not only warranted, but also a prerequisite for a more effective counter-financial crime regime going forward:

- There is a need to ensure, through amendments to relevant Level 1 texts, that AML/CFT competent authorities - which are highly numerous and very diverse in nature across the EU - are clearly enabled to exchange confidential information and cooperate effectively in the supervision of financial institutions that operate on a cross-border basis. The EBA's chairman, Andrea Enria, has written to the legislators about this; and
- There is a need to provide for greater harmonisation of Member States' approaches to fighting financial crime, including by taking measures to strengthen the convergence of supervisory practices. This may involve equipping the EBA with stronger tools and resources to test and, where necessary, enforce compliance with EU legislation and its own standards.

In other words, the real challenge lies in effectively implementing the EU AML/CFT legislation and making sure that this is done consistently across the EU. This is particularly important in light of the cross-border nature of financial crime, which calls for a coherent and robust response.

Thank you very much for your attention.