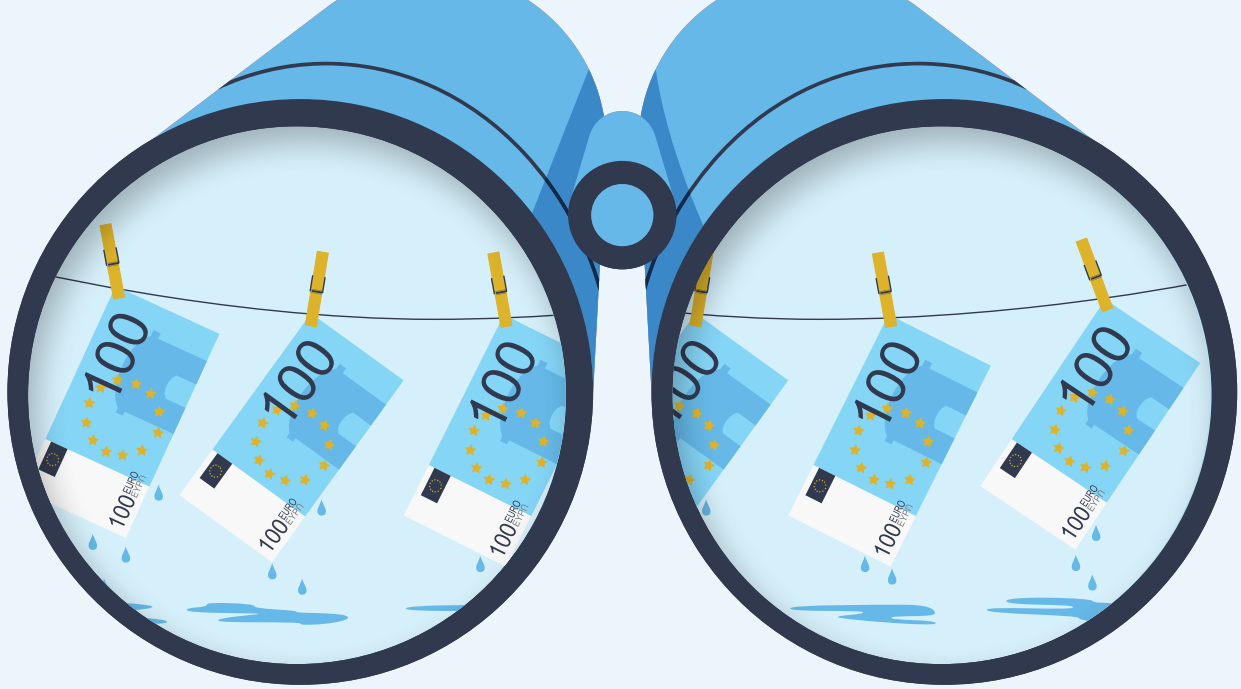


Together in the fight against
money laundering:
the key role of financial
institutions





The fight against money laundering (AML or Anti-Money Laundering) is a major priority for financial institutions. As gatekeepers of the financial system, they play a crucial role in detecting and preventing illegal activities. Through strict control and oversight mechanisms, they actively contribute to protecting the economy from criminal money flows. Despite these efforts, challenges remain.

This brochure delves into the obligations and responsibilities of financial institutions in the fight against money laundering, as well as the main challenges and possible solutions to enhance their effectiveness in this essential mission.

WHY ARE BANKS ESSENTIAL ACTORS IN THE FIGHT AGAINST MONEY LAUNDERING?

Money laundering poses a significant threat to economic and social stability. Its goal is to conceal the illegal origin of money derived from criminal activities such as drug trafficking, arms trafficking, human trafficking, or organised tax fraud, before reintroducing it into the legal economy.

In this context, financial institutions play a decisive role. Their mission is not limited to managing money flows: they must proactively monitor transactions and detect suspicious activities. Their central position within the economic system gives them a unique

responsibility in preventing money laundering risks.

Given the complexity of financial circuits and the volume of transactions, government agencies rely on financial institutions to analyse money flows. Banks are aware of these challenges and take their responsibilities seriously by implementing increasingly sophisticated control systems, but close cooperation with various institutional stakeholders is indispensable to enhance their effectiveness and amplify the impact of their efforts.

WHAT EFFORTS MUST BANKS MAKE ACCORDING TO LEGISLATION?

Financial institutions have an increased obligation of vigilance. They must not only identify their customers before entering into a business relationship but also ensure continuous monitoring of the business relationship and individually assess the risks they represent.

This vigilance also applies to transactions: banks must carefully monitor the transactions carried out during the business relationship and, if necessary, ask the customer questions about the origin of funds.

This entails several important obligations:

- Know Your Customer (KYC): identification and thorough knowledge of the customer
- Know Your Transaction (KYT): monitoring financial transactions
- Verification of the origin of funds
- Risk-based approach: adjusting the level of control to the risk profile of the customer
- Obligation to report suspected money laundering to the CTIF-CFI
- Compliance with financial embargoes
- Restrictions on the use of cash
- Obligation to report compliance with embargoes to the Treasury
- ...

Below some of these obligations are explained.



Know your customer

The fight against money laundering has a significant impact on the relationship between banks and their customers. Customers who want to open an account with a bank must first identify themselves. Thanks to the customer's willingness to share their identity and other information, the bank can correctly assess the

customer relationship and take appropriate measures to combat financial crime.

Concretely, this means that the bank must identify the customer and verify the identity using supporting documents:



For **natural persons**, this includes, for example:

- Verification of data (name, first name, place of birth, date of birth, etc.) through reading the electronic identity card (natural persons with Belgian nationality) or passport (natural persons with other nationality);
- Investigating whether a person has a 'specific risk-enhancing status' (e.g., Politically Exposed Persons, etc.).

For **legal entities**, specific information is required, including:

- Updated statutes;
- Clarity about the identity of directors, Ultimate Beneficial Owners (UBOs);
- Provisions regarding the authority to bind the legal entity;
- Clearly mapping the actions of agents (power of attorney holders, agents).

This process must be repeated periodically (continuous vigilance). This means that banks must continuously monitor various aspects:

- New address?
- New statutes?
- New UBO's? The company must identify UBOs in the UBO register and notify the bank.
- ...

The bank repeats this exercise to check whether the risk profile and measures to be taken remain unchanged or need to be adjusted.

The above list is not exhaustive. It is subject to strict legislation and the recommendations of the National Bank of Belgium. Since the rules are based on a risk-based approach, each financial institution determines its own specific policy towards its customers.

Know your transactions

Banks must monitor their customers' financial transactions. They must check whether a transaction aligns with the customer's characteristics and the purpose and nature of the relationship. They must detect "atypical" transactions based on criteria such as:

- abnormally complex transactions;
- Transactions for an unusually high amount;
- intrinsically unusual transactions without apparent economic basis or legitimacy;
- Transactions that do not seem to align with the client's profile.



Risk-based approach

Banks must focus their AML efforts and resources on minimising the risk of being misused for money laundering or terrorist financing. This risk-based approach allows financial institutions to take less extensive measures in situations where risks are low and to use the freed-up resources for applying enhanced measures in situations where risks are higher.

If a bank identifies certain AML risk-enhancing factors, it must:

- Gather more information to verify information;

- Pay increased attention to and monitor transactions;
- Update data more quickly;
- And, of course, report any suspicion of money laundering to the CTIF-CFI and possibly terminate the relationship.

Banks must be able to apply a fully risk-based approach at all times in accordance with anti-money laundering law. This means they must be able to analyse and mitigate the money laundering risks associated with each individual customer.

Reporting suspicious transactions

Thanks to the procedures mentioned above, banks can optimally fulfil their legal role in the fight against money laundering and report suspicious transactions or suspicious facts to the Financial Intelligence Processing Unit (CTIF-CFI).

These can then be thoroughly examined and possibly reported to the prosecutor's office. CTIF-CFI figures show that banks are one of the main actors in the fight against money laundering. In 2023, credit institutions reported 40,129 suspicious transactions to the CTIF-CFI, which is more than half of all received reports. Moreover, banks are responsible for 81% of all reported files from CTIF-CFI to the judicial authorities. Banks are therefore the main contributors to the total amount of 2.8 billion criminal assets detected (in 2023).¹



In 2023, there were
40,129
reports to



ctif cfi

¹ Source: CTIF-CFI annual report 2023.

WHICH SIGNIFICANT INVESTMENTS DO BANKS MAKE?

To comply with legislation and the obligations arising from it, banks must invest heavily in their procedures. This also means strengthening their internal organisation.

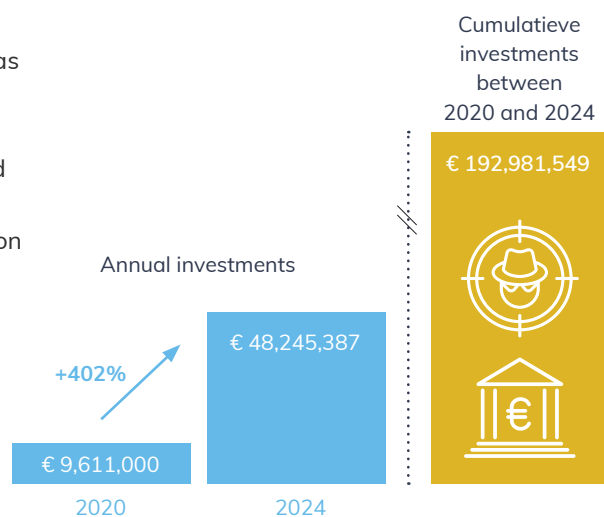
Strong growth in IT investments

Since the entry into force of the fourth European anti-money laundering directive, banks have significantly increased their investments, particularly in IT, with a cumulative total of €193 million between 2020 and 2024.

Moreover, IT investments in 2024 amounted to approximately €48.2 million, almost five times as much as in 2020.²

These significant investments are mainly aimed at automating control, onboarding (customer integration process, including identity verification and risk assessment), and transaction monitoring processes. Thanks to these tools,

banks improve the effectiveness of their control procedures and strengthen their ability to detect and prevent money laundering risks.



Internal organisation

In addition, banks have strengthened their internal organisation to optimally intensify the fight. In Belgium, approximately 2,100 bank employees are involved daily in the fight against money laundering. Compared to 2020, this is an increase of 40%.³ practice, however, this is much

broader, and every bank employee is constantly attentive to this mission. The fight against money laundering is not only ensured by compliance departments but by all departments within the bank, primarily by employees who are in contact with customers.

² Febelfin survey conducted in 2025, with data relating to the situation on 31/12/2024 at 5 banks, including 3 major banks.

³ Febelfin survey conducted in 2025, with data relating to the situation on 31/12/2024 at 9 banks, including the 4 major banks.

WHAT OBSTACLES DO BANKS FACE?

Banks are faced with several bottlenecks in their role as gatekeepers against money laundering and financial fraud.

One of the biggest challenges is the legal restrictions on information exchange. Currently, financial institutions can only exchange data if it concerns 'the same customer' and 'the same transaction', which limits their ability to detect fraud.

At the same time, banks are under increasing pressure from ever-stricter regulations, with increasingly stringent anti-money laundering rules and severe penalties for non-compliance.

This situation confronts them with two conflicting societal expectations.

On the one hand, they are urged to intensify the fight against financial crime. On the other hand, they are sometimes wrongly accused of 'derisking', i.e., refusing customers deemed too risky, thereby limiting access to banking services for certain economic sectors. However, the National Bank of Belgium has confirmed that there is no question of a systematic de-risking strategy by banks. Nevertheless, it is essential to find a balance between increased vigilance and a regulatory framework that allows for a more targeted fight against money laundering.

WHAT ARE THE SOLUTIONS AND PROSPECTS?

To address the challenges banks face in their role as gatekeepers against money laundering, various solutions can be implemented to improve the effectiveness of the fight against financial crime while simplifying the activities of financial institutions.

Simplifying information exchange

It is crucial to promote cooperation between government agencies and banks. The establishment of the AML partnership between public and private players (known as the "AML platform"⁴) is a good start, but it is not enough. This includes providing the CTIF-CFI with the necessary legal instruments to share more information with entities subject to anti-money laundering legislation. Banks must receive feedback on the reports they submit to the CFI to improve the quality of these reports. Possibly,

the new "GO-AML" tool that banks use to transfer their reports to the anti-money laundering cell offers opportunities in that regard. Additionally, it is recommended to expand the possibilities for information exchange between financial institutions, allowing suspicious transactions to be detected more quickly and money laundering practices to be prevented more efficiently. In this respect, the new European AML package offers positive prospects as public-private partnerships are given a legal basis in the new AML regulation.

⁴ Regular consultations between the Treasury, the National Bank of Belgium, the FSMA, the judicial and federal police, the CTIF-CFI, and representatives of the insurance sector, payment institutions, and financial institutions.

Adapting the legislative framework

To enable financial institutions to appropriately reconcile their role in financial inclusion and their AML obligations, there is a need to increase the legal certainty associated with their gatekeeper role and reduce the pressure associated with the risk of sanctions. This can be done by clarifying the “immunity” provision for a good faith disclosure to CTIF-CFI in the Anti-Money

Laundering Act, avoiding current interpretation discussions. In addition, mitigating circumstances should also be introduced for banks that are required to establish relationships with (high) risk customers under the basic banking service legislation, allowing them to fulfil their role without having to fear excessive penalties.

Developing technological tools and reliable databases and optimising access to existing registers

To improve anti-money laundering controls, a centralised database of politically exposed persons (PEPs), linked to existing public sources, would enable banks to identify these individuals more easily and avoid cumbersome procedures for customers.

In addition, banks and identification platforms such as ITSME should be able to receive direct updates from the national register. This would facilitate the KYC process and avoid banks having to systematically question their customers about, for example, a change of address (only once reporting).

Administrative simplification for UBOs

To avoid the administrative burdens associated with identifying UBOs (Ultimate Beneficial Owners), banks should be able to rely solely on the information in the UBO register.



These recommendations, which prioritise increased cooperation between banks, governments, and all stakeholders, as well as improvements to the legislative framework, will enable banks to fully exercise their role as guardians of the financial system.



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