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Update on the fight against money laundering and the financing of terrorism

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Chairman of the Autorité de contrôle prudentiel et de résolution (ACPR)

Ladies and gentlemen,

Together with Bernard Delas, I would like to welcome you to this conference organised by the Autorité de contrôle prudentiel et de résolution (ACPR) on two key subjects: the morning will be devoted to the fight against money laundering and the financing of terrorism (AML/CFT), and the afternoon to new risks and regulatory changes in the insurance industry.

Preventing risks of money laundering and terrorism mobilises an increasing share of our resources. Indeed, recent events - be it the heightened threats of terrorism since 2015 or money laundering in banks in other European countries – have clearly shown that none of us can ignore these risks. They can disrupt our democracies, and more directly undermine confidence in the financial system and its stability. These battles against money laundering and the financing of terrorism are led within a wider community of which the main public players are present today; as such, I would like to welcome Didier Banquy, Chairman of the Anti-Money Laundering and Counter-Terrorist Financing Advisory Board, and Bruno Dalles, Director of TRACFIN.

However, ensuring the effectiveness of the AML/CFT framework also requires the unwavering mobilisation of financial bodies: the ACPR places constant demands on them at the national level (I). I will then address our ambition to strengthen the European framework for AML/CFT (II).

I. Significant progress has been accomplished under the aegis of the ACPR

French financial institutions have been strongly mobilised in the area AML/CFT, and I would like to commend them for that. The analysis of the "anti-money laundering questionnaires" sent to the ACPR shows a significant improvement in the level of compliance of their AML/CFT framework. In addition, financial institutions are more responsive in reporting suspicious transactions since banking institutions' average time for submitting reports fell from 97 to 68 days between 2016 and 2017.

The ACPR is recognised as being a demanding supervisor. Financial bodies are subject to strict controls according to the risk profile of each entity. Thus, in 2018 alone, the ACPR carried out nearly 1,300 off-site inspections and 29 on-site inspections (**Slide 1**). The inspections carried out in 2018 resulted in the issuance of eight formal notices and nine disciplinary sanctions, marked, this year again, by the strengthening of the dissuasive nature of the pecuniary sanctions.

However, the inspections and sanctions are not enough on their own. The ACPR has therefore been striving to enrich its action through preventive support and awareness-raising measures. This conference is a concrete illustration of this endeavour. In close consultation with professionals, the ACPR has, in recent months, published or updated, together with the General Directorate of the Treasury and Tracfin, seven sectoral guidelines or application principles intended to facilitate the implementation of the regulations by financial institutions. Still, we must go even further. The use of artificial intelligence techniques to enhance AML/CFT and asset freeze supervisory tools has led to the organisation of joint workshops with voluntary institutions, the results of which will be published by the end of this year.

This work with supervised institutions is all the more necessary as efforts to strengthen the AML/CFT frameworks must be pursued. The shifting and multi-faceted nature of the ML-FT risk calls for the continued full mobilisation of financial institutions. Several avenues are at the heart of our action and in particular:

1 / The steering of the AML/CFT framework of all groups with a particular focus on entities located in third countries.

2 / Compliance with asset freezing obligations, which remains an inspection priority in 2019.

3 / Finally, crypto asset providers, whose supervision of the AML/CFT framework has just been entrusted to the ACPR and the Autorité des Marchés Financiers by the PACTE law. I stress in this connection that we have, with

Bruno Le Maire and on behalf of the French Presidency of the G7, just decided to set up a task force on stable coins projects: "libra", which has been much talked about these days, but not only. Indeed, the term "stable" will have to be qualified: stable against what (if it is a basket of currencies, which basket?); and stable to what extent (fixed, or partially flexible?). Led by Benoit Coeuré together with representatives of central banks, it will in the coming months examine the anti-money laundering requirements, but also those of consumer protection, and operational resilience, and any issues relating to monetary policy transmission. We wish to achieve a balance between openness to innovation and firmness over regulation: it is in everyone's interest. At the same time, we must improve the efficiency of existing cross-border payment systems: the Banque de France is actively promoting a European strategy in this area.

II. The European supervisory framework needs to be strengthened

Recent and resounding counter-examples in other European countries have shown the need to strengthen the European supervisory mechanism. We must therefore aim to achieve effective supervision in **all** EU Member States, without exception, because the AML/CFT framework is a chain whose strength depends on each link.

In the short term, and most compellingly, we need to foster synergies between prudential supervision and ML-FT risk supervision. The ACPR, whose organisation is based on the broad adaptability of its supervisors in terms both of prudential risk and ML-FT risk, is working daily towards this convergence under the Single Supervisory Mechanism of the ECB and the exchange of information agreement signed last January. In addition, the ACPR is actively involved in finalising the European guidelines on AML/CFT supervisory colleges that will foster cooperation with prudential supervisors. Still, we need to go further in the harmonisation of our prudential supervisory practices that must further integrate the risk of ML-FT. It is the ambition of CRD V that

strengthens requirements in this area. In this regard, I welcome the strong international and European commitment of Edouard Fernandez-Bollo, who chairs the Basel Committee's AML/CFT working groups, and that of the EBA, the European Banking Authority, which relocated to Paris at the beginning of this month.

Because, and in a more structural manner, improving governance in the area of AML/CFT requires strengthening the role of the European Banking Authority. I would like to welcome to this conference Piers Haben, Director at the EBA. Everyone knows that France would have liked the reform of the European Supervisory Authorities to go further, but let us see the glass as half full, with increased powers for the EBA in this area. Exchanges of information have been reinforced thanks, in particular, to the setting-up of a European database listing the main weaknesses observed in financial institutions in the area of AML/CFT. On the basis of these elements, the EBA may, for example, urge the relevant AML/CFT authorities to carry out further investigations or to consider taking corrective action. The EBA can rely on the ACPR to get involved at the European collective level and participate in the implementation of the action plan entrusted to the EBA by the Council.

However, I think we need to be more ambitious and build a strong network of European AML/CFT supervisors bringing together the EBA and national supervisors. In this context, the network led by the EBA should have the capacity and the human resources, in the most serious cases, to carry out joint emergency actions or to temporarily replace a national supervisor in the countries or sectors the most exposed to ML-FT risks, which would thereby be subject to greater vigilance.

In our opinion, this solution is more effective and faster than the creation of a new single European agency in charge of AML/CFT. Pragmatism involves building on existing achievements: the fight against money laundering and the financing of terrorism is part of an institutional and legal framework marked by

national specificities, in conjunction with financial intelligence and criminal law, and which works well in many countries including France.

On 16 July 1989, France, alongside the six G7 countries, established the Financial Action Task Force (FATF) at the Summit of the Arch. For 30 years, the national and international continuity of our commitment in the area of AML/CFT has been indisputable. However, the challenges posed by money laundering and the financing of terrorism extend far beyond our borders. The EBA knows that it can count on our unwavering determination in this area. Our competence has been recognised and understood: that is good news, but this does not justify any complacency; ever. This involves achieving a successful assessment by the FATF in 2020. We will therefore work collectively within the "France team" – made up of the ACPR in close liaison with other public players and financial bodies – in order to prepare for this deadline as well as possible. None of us must relinquish two cardinal virtues here: competence and vigilance. Thank you for your attention.