

2025 AML/CFT Conference

Dedicated to Specialised Professionals
of the Financial Sector

27 January 2025



Rules of the conference

- Cameras, microphones and chat function are deactivated
- Q&A based on received questions (integrated)
- No recording (audio, video, ...)
- Presentation slides will be published on CSSF website
- This conference cannot replace the regular AML/CFT trainings
- No certificate of attendance will be provided

2024 Key findings from offsite supervision

Whistleblowing

Terrorist Financing risk

**Please revert to CSSF website regarding information in
relation to whistleblowing www.cssf.lu**

Whistleblower protection – CSSF

Terrorist Financing risk

- ❖ **Terrorism Financing risk** involves the risk that funds or other assets intended for a terrorist or terrorist organisation are being **raised, moved, stored or used** in or through a jurisdiction, in the form of **legitimate or illegitimate** funds or other assets.

Raising



Moving



Using



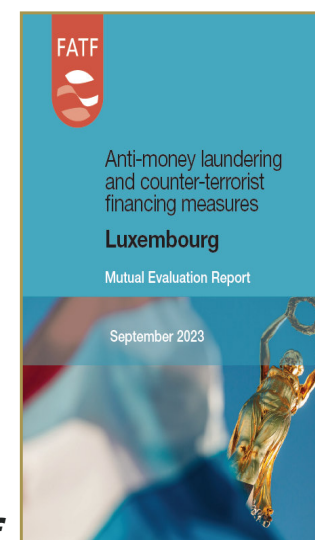
- ❖ Risks of Terrorist Financing are **not the same as risks of Terrorism** while these risks can be interlinked.
- ❖ Luxembourg is a **significant international financial centre** with very **significant cross-border activities** which **may potentially be abused** for terrorist financing.



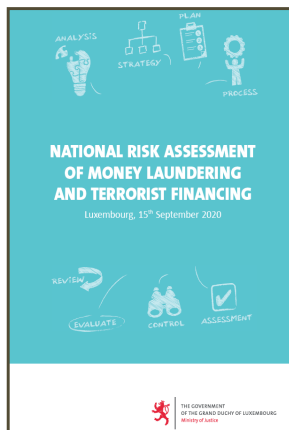
Terrorist Financing risk

The **FATF in its 2023 mutual evaluation report** for Luxembourg concluded:

- ❖ "Luxembourg has a **strong understanding of its money laundering (ML) risks** and a **reasonable understanding of its terrorist financing (TF) risks**, which is reflected in its national, vertical and sub-sectoral risk assessments."
- ❖ "There are major **shortcomings in the understanding of TF risks** across the private sector, in terms of awareness of **TF exposure** and the **TF methods** used."
- ❖ "Luxembourg should further **develop and disseminate its understanding of TF risks and vulnerabilities**, including **misuse of legal persons for TF purposes**, stemming from its exposure as international financial centre."



Terrorist Financing risk



The 2020 National Risk Assessment of Money Laundering and Terrorist Financing:

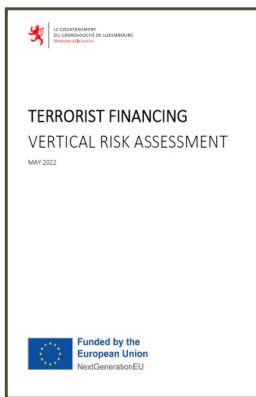
"The threats of terrorism and terrorist financing are assessed as moderate overall".



ML/TF vertical risk assessment Legal persons and legal arrangements:

"The corporate sector may be misused for TF purposes, by channeling legitimate funds to support terrorist activities or groups".

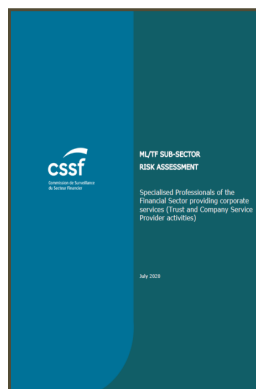
Terrorist Financing risk



TF vertical risk assessment Terrorist Financing:

"The main TF risks for Luxembourg emanate from the threat that terrorists, terrorist organisations and their financiers might exploit the vulnerabilities of certain sectors essentially for moving funds".

The VRA TF does not consider the subsector of the Specialised PFS as a vulnerable sector. This does not mean that the TF risk for Specialised PFS is zero!!



Subsector risk assessment on Specialised PFS providing corporate services (Trust and Corporate Service Provider activities "TCSP"):

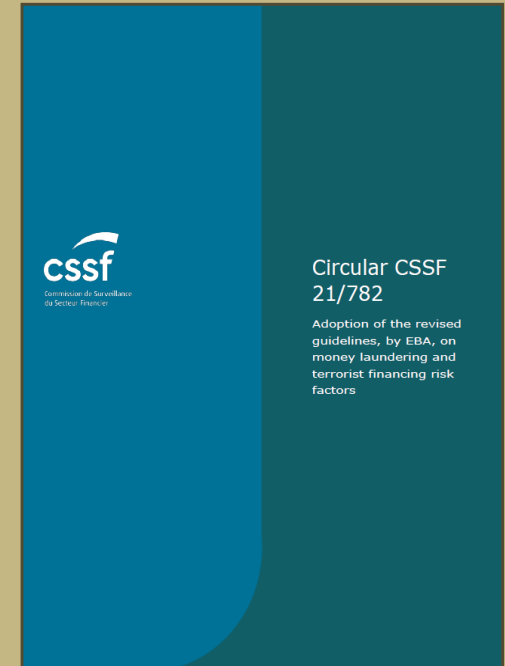
"The threat of Terrorist Financing via TCSPs in Luxembourg is relatively lower than the threat of Money Laundering [...]".

"Despite the threat being relatively lower than for Money Laundering, Terrorist Financing via the TCSP sector cannot be ruled out."

Terrorist Financing risk

Best practices

- ❖ Include TF risks in the **risk appetite statement**
- ❖ Assess the TF risks in the **risk self-assessment**
- ❖ Assess the TF risks in the **client risk assessment**
- ❖ Have dedicated section(s) focusing on TF risks and restrictive measures in AML **policies and procedures**
- ❖ **KYC/KYT coherence checks** to be performed on source of funds/wealth and destination of funds



CSSF circular 21/782 on the adoption of the revised guidelines, by the European Banking Authority provides useful guidance on terrorist financing risk factors.

Terrorist Financing risk

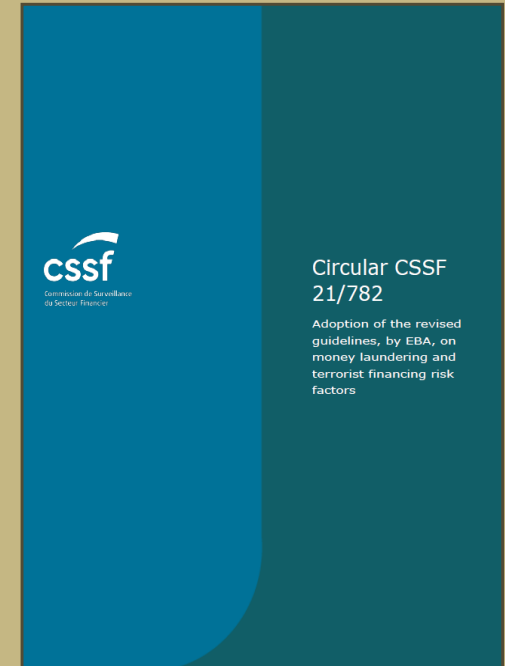
❖ Ongoing due diligence:

Mandatory **Screening** of UN/EU/LUX targeted financial sanction lists regarding terrorists and terrorist organisations

Transaction monitoring; is destination of funds in line with the knowledge on client and the purpose of the business relationship?

❖ Provide **trainings on TF risks and restrictive measures** to the staff and management. Awareness raising, red flags and development of critical thinking

❖ Do not hesitate to file a **report to the FIU** in case of TF suspicion



CSSF circular 21/782 on the adoption of the revised guidelines, by the European Banking Authority provides useful guidance on terrorist financing risk factors.

Terrorist Financing risk

Additional useful sources



Subscribe to CSSF newsletter

The image is a screenshot of the CSSF website's newsletter subscription page. At the top, there are navigation links for 'Professionals', 'Consumers', 'Accessibility', and 'About the CSSF'. The CSSF logo and name are prominently displayed. Below the logo, there are links for 'Entity types', 'Topics', and 'Regulatory framework'. The main heading is 'Subscribe'. Below this, there is a brief description: 'Subscribe to be regularly updated by email with news from our website.' A note states 'Fields marked with an * are required.' There are two input fields: 'Email *' containing 'john@example.com' and 'Confirm Email *'. Below these are radio button options for 'Subscribe or Unsubscribe *', with 'Subscribe or update preferences' selected. A checkbox for 'I have read and I accept the privacy policy *' is also present. A Recaptcha widget is included with the text 'I'm not a robot' and a 'Submit' button.

Newsletter financial sanctions

To receive by e-mail the Newsletter of the Ministry of Finance with the latest updates and changes of the information provided above, [please subscribe to our newsletter.](#)

2024 key findings from off-site supervision

- 1) Customer due diligence
- 2) KYC remediations
- 3) Content of the report from the compliance officer in charge of the control of compliance with the professional obligation ("RC")
- 4) Responsibilities of the professionals, the RC and the person responsible for compliance with the professional obligations ("RR")



Commission de Surveillance
du Secteur Financier

1) Identification and verification of the customer and its UBO - 3(2) a) and b) of the AML/CFT Law (Law of 2004)

- Not a « *tick the box exercise* », you need to review the documents/explanations.

■ **Article 18 of CSSF Regulation 12-02**

"According to their risk assessment and without prejudice to other enhanced due diligence obligations, the professionals shall take additional verification measures such as, for example, the verification of the address indicated by the customer through the proof of address"

- **Utility bills as EDD measures**
- **Contradictory information in the customer file**



Assessing and understanding the purpose of relationship – 3(2) c) of the AML/CFT Law

- Examples in relation to Article 24 of CSSF Regulation 12-02.
- *"The professionals' obligation to know their customer includes the obligation to gather, register, analyse and **understand** at the time of the customer identification, the information about the origin of the customer's funds and the types of transaction for which the customer requests a business relationship, as well as any adequate information allowing the determination of the customer's purpose of the business relationship in accordance with point (c) of the first subparagraph of Article 3(2) of the Law."*
- **Services provided as per the contract**
- **Payments from a company in the BVI**

Risks related to the services provided

“Services which may be provided by TCSPs and which (in some circumstances) risk being used to assist money launderers may include:...

*Situations where advice on the setting up of legal persons or legal arrangements may be misused to **obscure ownership or real economic purpose ...***

*Services where TCSPs may in practice represent or **assure the client’s standing, reputation and credibility to third parties**, without a commensurate knowledge of the client’s affairs. ...”*



Useful questions:

- Why has the client chosen you as a service provider?
- One-stop shop = complete services or other service providers involved? (+ or -)
- Do you really understand what the client is doing/willing to do with the client company?



2) KYC remediations

■ Points of concerns:

- Scope of remediation (documents required by law or by your procedure?)
- Length of the remediations (resources, deadlines)
- Correct frequency (Article 35(2) of the CSSF Regulation 12-02)
- Priorities (use of the Risk Based Approach)
- The dilemma of blocking/not blocking
- Departure of clients (unhappy) for a new service provider (CSSF Circular 11/528)



3) Content of the RC Report

- **irregularities** found were not described
- **corrective measures** were not provided

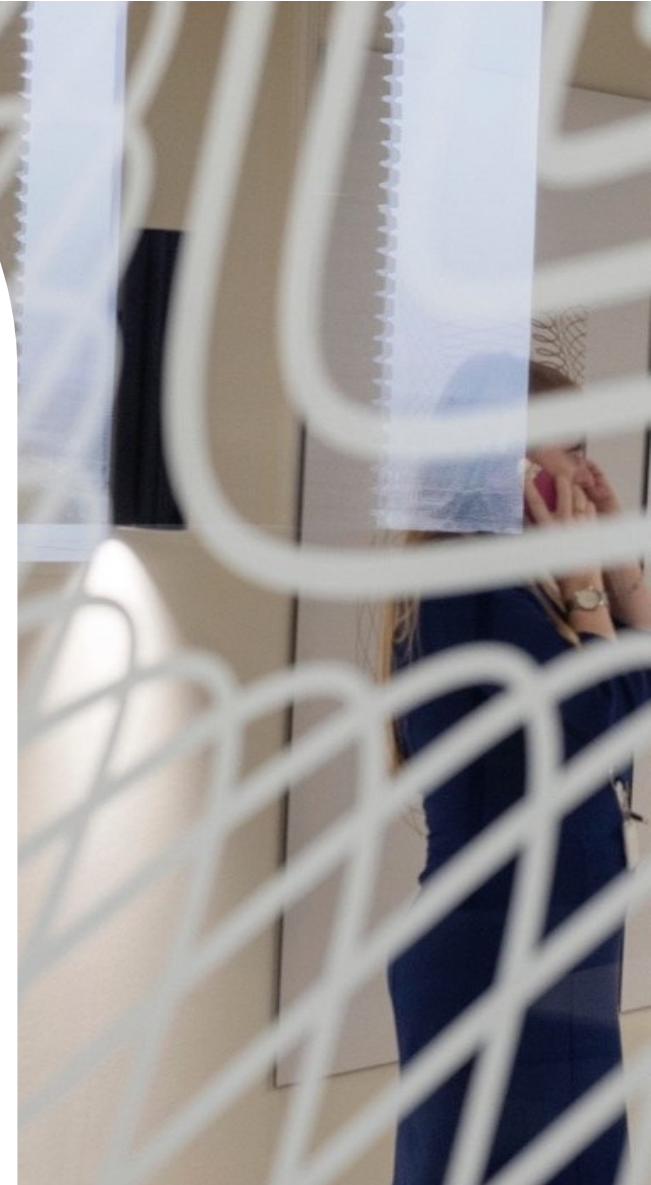
Article 42(5) of the CSSF Regulation 12-02

Article 50 the EBA guidelines on the role and responsibilities of the AML/CFT compliance officer



The appointment of the RR and the RC

- This is **not an approval** from the CSSF. This is a take note process.
- Responsibility of the PFS to ensure that the RR and RC comply with Articles 40(2) and 43 of the CSSF Regulation 12-02
- Responsibility of the RC and RR to do their work in an effective manner, raise issues and propose solutions.



Issues encountered and solutions

Issues	Possible solutions
High Turnover	<ul style="list-style-type: none"> - Recognition of the importance of AML/CFT matters by the Management - Involvement from Management in AML/CFT matters - Measures to increase staff fidelity - RR as part of the Management to support RC (opinion, needs)
Sufficient experience	<ul style="list-style-type: none"> - Balance of experience between RR and RC - Guidance from RR
Sufficient knowledge of the Luxembourg legal framework	<ul style="list-style-type: none"> - More AML/CFT trainings
Independence and objectivity	<ul style="list-style-type: none"> - Creation of a separate RC team - No involvement/sign off on a client file where a conflict of interest exists
Availability	<ul style="list-style-type: none"> - Recruit additional resources in the AML/CFT team (if juniors are recruited, train and guide them) - Avoid the accumulation of functions (RR with multiple client mandates, RC involved in 1st LoD tasks...)



Update on the new AML/CFT package

Update on the new AML/CFT package - Introduction

- Official adoption of the 3 remaining texts of the AML/CFT package on 19.06.2024
 - Regulation (EU) 2024/1624 ('**AMLR**'),
 - Directive (EU) 2024/1640 ('**AMLD6**'),
 - Regulation (EU) 2024/1620 ('**AMLAR**')
 - [+ *Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain crypto-assets ('**TFR**')*]
- Date of application (for the most part): **10 July 2027**

Update on the new AML/CFT package - Introduction

■ Establishment of **AMLA**

- Role of harmonisation
 - Issuance of:
 - RTS
 - Guidelines
- Direct supervisor for a limited number of entities

■ Timeline:

- Q1 2025: AMLA to open offices in Frankfurt, Executive Board to be appointed
- End of 2025: EBA not longer has its AML/CFT mandate, transfer of central database (EuReCA) to AMLA
- 2026: most RTS to be presented to COM, Guidelines to be issued
- 2027: selection of 40 obliged entities
- 2028: start of direct supervision

Update on the new AML/CFT package – Changes to come

■ Supervisory framework

- AMLA (2 pillars: supervision and FIU)
- RTS/GL: with public consultations (as of 2025!)
- Harmonisation of supervision also for non-selected obliged entities

■ Obligations of professionals/obliged entities

- Pending clarifications by RTS/GL
- E.g.:
 - Notion of PEP,
 - Procedures to mitigate/manage TFS risk,
 - Outsourcing,
 - ...



**Thank you for your
attention!**

27 January 2025



In case of questions, please send an email to:

aml.psf-sp@cssf.lu