



Brussels, 1 December 2021
FINAL

EACB answer to the FATF Public Consultation on Revisions to Recommendation 24 and its Interpretative Note

December 2021

The **European Association of Co-operative Banks** ([EACB](http://www.eacb.coop)) is the voice of the co-operative banks in Europe. It represents, promotes and defends the common interests of its 28 member institutions and of co-operative banks in general. Co-operative banks form decentralised networks which are subject to banking as well as co-operative legislation. Democracy, transparency and proximity are the three key characteristics of the co-operative banks' business model. With 4,050 locally operating banks and 58,000 outlets co-operative banks are widely represented throughout the enlarged European Union, playing a major role in the financial and economic system. They have a long tradition in serving 214 million customers, mainly consumers, retailers and communities. The co-operative banks in Europe represent 85 million members and 749,000 employees and have a total average market share of about 20%.

For further details, please visit www.eacb.coop

The voice of 2.700 local and retail banks, 85 million members, 214 million customers in EU

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Introduction to the EACB

The EACB (the European Association of Co-operative Banks) represents those banks in Europe that are based on the cooperative form of enterprise, which collectively serve 214 million customers who are mainly consumers, retailers, SMEs and communities. Their objective is not profit maximisation but rather shareholder value maximisation, meaning that revenues are acquired to ensure the longer-term stability of the bank in the interest of its members. To achieve this, co-operative banks promote the social, environmental, and economic wellbeing of the communities they belong to. They also have a strong governance model, in which they foresee client influence in policymaking processes. As a result of their model, cooperative banks tend to have a strong physical presence, not only in the economic centres of Europe's Member States but also in more remote areas. This makes them drivers of local and social growth, and major contributors to financial and economic stability by merit of their anti-cyclical behaviour.

EACB answers to the consultative questions

We welcome the Financial Action Task Force's (FATF) initiative to further strengthen transparency with regard to beneficial ownership and the opportunity to comment on the revision to the Recommendation 24 and its interpretative note.

Multipronged approach to collection of beneficial ownership information

The requirement in paragraph 7 includes a compulsory company approach, a requirement for a public authority or body to hold beneficial ownership information (a beneficial ownership registry or another body) or an alternative mechanism, and the supplementary measures. Countries should decide, on the basis of risk, context and materiality, what form of registry or alternative mechanisms they will use to enable efficient access to information by competent authorities, and should document their decision. Do you agree with the approach set out in paragraph 7 of the Interpretive Note?

EACB answer

We consider a public beneficial ownership registry ran by authorities as the best alternative to ensure high standard of beneficial ownership (BO) information and that it is adequate, accurate and up to date, given that certain requirements for the organisation and powers of the registry as described below are fulfilled.

The BO registry should

- be empowered to impose effective sanctions to enforce the respective obliged entities to accurately report their BO initially and in case of any changes to this
- be adequately staffed with skilled personnel
- ensure that BO information is correct and up to date



Based on this, AML/CFT obliged entities should be able to rely on the BO information available in a BO registry without additional requirements to verify the information via other sources (at least for customers in the low and medium AML/CFT risk segments).

Bearer shares and nominee arrangements

Should bearer shares and bearer share warrants without any traceability be subject to additional controls as set out in amendments to paragraph 14 of the Interpretive Note? Is the draft glossary definition sufficiently clear to avoid inadvertently applying excessive controls to traceable and legitimate uses of such instruments? If there remains undue controls, how should this be mitigated?

Should nominee arrangements be subject to the disclosure requirements as set out in amendments to paragraph 15 of the Interpretive Note? Will the proposed rules and the new glossary definitions create undue restrictions for institutional investors or other legitimate uses of such instruments, and if so, how should this be mitigated?

Are there other specific mechanisms that should be permitted, in addition to those proposed, which could ensure their transparency?

EACB answer

We welcome the proposed amendments in paragraph 14 and 15 of the Interpretive Note and the clarifying definitions of *nominee shareholder or director* in the glossary.

Risk-based approach

Should countries be required to assess the ML and TF risks associated with foreign-created legal persons and take appropriate steps to manage and mitigate them? What constitutes a sufficient link with the country?

Should a risk-based approach be applied to verification of beneficial ownership information?

EACB answer

For the due diligence obligations of AML/CFT obliged entities, a risk-based approach should be applied to the verification of beneficial ownership information.

For BO registries and comparable authorities collecting BO information, a sufficient verification process should be required that serves as a sufficient base for reliance on BO registries, which should allow obliged entities to be able to rely on the BO information available without needing to verify it (at least for customers in the low and medium AML/CFT risk segments).

Access to information



Taking into account needs of competent authorities and other stakeholders, and concerns relating to privacy, security and other potential misuse of BO information, do you agree with the requirements on access to information as set out in paragraphs 12 and 13?

EACB answer

We agree with the above-mentioned requirements.

Additional comments on the draft

Interpretive Note, paragraph 11:

Definition of “up-to-date”: Besides the requirement of event-driven updates following a change to the timeliness of the information, it should additionally require a periodical confirmation (at least annually) by the respective obliged company that the BO information is still up to date.

Contact details:

The EACB trusts that its comments will be taken into account.

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