Peterson Institute for International Economics

The birth of the EU Anti–Money Laundering Authority

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[00:00:34.25] - Nicolas Véron

Good morning, good afternoon, good evening, wherever you are in the world. I'm Nicolas Véron. It's my pleasure to introduce this session of What Now Europe, a series at the Peterson Institute for International Economics. Today, we'll talk about— our session's acronym will be AML, anti-money laundering, and especially AML supervision and policy in the European Union. We'll talk about the creation of the new European Anti-Money Laundering Authority, AMLA. For that, there could be no better speaker than Raluca Pruna. Raluca, you've been studying originally at a number of institutions: the Ecological University of Bucharest, Alexander Ioan Cuza University in Iași in northeastern Romania, the University of Bucharest, Paris Nanterre University, and also the Central European University at the time in Budapest. You joined the Bucharest Bar in In 1999, you were a founding member of the Romanian branch of Transparency International, and since then your career has alternated responsibilities at the European and at the national level in Romania. In 2002, you became a legal advisor to the delegation of the European Union in Romania. You also worked for the legal service of the Council of the European Union. From 2007, you became the coordinator for justice and internal affairs at the European Commission's delegation in Bucharest, and you became the Justice Minister of Romania in late 2015, a position that you held until early 2017 in the government at the time.

[00:02:17.16]

Since 2018, you have been in the European Commission in Brussels. We will focus on that experience and especially the observation you could have and actually an active role in the creation of AMLA. Thanks so much for being with us. I have to mention that you're no longer dealing with AML issues at the European Commission, but we're very grateful that you accepted to be with us today to give us that history and that perspective of some things that started more or less when you moved to Brussels in 2018. So what is it about?

[00:02:51.24] - Raluca Pruna

Thank you very much, Nicolas, for the introduction and for having me here. Well, 2018 was a year indeed in which the discussion on how to better fight against money laundering and terrorist financing in the Union was intensified, but it was not a new discussion. Some may remember that late 2018, No, late 2017, a new directive in this field was adopted. But still, it was the case that we were experiencing in the Union almost a decade of AML failures and even alleged money laundering cases within several financial institutions, big, small, and in several member states, also big, small. And this situation exposed on one hand the limits of national supervision and in general, more generally, it exposed the limits of a national approach when it comes to fighting money laundering. A national approach based on legislative instruments like directives, which in Union law are legal instruments that do not apply directly but have to be transposed. International law. So, um, everything started in 2018. As I said, there were many calls, including nudging from, uh, also Europe. The co-author of a paper, Nicolas, nudging the Union to, uh, to look at the architecture of the AML framework in, uh, in the Union.

[00:04:41.13]

So we have started, uh, in the Commission first by doing a diagnosis of the cases that I I refer to a report called the Postmortem Report and looking at why all this, all these high-profile cases. As I said, the findings, they were not something new. They were largely repeating the findings that led to the amendment of the 4th Anti-Money Laundering Directive, and they had to do with a lack of compliance from obliged entities, failure to report sometimes to financial intelligence units. In other cases, some problematic business models, like for instance business models exclusively turned towards non-resident clients. Um, some other times the misalignment between the risk appetite and the risk management for when I speak about obliged entities in the financial sector. And findings concerning the AML supervision had to do with a lack— I mean, competent authorities lacking the appropriate resources. We had cases in which, for instance, only 2 people were in charge of supervising a whole country, if I may say so. Some other times insufficient expertise. And when it comes to dissuasive instruments like fines, these were rare. There was a hesitation to impose a sanction. So all this I'm trying, I mean, not to take too many steps backward, but I'm trying to put things into context and explain that this diagnosis was necessary.

[00:06:35.15]

In parallel with that, we were very lucky because everybody was aligned. First of all, the sector itself, stakeholders in the financial sector that were calling for action, for something to be done. And very importantly, also co-legislators in the Union, the Parliament and the Council, they called a number of times the European Commission, which has the initiative, the legislative initiative, to act. And on the basis of this, the Commission started working into, first of all,

preparing a policy a policy roadmap in the form of an action plan, which was published in May 2020. And this action plan concerned the steps or action to be taken towards a comprehensive policy, AML policy, at Union level. On the basis of what was announced in this package, in this roadmap, the Commission adopted a very ambitious AML package in July 2021, and the package was twofold. So we not only— we have taken a look at the institutional framework through the creation of a dedicated agency, which is the AML Authority, AMLA, but we've also looked at the rules, at the material law in, in the Union, and we have proposed to move on from Um, a fragmented approach, as I said, through that, from directives transposed, uh, to what we call a harmonized framework with the regulation in this, uh, field.

[00:08:20.26]

Uh, 2021, as I said, the Commission tabled the proposal. In 2024, the AML package was adopted. And because this conversation is mainly about the institutional part of this package, the creation of AMLA. This is how AMLA came into existence as an authority sitting at the center of the EU AML/CFT framework and entrusted, broadly speaking, with 3 main, let's say, tasks to ensure effective and adequate supervision of obliged entities that are posing a high risk to strengthen the common supervisory approach for all obliged entities within the financial sector. And last but not least, also facilitate joint analysis and cooperation among financial intelligence units in the Union. So this is how I would introduce the topic for the conversation today.

[00:09:26.19] - Nicolas Véron

Well, we'll take it from there. But first, thanks for mentioning the contributions that together with my co-author Josh Kirshenbaum, who now works in the private sector, we published at the Peterson Institute and also at Bruegel in the fall of 2018. But indeed, there were a number of debates following all the issues that surfaced with ABN Amro in Latvia, with Danske Bank, with ING, with a number of cases that emerged kind of at the same time. Why is it that so many cases came to the surface in terms of particularly Russia-connected money laundering during that year 2018? Was it a coincidence?

[00:10:13.13] - Raluca Pruna

Well, I don't think that it was a coincidence. And I'm— I think as a lawyer, I think that we were back then in the middle of a process of applying the 4th Anti-Money Laundering Directive, which was already a very innovative instrument. And if I'm to compare, you know, that legal framework with what was, uh, presently on the table, on our legislative table, I think that the application of the 4th AML Directive also helped a bit exposing, uh, the threats to our financial system and

some business models. Because as I said, there were some business models with non-resident customers that resulted in difficult situations for banks and in pointing at structural problems when it comes to mitigating risks.

[00:11:12.14] - Nicolas Véron

So there is a lot of jargon in that area. AML, as I said, is anti-money laundering. CFT is combating the financing of terrorism. Obliged entities is the lingo for the entities that are subject to AML supervision. AML supervision provision itself as basically having a supervisor, a public authority, checking that an obliged entity is doing what they should do in terms of having an AML program and reporting cases of transactions, suspicious transactions that should be reported. So transactions are reported to an FIU, a financial intelligence unit. You refer to FIUs. Each country has one FIU. It's lodged kind of all over the place. Sometimes it's an independent authority, sometimes it's part of a ministry, sometimes it's part of a financial agency, but every country has one FIU. And the FIUs in turn report, analyze the transactions, and if needed, report them or transmit them to the law enforcement authorities, prosecutors, judges, the judicial process. And in terms of EU law, we have those directives which require, as you said, national transposition. And we have what the EU law calls regulations, which are different from US regulations, which are legislative acts. So it's legislation at the EU level which is directly applicable in the member states.

[00:12:34.29]

So all this to say, one of the regulations that were adopted in 2024 created AMLA, the Anti-Money Laundering Authority. Can you, in a nutshell, tell us where they are on their path? They are administrative startup, right, in Frankfurt. How are they doing? Where are they in terms of their buildup of capacity? And when will they be kind of fully fledged?

[00:13:00.20] - Raluca Pruna

Yes. So AMLA was created through a dedicated regulation establishing this authority at union level. The regulation entered into application in July 2025. And since that moment, AMLA had—I mean, it's a brand new institution, so we all have to bear in mind the fact that it started from scratch. It is based in Frankfurt. The governance of AMLA was firstly selected, the chair of AMLA and the executive board, which is the governing body of this agency, composed of 5 executive members. So first of all, they had to to go through this process of, uh, selection of their governing chair and then a governing body, the executive board. And then of course they, um, they were very much employed into selecting, you know, the first core team of experts into the agency. And all this in a short transition period because I said that apart from the regulation

establishing Gamla, which is the institutional part of the reform, The material part of the reform is to— is what we call a single rulebook. So a regulation, the first AML regulation in the Union, establishing directly applicable rules. And in this regulation, there are a number of what we call secondary legislation here in the Union law.

[00:14:38.04]

So a number of regulatory technical standards, implementing standards, So secondary legislation that, uh, uh, that are needed before in a transition period up until July 2027 when this body of rules will start applying. So I would say that, uh, you know, in the last one and a half year, uh, AMLA was very much employed into, um, on one hand, uh, being set up administratively as a new agency, which is not easy. And on the other hand, losing no minute in starting delivering already the draft of many level 2 secondary legislation that is needed. Like for instance, because the focus of this discussion is on direct supervision, yes, AMLA will directly supervise a limited universe of entities in the financial sector, but this has to be done to— I mean, the selection will have to be done based on a methodology of selecting this, uh, these entities. So, um, I would say that they started, uh, well. It's not easy. I, I insist on that, that it's not an easy task. They have, um, uh, many competencies, and there is a high expectation that they deliver on all these competencies.

[00:16:07.17] - Nicolas Véron

Indeed, AMLA is a very complex— is kind of the hub of a complex web of partners. At their inaugural conference, which was held in June in Frankfurt, that was very much emphasized because they have to work with national AML authorities, AML supervisors. They have to work with national FIUs, the financial intelligence units, which are often different authorities. So AML supervisors, typically there are several for each country because depending on which kind of obliged entities are concerned, whether they're banks, other financial firms, non-financial firms which are also obliged entities like law firms or even, you know, art galleries or football clubs, there's a lot of exotic—

[00:16:56.10] - Raluca Pruna

Lotteries. Yes, there are many.

[00:16:59.00] - Nicolas Véron

Lots of non-financial firms that you would not necessarily expect in real estate, in all kinds of things. Which are de facto obliged entities in the AML framework. So you have all this complexity of AML supervisors in every member state, but also the law enforcement

communities, because AMLA works directly with FIUs. We'll come back to that with the financial intelligence units, organizes— will organize the FIU community at the European level. And that means also a lot of connectivity with law enforcement authorities, which are incredibly diverse from one member state to another. So they have lots of friends on Facebook, as one might say. How are they equipped to manage that complexity? Can you tell us in a nutshell how big AMLA is or will be in terms of staff, in terms of budget, in terms of capacity?

[00:17:57.06] - Raluca Pruna

Well, in terms of staff, there is a phased approach. I mean, it was not populated, if I'm allowed to say so, from day one with all the experts, but they have to, to recruit them. At the end of 2026, there will be around 230 people employed in AMLA, but the, uh, uh, at the end of the process, they will have a bit more than 400 staff, out of which 250 will be exclusively employed for direct supervision, which is, uh, the most important task. Now, I said already that AMLA was by design conceived to sit at the center of the AML architecture in, in the Union. But AMLA is not, um, you know, it is a supervisor, but it is not some, some institution. It's not an additional supervisor, if I may say so. And AMLA, apart from the governing body that I referred to, the executive board, like any other agency established in the Union, it has a board which gathers representatives of all member states. And for AMLA, because AMLA sits on 2 pillars, as you rightfully said, supervision one pillar, financial intelligence units another pillar, there are 2 compositions of this general board.

[00:19:27.25]

The composition for supervisory, uh, activities and the composition for FIUs. So I will say that AMLA is about, above all, uh, also a forum where together the myriad of— if we speak about supervising for FIUs, it's easier because we only have one financial intelligence unit, um, uh, per country, not only in the Union but everywhere else on this planet. Every country has one financial intelligence unit. For supervisory authorities, as you rightfully said, the landscape is more complex because the complexity of obliged entities requires so. But even there, in the General Board, in supervisory composition, member states are represented. How they do that, I mean, it depends on the topics that are put on the table of the General Board. So there is, of course, the flexibility for member states depending on the topic to decide who is the right supervisor sitting at the table, and it goes well, I have to say.

[00:20:37.08] - Nicolas Véron

So yeah, there's so much complexity, but one thing that you mentioned which is super important is direct supervision. So in practice, that means that at some point, I guess next year, AMLA will

designate a number of obliged entities, for example, large banks. But can you tell us a little bit more of what is the kind of taxonomy of entities that they might be designated, that AMLA in future, I guess before the end of the decade, will supervise directly? That means that instead of those entities being supervised for AML purposes by their usual national authority, they will be under the direct watch the direct oversight of AMLA. So how many such directly supervised entities? Can you give us a sense of— you said AMLA will publish a methodology for selection, but what are the kind of key trade-offs for this? And what kind of entities will they be? Mostly banks or mostly financial firms or also non-financial firms? How will that work?

[00:21:39.01] - Raluca Pruna

Yes, I said that they will— AMLA will directly supervise the limited universe of entities. And if you allow me, I want to say that AMLA by design is not conceived to compete with the super— with the national authorities, nor to replace them entirely, because it's a principle in Union law that, uh, you know, we should be proportional when we add an additional layer of European supervision here. So, uh, it is decided in the regulation that AMLA will only supervise, as I said, the limited universe of such entities. It's about credit institutions and financial institutions, including groups of credit and financial institutions. And there are 2 criteria to designate this universe of directly supervised entities. The first criterion is the risk assigned to inherent and residual risk. And I will come back to this. And the second criteria is the cross-border footprint. So it is decided in the regulation that only credit institutions and financial institutions and groups of such entities operating in at least 6 member states of the Union will, will fall into the basket of potentially entities potentially supervised by AMLA. And then on the basis of a methodology and the benchmarks, this, uh, this population will shrink.

[00:23:19.05]

We have a number in the regulation which is 40 such entities. One may say it's perhaps not enough, uh, it's not a big level of ambition, but I will, uh, I will explain why this is not so. Because again, AMLA will have to provide a meaningful layer of supervision based on the 2 criteria. And the benchmarks that are to be developed by AMLA, they will have to look first of all at, uh, I mean, to, to the 2 types of risk. Um, they will have to look at the inherent risk, and here the regulation details a bit where exactly, um, I mean, what exactly should be looked at— customers, the type of customers, products services, the transactions. And then when it comes to the residual risk, the benchmarks will look at the quality of the control policies in place and of the mitigating measures. And in combining all these factors, again, the regulation says that the end result will be a universe of 40 entities that will be directly supervised. And without entering into the— and there is also a geographic criterion, because this is also important to cover the entire Union and to address a problem that we have seen.

[00:24:45.26]

I mean, I will not repeat the obvious, that the crime tends to forum shop, and the idea was to really supervise at least one entity per member state, per member state, while respecting the criterion— the criteria that I have referred Before.

[00:25:07.13] - Nicolas Véron

So no football clubs?

[00:25:10.04] - Raluca Pruna

No, of course no football clubs. I mean, this was not the intention. And here, I mean, uh, it's, uh, you know, the list of obliged entities. So entities who fall within the scope of AML legislation, they do not differ in the Union from other jurisdictions. I should have said the Uh, for, uh, the audience which is not very familiar with how this works, that there is a body which is called the Financial Action Task Force. Um, and in this body, all juris— I mean, many jurisdictions are represented at the table, but, uh, they're— if not represented, they fall within the scope of what this international standard setter is doing. And the list of obliged entities, of course, they— it was expanded over time in the standards of this standard setter to cover, you know, all those who should be defenders— I mean, not defenders, but defenses for the integrity of the financial system. But to reply, no, no football clubs, only credit institutions and financial institutions and groups of such institutions.

[00:26:22.12] - Nicolas Véron

But to be clear, that could include, for example, crypto companies, crypto exchanges. There's been a lot of activity in that space. Can you give us a bit more of a sense of how this, you know, fintech, decentralized finance space will be covered or not covered by AMLA?

[00:26:41.07] - Raluca Pruna

Well, there will be— I mean, the methodology that AMLA is developing will look at different categories of obliged entities falling in these 2 2 big groups, credit institutions and financial institutions. So we have, uh, uh, bureau de change, collective investment undertakings, uh, credit providers other than credit institutions, e-money institutions, investment firms, payment institutions, life insurance undertakings, uh, uh, and of course that crypto asset, uh, service providers. They were a natural addition to this list because we have seen, uh, um, not only in the Union but also outside the Union that they may not have the right defenses and they may be

misused for the purposes of, uh, of money laundering. How this will work, I mean, it's too early to say. We have the methodology which is currently developed by AMLA on the basis of the criteria that I have described. And then it will be— I mean, it's, it's— I, I cannot, uh, nobody can prejudge. I'm pretty certain that this is something that everybody would like to know now, but what I— my message is to convey is that, uh, this selection will be, will be made on the basis of objective criteria, uh, and then we, we cannot prejudge.

[00:28:13.28]

But I think that it would be, uh, one cannot foresee that no credit crypto asset service provider will be included there. But here again, the condition is the presence in at least 6 member states, which is not a problem, I guess, for most of CASPs, of credit crypto asset service providers.

[00:28:40.18] - Nicolas Véron

So part of what the 2024 legislative package which created AMLA, but also harmonized a lot of the rules, as you said, material law, has been to get into a single definition of, you know, suspicious activity reports. What is a suspicious transaction? What are the know-your-customer diligences? Can you give us a sense of that? I mean, in practice, what will it change, maybe depending on the member state, when all this legislation comes into force, is monitored by AMLA. How big of a change will it be in terms of, of all this? Also the experience, frankly, of bank customers if you open a bank account and so on?

[00:29:26.26] - Raluca Pruna

Yes, here as well, when we've done the diagnosis and the impact assessment that preceded the proposal to adopt a regulation, not the AMLA regulation, but the regulation on AML, showed that we have a lot of fragmentation in in the member states. And the fragmentation went from, you know, different lists of obliged entities— football clubs, you mentioned it, they were obliged entities in one member state, Belgium, but not in others. Crypto asset service providers, they were obliged entities in one, in some member states, not in others, and so on and so forth. So the ambition of this regulation, because it will be a body of rules that will be directly applicable, is to put an end to this fragmentation and to this diversity Uh, in member states. And this is why we have a closed list of obliged entities. And we have tried when it comes to— you mentioned customers due diligence. Of course that this regulation does not come with something very innovative when it comes to customer due diligence, know your customers, which is a basic principle in this field. But what the regulation provides is more clarity of these rules. And we have already a very, I will say, a very detailed list of points that have to be observed by any obliged entity when doing customer due diligence.

[00:30:57.03]

Now, it's different, you know, if a bank, so a big obliged entity, is doing customer due diligence, this is one thing. Then if a small lawyer somewhere in a remote part of the Union is doing customer due diligence, And this is why the regulation, uh, have— has foreseen that, um, that the provisions within the regulation will be supplement— not supplemented, but better explained in a secondary legislation which is now under preparation by, uh, by AMLA. So that, you know, per category of obliged entities, while having a risk-based approach, um, which is the, the, let's say, the, the most important element in the, in the business of fighting money laundering, is observed. Um, when it comes to other— you mentioned suspicious transactions, uh, these are also, uh, defined in the regulation. It's not the first time that we're doing this, but here is that as well we have seen a fragmentation, uh, uh, in member states, and we have seen things that, you know, they may seem trivial But there are not, like the template, what template to use if I'm an obliged entity, a lawyer, a notary, or a big bank when I want to report a suspicious transaction to the financial intelligence unit.

[00:32:19.06]

And, uh, I failed to say that we have the regulation, but we also have a directive which largely encompasses, you know, obligations for authorities in the member states, supervisory authorities, and FIUs. And there, for instance, we are requiring that such templates are harmonized so that an obliged entity which may operate— you know, this is the— this is, uh, not at all uncommon in the, in the internal market of the Union to operate in multiple member states— so that they don't have to apply, you know, different templates and different rules depending on the jurisdiction. This was the ambition, to harmonize, to harmonize all this, and while doing so, to also look at the economy of scales, uh, also for the obliged entities. Because I think that it goes without, uh, saying that if you have to apply different regimes in different member states, the compliance cost is much higher than if you have a single, uh, body of rules unified templates acceptable everywhere in the Union.

[00:33:36.21] - Nicolas Véron

So when I hear a single template, immediately my imagination gets fired up. And indeed, I can imagine that the cross-border players will experience simplification because instead of having a lot of different things to deal with, they will have a single approach. But conversely, a lot of the local players, local obliged entities, they will have to give information in a different format from what they've been used to. And I can imagine that, you know, hundreds of thousands of them will start complaining about the change because nobody likes change. And that will be viewed

as, you know, overly burdensome administrative requirements that kind of go against the current motto of the European Commission, which is all about simplification and reducing the burden on business. So how do you see that trade-off? What's going to happen? Is Mrs. von der Leyen going to be heckled because of, you template for AML, or how is, how is that?

[00:34:30.01] - Raluca Pruna

No, no, no, not at all. Quite on the contrary. I mean, allow me to be very blunt. Yes, simplification is a major, uh, priority of the Commission, but the very fact that what we have proposed with the AML package, which is to say to replace 27 national regimes with one single regime stemming from a directly applicable regulation, is in itself the biggest simplification. Now, if we go— of course, I fully agree that nobody— I mean, most of the people, not all of them. Some are, you know, they, they thrive, uh, uh, when change comes, but some are more conservative. And of course that they don't like change. But let me also mention that all this work to prepare common templates, common, uh, I don't know, even common supervisory methodologies, this is not done top-down from AMLA, uh, to, uh, uh, to authorities in the member states or to obliged entities in the member states. But this is, um, this is a draft. All these are drafted based on a wide consultation process in which everybody, uh, can, can be heard. So I'm not convinced by the argument that, uh, you know, changing 27 ways of doing Even more than that, because we have cases— if we speak about templates for FIUs— where in, in one member state you have several templates depending on who is reporting.

[00:35:59.15]

Sometimes you have a reporting template for lawyers and notaries and another one for, for banks. And having, you know, a common template, I think that in itself, again, it should not be considered as trivial. Perhaps I was not very inspired when I I've chosen this example, but it will be— it will pay off as a big simplification of AML requirements. And the same applies for supervisory policies. They differ, we have seen, and this is why we tabled in the first place a proposal. And AMLA, this is also something very important to say, that Um, AMLA is a direct supervisor for a small number of entities, but AMLA will have an indirect supervision power over the rest of the system. And what does it mean? It means that it will work together with national supervisory authorities to, to reach supervisory convergence. So, uh, I would say that we need to be a bit patient and to, to wait and see. that at the end of the day, all this will be a big contribution to the request of simplification.

[00:37:18.08] - Nicolas Véron

So another potentially contentious issue is fines, financial penalties. You mentioned that they're important in the AML framework. AMLA will be able to impose fines, right? Can you get us a little bit of a sense of how that differs from the status quo? You mentioned that some member states didn't do AML fines at all, at least for some categories of obliged entities? Is it going to be a kind of, you know, painful wake-up experience for some of the entities? How is that going to play out?

[00:37:51.21] - Raluca Pruna

I mentioned that applying fines was not dissuasive enough at Union level, and this is why AMLA was entrusted to impose administrative pecuniary sanctions that can go up, up to €10 million or 10% of the annual turnover for most of the, uh, of the serious breaches by directly supervised entities. And it can also require periodic penalty payments where breaches continues and recommendations of AMLA are not followed through. Another important thing that we have provided in the, in the regulation is also a transparent process and the publication of such fines, thinking that, you know, yeah, this will have a— this will add to the dissuasive effect and it will be more than a nudging to, uh, to, um, enforcement. So this is what I can say about, uh, about the fines. Apart from fines, there are also other tools. Uh, for instance, for the non-financial sector, AMLA is not a supervisor, obviously not, but it has an oversight over, um, over the supervision of the non-financial sector. And there as well, AMLA is empowered to issue recommendations and warnings, and all this will be, will be made public. So transparency is also a concept that, that was considered here.

[00:39:42.29] - Nicolas Véron

We still have a few minutes left. I want to talk about international cooperation and There are many dimensions to that, but obviously crime is very international. So international cooperation is an additional set of interlocutors that AMLA will have, and not the least important. Also at a time where, frankly, there is a feeling that in the US, at the center of the financial system, AML enforcement is becoming maybe less consistent. There are many concerns about that. Can you give us a sense of how that will play out and how you see AMLA finding a place in an international network of AML authorities?

[00:40:28.16] - Raluca Pruna

Well, I'm not, I'm not convinced that there is an equivalent to AMLA anywhere else in any other jurisdiction. So of a structure which sits, as I said, on 2 pillars, supervision and coordination and cooperation mechanisms, mechanism for financial intelligence units. What I can say is that shortly after the adoption of the package and the creation of AMLA, AMLA was considered the,

you know, good story to tell, and it attracted a lot of, of interest from our international partners, including at the table of the Financial Action Task Force. There were— I cannot speak for AMLA, but I can say indirectly, uh, reassure everyone that, uh, AMLA is in close contact with the Financial Action Task Force, uh, and that AMLA is also contributing. I mean, it's part of the delegation, uh, that the Commission has to the Financial Action Task Force. And all this because they can contribute, I mean, with their expertise in the streams of work done there. But also because it, uh, the authority in itself attracted a lot of interest. It is also, um, provided by law, so in its own regulation, that AMLA can have memoranda of understanding with peers with, uh, in, in third countries.

[00:42:01.06]

And, uh, here I, I have to say that I do not know. I mean, I cannot provide details, but I know that they are in close contact and they attract a lot of attention from outside the Union. So I see a big role for AMLO playing here as well.

[00:42:20.24] - Nicolas Véron

Would it be even a global leadership role depending on what's happening in the US? How do you see that kind of mental map?

[00:42:29.15] - Raluca Pruna

I cannot say this, but I think as a lawyer, I think that, you know, if one takes a look at the regulation establishing AMLA, at the strong competencies it received, at the numerous toolbox that it has at its, uh, you know, disposal, uh, I think that, you know, everything is there for AMLA to tell a very good story. We are too early in the process. AMLA has not yet started the direct supervision. It does already a number of things, but I believe that we should give it a bit of time. And yes, being the only authority of the kind in the world, I think that it could play a very important role even outside the Union and be an interlocutor for partners outside the Union.

[00:43:23.25] - Nicolas Véron

So exactly on that, I mean, as you said, the 2024 legislation that established EMLA established it on a very strong basis, at least on paper. As you said, it's too early to judge the practice, but in theory, it is very strong. And there was kind of a journey to that, right? Because in 2018, after the first big AML scandals that we referred to, the initial proposal of the Commission was much more modest. It was to beef up the AML capacity of the European Banking Authority to make it a little bit more of a coordination rule. And then the Commission shifted, as you said, in 2020, when they published their action plan, to a much more ambitious design, which has been

effectively implemented. Can you tell us more, because you were there at the time, can you tell us more about this journey? Right. I mean, what made it happen that way is that the Commission initially had if you can allow me, a kind of modest proposal. And then 2 years later, less than 2 years later, a year and a half, came up with a very ambitious proposal without really an extremely violent crisis in the meantime.

[00:44:39.20]

It's not like the creation of the Single Supervisory Mechanism for bank prudential regulation, where it was like the survival of the eurozone was at stake. It was more of an internal process. So what happened? What made it you know, evolve from an incremental proposal to the radical design which is now giving us AMLA?

[00:45:00.13] - Raluca Pruna

Well, I think that it was— the intention was not to start— the intention was to have a piecemeal approach. So we have seen that there were some problems, big problems. The 5th Anti-Money Laundering Directive was in fact a reply to a crisis. We had the terror attacks in Bataclan in France. And this was, you know, an immediate policy and legislative reply to that crisis. Then we had indeed the review process of the European supervisory authorities. Work had started before, and it was a good opportunity to entrust the European Banking Authority with some AML competency. But it was never intended, uh, just to, to see, you know, to have a trial and error system to see whether it works with, uh, some small, uh, not very ambitious, uh, uh, proposals, and then if not, to try, uh, to come up with a big reform. This was, as I said, the piecemeal approach in which we have replied, you know, uh, punctually to, uh, um, to, to the problems. We are doing a diagnosis to, to see where exactly we have to act if we are to take everything off the table and, uh, and, and propose such an ambitious reform.

[00:46:26.10]

So I would conclude by saying that the time we have used was used, uh, again, one can see the numerous, uh, the numerous, uh, policy papers published, uh, diagnosis, because you cannot legislate in a serious way if you don't do a diagnosis of the problem. An action plan announcing, you know, what are the main elements of a comprehensive policy, followed by, by this ambitious package, which, as you said, uh, uh, yeah, it's, it's an ambitious, uh, reform. It has taken everything off the table and reconstructed the everything so that, uh, a new stronger start for AML in the Union is possible.

[00:47:12.23] - Nicolas Véron

As you said, AMLA is endowed with a lot of capabilities per the legislation that was enacted in 2024. Now they have to deliver. We wish them good luck. Thank you so much, Raluca Puna, for being with us today. And as usual, this session would not have been possible without the whole team at the Peterson Institute. Special thanks to Gina Weldon and Jessica Parada. for making it possible, and all of you have a great rest of the day.

[00:47:41.15] - Raluca Pruna

Thank you very much. Thank you all.