

THE EBA'S WORK ON DE-RISKING

Access to basic financial products and services is necessary so that individuals can fully participate in economic and social life. For the most vulnerable, this access may be a matter of survival.

Being able to transfer money within and across jurisdictions can also be critical for legal entities' day-to-day operations. For example, some Not-for-profit organisations ⁽¹⁾ (NPOs), need these services to deliver humanitarian aid across the globe.

The EBA issued [Guidelines](#) to safeguard access to financial services. The Guidelines apply to all financial institutions across the EU since 3 October 2023.

⁽¹⁾ A legal person or arrangement or an organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes.

WHAT IS DE-RISKING AND WHEN IS IT WARRANTED?

Financial institutions need to make sure that their products and services are not used for financial crime purposes.

Under [EU law](#), financial institutions must understand who their customers are and assess the money laundering/terrorist financing (ML/TF) risks associated with each of their customers.

Examples of customers who may be associated with higher ML/TF risks include individuals or legal entities who have links with jurisdictions associated with higher ML/TF risks ⁽²⁾.

Financial institutions may decide not to service a particular customer.

EU law requires financial institutions not to provide financial services to a customer if they cannot effectively manage the ML/TF risks associated with this customer. This is de-risking.

De-risking is the refusal to enter into or a decision to terminate business relationships with individual customers or categories of customers associated with higher ML/TF risk, or to refuse to carry out higher ML/TF risk transactions.

De-risking should be the result of a ML/TF risk assessment.

De-risking may not be justified if a financial institution decides to reject a customer or an entire category of customers without due consideration of individual customers' risk profiles. Unwarranted de-risking may be a sign of ineffective ML/TF risk management. It can also breach the right of individuals to access payment account with basic features. This right is enshrined in [EU law](#).

The impact of unwarranted de-risking varies, but can have severe consequences: for example, it can affect individuals' daily life or entities operations. Unwarranted de-risking can amount to financial exclusion.

⁽²⁾ Countries that, based on an assessment of the risk factors set out in Title I of the EBA's ML/TF risk factors guidelines, present a higher ML/TF risk.

WHAT HAS THE EBA DONE SO FAR?

In the context of the 2016 refugees' crisis, the EBA made clear in an [Opinion](#) that financial inclusion of asylum seekers was an important component of wider integration efforts.

In 2021, the EBA assessed the consequences of unwarranted de-risking across the EU. It published its [findings](#) in January 2022.

The outbreak of the war in Ukraine demonstrated further the adverse impact of unwarranted de-risking on refugees (who are particularly vulnerable and may be at significant risk of human trafficking and exploitation) and NPOs. The EBA issued two statements, respectively in [March](#) and [April](#) 2022, to call on financial institutions to safeguard financial access for displaced persons from Ukraine and ensure that compliance with the EU's restrictive measures regime does not hamper humanitarian efforts.

To clarify further the steps financial institutions should take to make sure that the application of robust AML/CFT controls do not prevent customers' legitimate access to financial services, in March 2023, the EBA updated its [ML/TF risk factors Guidelines](#). The Guidelines now include an Annex dedicated to customers that are NPOs. This was supplemented by the publication of a [factsheet](#), prepared jointly with the European Commission, which explains the information and types of evidence financial institutions may require from NPOs, and for what purpose.

Finally, in March 2023, the EBA issued a new set of Guidelines on [effective management of ML/TF risks](#) when providing access to financial services. These Guidelines set out what financial institutions need to do before making a decision to reject a customer. They aim to ensure that customers are not denied access to financial services without valid reason.



WHAT LIES AHEAD?

In accordance with the [EBA Regulation](#), competent authorities and financial institutions must make every effort to comply with the guidelines.

The Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) will be able to build on these guidelines as the new EU supervisory framework takes shape.

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ISBN 978-92-9245-959-8 doi:10.2853/55488 DZ-05-23-447-EN-N