

## **NEWS**

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# **Banks Should Review Clients Onboarded Remotely During Pandemic: Moneyval**

**By Gabriel Vedrenne**

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European financial institutions that switched to onboarding all new clients remotely at the height of COVID-19 lockdowns should review their customer files to ensure that adequate due diligence was conducted, Europe's anti-money laundering standard setter warned.

In a 16-page report Wednesday, Moneyval, the Financial Action Task Force's representative in Europe, outlined possible AML lapses involving remotely onboarded customers, a suspected rise in cross-border cash smuggling, and other threats and shortcomings that the group's 47 member nations have observed during the novel coronavirus pandemic.

National regulators surveyed for Wednesday's report above all raised concerns over the rapid increase of remote customer services in the months since governments across the continent imposed strict stay-at-home orders to halt infections.

Financial institutions should now take steps to identify any breaches that may have occurred, regulators told Moneyval.

“There has been variable workload in some [bank] branches, shortened working hours and systematic teleworking,” the group found after the survey. “In these conditions, there was a concern that due to the reduced number of employees in direct contact with the clients, there may be omissions in performing the prescribed CDD [customer due diligence] actions and measures.”

Peter Oakes, former director of enforcement and AML at the Central Bank of Ireland, said that when the lockdowns began, many European lenders understandably had not accounted for the possibility of a pandemic in their risk assessments and therefore lacked plans to tackle the compliance burden created by their broad shift to remote operations.

“Banks using legacy systems and face-to-face, paper-based onboarding processes came under fierce criticism as existing and new customers desperately sought assistance,” Oakes, now an independent consultant in Dublin, said. “As we know, banks were overwhelmed.”

Banks should now review the remote CDD processes they put in place over the past seven months and retrospectively screen all clients that they onboarded during that time for links to blacklisted parties, Oakes said.

EU officials warned months before COVID-19 hit Europe ([https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/report-on-existing-remote-on-boarding-solutions-in-the-banking-sector-december2019\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/report-on-existing-remote-on-boarding-solutions-in-the-banking-sector-december2019_en.pdf)) that providing remote services exposes banks to cybercrime and fraud.

Their warning now appears prescient.

According to Wednesday’s report, criminals have exploited the widespread disruption of due diligence caused by the

pandemic to pursue a host of crimes, including sales of counterfeit medicines and fraud schemes linked to the procurement of medical equipment in short supply (<https://www.moneylaundering.com/news/dutch-fiu-chief-warns-of-covid-19-fraud-and-money-laundering/>).

“For compliance officers, there is a change in strategic risk profiling which they need to recognize and adjust to,” Richard Parlour, principal with Financial Markets Law International in London, told *moneylaundering.com*. “Many will be working from home and have restricted access to the systems they are used to working with, so there may be increased vulnerability.”

Moneyval also highlighted the possibility that fraudsters have exploited crowdfunding platforms during the lockdowns.

“It is important that financial institutions monitor the accounts into which the raised funds flow,” the group concluded Wednesday.

Separately, the observed spike in online gambling during the lockdowns may have given money launderers a broader channel through which to move larger volumes of illicit proceeds, the group found.

Law enforcement and customs authorities should also be “particularly alerted” to the likelihood that criminals “face a ‘late demand’ for cross-border transportation of cash” as nations begin lifting their travel restrictions (<https://www.moneylaundering.com/news/covid-19-lockdowns-impact-on-money-laundering-is-limited-temporary/>), according to Moneyval.

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**Topics :** Anti-money laundering , Know Your Customer

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