

# **DE-RISKING AS A RESPONSE TO ENHANCED AML SUPERVISION**

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# De-risking

De-risking refers to the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk.

# Why de-risking is *risky*?



- ✓ Forces persons and entities to less regulated or unregulated channels
- ✓ Harms financial inclusion
- ✓ Limits economic activity
- ✓ Prevents foreign direct investments

# Financial Action Task Force / FATF

“de-risking should never be an excuse for a bank to avoid implementing a risk-based approach, in line with the FATF standards”

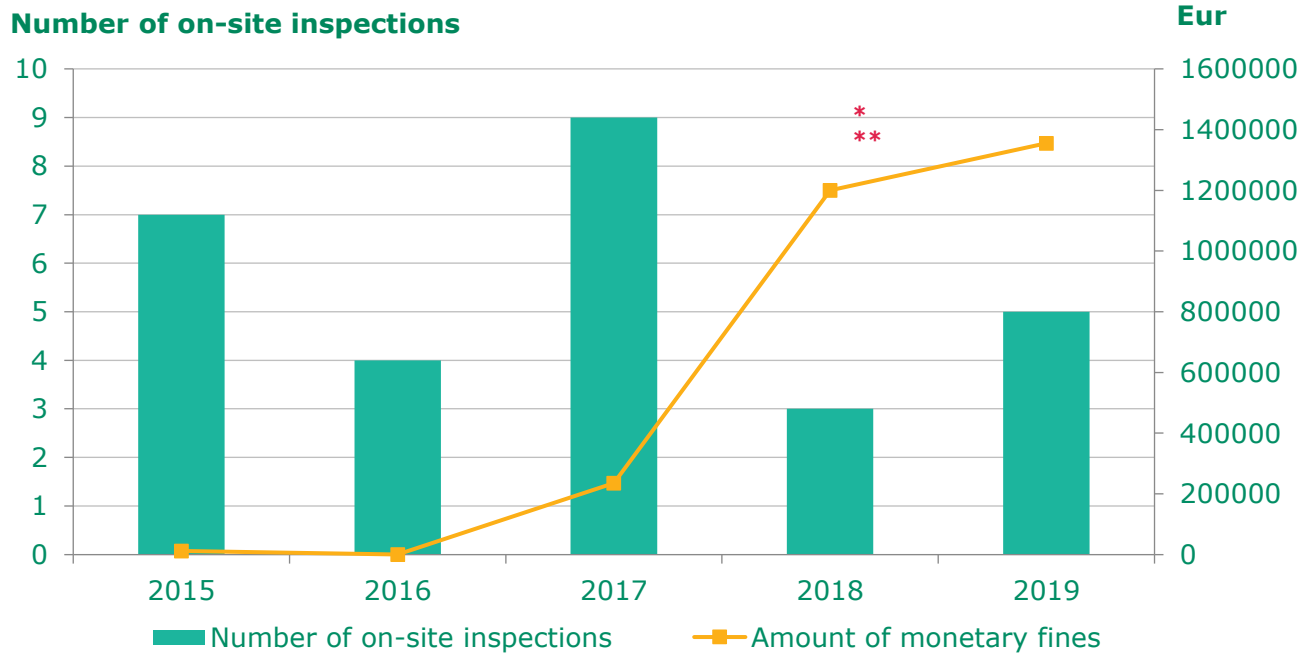


# Drivers behind de-risking

MONEYVAL De-risking report (2015):

- 1) Potential sanctions
- 2) Reputational risk

# Lithuania: sanctions for ML breaches

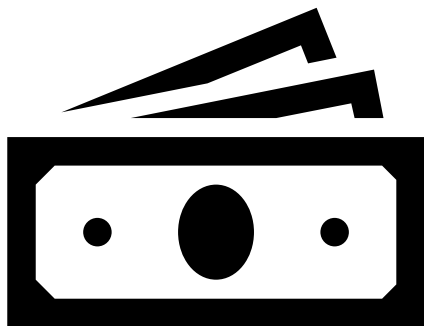


\* One license revoked;

\*\* Off-site analysis resulted in 21 600 Eur fine, not included

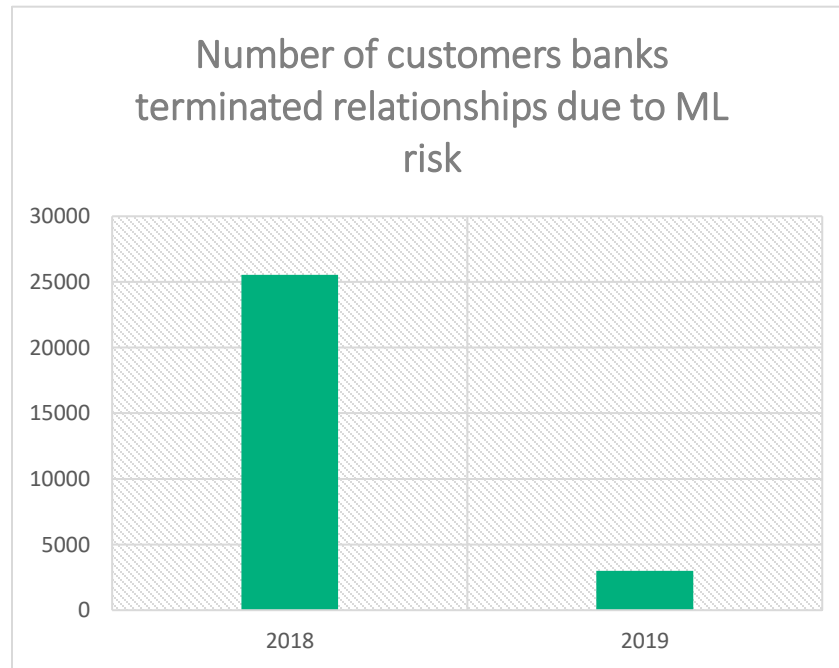
# Recent cases of sanctions for locally operated banking groups

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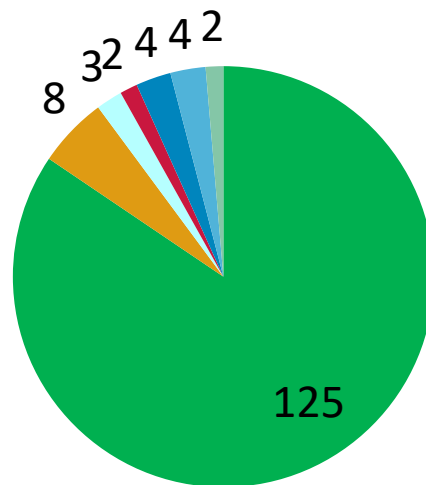
- **Danske:** “Danske Faces \$2 Billion in Fines for Laundering Case” / US and Denmark regulators
- **Swedbank:** 360 million euro / Swedish Finansinspektionen
- **SEB:** 95 million euro / Swedish Finansinspektionen

# Statistics on termination and restriction of the bank account in Lithuanian banks





148: “reject notifications” from Lithuanian banks (restrictions of banking services for EMI/PI). 73 companies affected.



- Correspondent bank's requirement
- Non-correspondence with credit institution's ML/TF risk appetite
- Other
- Source of funds
- Did not provide the required / requested information
- Insufficiency in internal controls of ML/TF
- Breach of contractual terms



# No “hard” evidence of massive de-risking in Lithuania due to sanctions

Therefore, additional research is needed, as Bank of Lithuania receives more complaints regarding banking accounts closures, as well as some cases have reached Lithuanian courts



## Way to move forward

- Better collaboration between public and private sector: AML competence center
- Common market solutions (e.g. shared-KYC)
- Abolishment of the requirement set in Law on Companies for company founder to open account specifically in bank
- More guidance from BoL and FIU (FNTT) on AML/TF application
- Development of more harmonized EU-level regulation and supervision
- ....



**LIETUVOS BANKAS**  
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**Thank you**