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## AFME position on the LIBE-ECON draft report on the Anti-Money Laundering Regulation (AML-R)

21 April 2022

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AFME has consistently advocated for a harmonised, proportionate, sustainable and risk-based approach to the EU's future AML/CTF framework package, to support the fight against money laundering and terrorist financing.

The AML-R ECON-LIBE draft report (March 2022) contains several key aspects whereby proposals have been developed in such a way, which are, from the pan-European wholesale market, corporate and institutional banking perspective, restrictive and materially misaligned when compared to other international AML/CTF standards, recommendations, and risk-based guidance informed by the Financial Action Task Force (FATF).

The importance of preventing the malign effects and costs of money laundering and terrorist financing throughout the Union is paramount. However, several of the current AML-R drafting positions are envisaged to result in significant costs and operational complexity for international businesses, with perceived limited efficacy and effectiveness in practice. By way of example:

- the Article 42 requirement for identification of 5% (plus one) controlling interests (as a rule-based baseline requirement) at every level of ownership, compounded by Article 44 beneficial ownership information requirements is not only out-of-kilter with the FATF's internationally applied AML/CTF standards, but will lead to duplicative, costly and operationally complicated implementation by Obligated Entities.

Other areas of restrictive concern include complete prohibition on the effective Outsourcing KYC Onboarding/Controls (Article 40(2)(b)(d)), removal of third-country equivalent reliance exemptions (Article 38), and information sharing and processing of personal data for which we consider that the ambitious objectives initially set by the Commission are not met. Furthermore, the definition of Political Exposed Persons proposed by the co-rapporteurs in Article 2.1(25) (amendment 26), that would include siblings and heads of regional and local authorities, including groupings of municipalities and metropolitan regions, is not aligned with the FATF definition of a PEP (which is an individual entrusted with prominent public functions), and would also result in costly and inefficient processes for obliged entities. Additional Articles which may present potentially disproportionate implementation issues will also be addressed in future AFME documents.

It is not unlikely that such significant changes, which are misaligned with globally applied AML/CTF standards, may affect commercial and competitive elements of EU capital markets and EU financial services (within the Union, and operating overseas via branch and subsidiary networks).

If these considerations are respectively factored into the planning, design and implementation of the AML-R as part of the EU AML/CTF package, AFME would very much welcome detailed impact assessments of estimated costs to business, including European wholesale market participants operating domestically and internationally.

We would be very pleased to discuss in more detail any of the points that we raise, if it would be helpful.

### Association for Financial Markets in Europe

**London Office:** 39<sup>th</sup> Floor, 25 Canada Square, London E14 5LQ, United Kingdom T: +44 (0)20 3828 2700

**Brussels Office:** Rue de la Loi 82, 1040 Brussels, Belgium T: +32 (0)2 788 3971

**Frankfurt Office:** Bürohaus an der Alten Oper, Neue Mainzer Straße 75, 60311 Frankfurt am Main, Germany  
T: +49 (0)69 153 258 967

[www.afme.eu](http://www.afme.eu)

## **AFME Contacts**

Louise Rodger

[Louise.Rodger@afme.eu](mailto:Louise.Rodger@afme.eu)

Helene Benoist

[Helene.Benoist@afme.eu](mailto:Helene.Benoist@afme.eu)

Giovambattista Perrotta

[Giovambattista.Perrotta@afme.eu](mailto:Giovambattista.Perrotta@afme.eu)

## **About AFME**

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: [www.afme.eu](http://www.afme.eu).