

Lysis Group takes part in a virtual debate hosted by the EU Parliamentary Kangaroo Group

The CEO of Lysis Group, Jon Sweet was invited to take part in the virtual debate which took place yesterday and was hosted by the Kangaroo Group, Financial Services Working Group. The topic of the debate was “Scaling-up the EU AML regulatory agenda and implications for financial services firms” and the panel of speakers included key players in this legislative process, drawn from the European Commission, European Parliament and European Swedish Council presidency, together with voices from industry.

The Kangaroo Group is an all-party EU-parliamentary body comprising Members of the European Parliament, the European Commission and Council, Academia, and European industry, and its main goal is the removal of obstacles to the free movements of people, goods, services and capital across the Single Market, the stability of the Euro and the realisation of a common Security and Defence Policy of the European Union.

Jon’s addressed a number of implications for financial services firms which included:**The operating costs linked to the prevention of financial crime and ESG requirements**

He stated that it is not unusual for 35% of the operations costs of an investment bank to be spent on activities related to financial crime prevention. The current sanctions regime and impending ESG requirements regarding counterparty profiles are adding significantly to these costs and consequently such firms are always interested in ways in which they can meet the requirements in the most efficient way. He added that whilst not AML and therefore slightly off-topic, the operational impact of ESG should be considered when thinking about supervising firms for AML. Many firms are putting both these disciplines within the same client lifecycle operations teams. Aspects of ESG compliance will become another pillar of new client on-boarding alongside credit, AML, etc. Similar challenges exist regarding availability of data, particularly on private firms and in less developed jurisdictions.

The complexity of the current sanctions regime

Jon pointed out that the current sanctions regime is also taxing both financial services firms and some non-financial services firms who are struggling to acquire or retain bank accounts and other banking services. He remarked, “Working out if a company, superyacht, building or other asset is in fact owned by a sanctioned

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person or entity is hugely complex for both law enforcement and financial firms and is occupying a lot of resource. Manufacturers of potentially dual-use goods are in a challenging space.”

He continued by saying that “Our customers who operate globally are crying out for the big economic blocks such as the EU and the US to have the same sanctions lists in order to simplify the rules they have to follow.” Divergence in respect of AML regulation is most often talked about in terms of the big economic blocks having the same rules. For Anti-Money Laundering it is undoubtedly the case that, for example, the EU, US, Singapore and the UK have the same objectives and are all signed up to FATF. The rulebooks are broadly the same and across the EU are governed by the same Directives. There are, however, some variations between economic blocks and also some differences within the EU.

“Quite a lot of these differences are in fact down to supervision and enforcement rather than different requirements at the legislative level”, Jon remarked. Guidance issued by country-level regulators often adds to the core legislation and this is where we see divergence on a practical level which presents operational difficulties for our customers. Different regulators also apply difference enforcement levels to different market sectors at different times which creates further divergence in a practical sense. To be sure that a customer or counterparty on-boarded in one jurisdiction is also 100% clear for transactions in another jurisdiction can often mean doing the AML work twice and according to him, this happens within the EU as well as between the EU and other blocks.

Jon added that “The new EU-wide AML regulatory body is undoubtedly an excellent response to cross-board Money Laundering, and we feel fairly sure that the new EU-wide AML regulator will quickly encounter the issues of divergent supervision and enforcement in making this work within the EU.”

Digital Assets

Jon stated that “Lysis has worked with a wide range of crypto firms which have varied from some very competent and serious firms determined to meet regulatory requirements to some exciting outfits that we have advised to withdraw their applications for registration/permissions. One thing, though, that has become very clear is that many of these firms have a subsidiary that is already regulated for example for card services and that their customer operations span both digital assets and fiat currencies in linked transactions. Safeguarding client money, making the markets safe for customers, and preventing financial crime are as important in digital assets as in the financial markets.”

He further added by saying “Our experience in the UK and Ireland is that there are some very good digital assets firms out there. We have helped several register for AML with the FCA and have applications going through with the Central Bank of Ireland at the moment. Those that have been successful are the ones who have taken the exercise seriously and have invested in the correct AML Frameworks and operations.”

“The EU’s MiCA regulations are a positive step and it is positive to see that the UK is working on similar legislation. The FATF Travel Rule is also being implemented in multiple jurisdictions and is a good step forward in detecting money laundering at a transaction level”, according to Jon.

He highlighted that “Interestingly though, a challenge to-date, has been the use of anonymous wallets in transaction chains meaning that ownership of the assets and the actual beneficiaries of specific transactions are often opaque. The Travel Rule creates an obligation to understand who is at each end of a transaction without saying how this can be achieved.”

In his final remarks, Jon stated that “It is worth noting that the issue of identifying underlying beneficiaries and participants is a challenge in the funds, payments and syndicated lending markets amongst others. In our view, the Travel Rule is a good challenge to set for the digital assets market and is a necessary step in preventing money laundering.”

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About the Lysis Group

Since 2001, Lysis Group has established itself as a global leader in the field of Financial Crime (FC) compliance and Client Lifecycle Management (CLM). We deliver a unique combination of expert consulting, on-shore/near-shore managed services, standardisation of capabilities through certification, and resourcing on almost every continent.

Their customers are from all parts of financial services and other similarly regulated industries such as digital assets and real estate. As an example, in recent years, Lysis has helped several firms in payment services and digital assets get their regulatory permissions/registration in France, Ireland and the UK. Their largest business practice is financial crime prevention and client lifecycle management where the increased regulatory scrutiny over the last twenty years has constantly challenged customers both in terms of expertise and expenditure.

About Jon Sweet

Jon’s credentials for being invited as a speaker, in the capacity as an industry representative, include his more than 30 years’ global experience and specialisation in compliance and operations change management, Section 166 remediation, regulatory change management and global operating model strategies and implementation for client lifecycle management. He also founded Lysis Group which supports global customers with their interactions with regulators, particularly in the areas of Governance and Compliance.

Our Brands



Consulting & Advisory

Lysis Financial provides services across Governance, Risk and Compliance, including Section 166 remediation, enterprise-wide risk management frameworks, design of client on-boarding and AML target operating models, compliance policies and procedures.



Managed Service & Resourcing

Lysis Operations is an innovative AML and KYC service company which operates globally, serving major investment banks, financial services institutions and other regulated industries. We deliver efficient and cost-effective KYC and AML processing, remediation and client on-boarding from our Operations Centres or in-house.



Training & Certification

Lysis Academy provides AML, KYC and Governance, Risk and Compliance training services such as training needs assessment and a tried and tested hire-train-deploy methodology. We also offer a Post-Graduate Certificate in AML & Financial Crime Prevention with Cass Business School (City University, London).



Technology & Data

Lysis Fintech provides a platform for innovation in the regulatory technology space. Using our deep domain expertise, we are able to assess products in our innovation lab and provide a sandbox in which to partner with technology providers and clients to develop cutting edge solutions.