



Eurofinas and Leaseurope observations on the FATF draft guidance for private sector information sharing

Brussels, 4 August 2017

Eurofinas and Leaseurope welcome the opportunity to respond to the consultation by the Financial Action Task Force (FATF) on the draft guidance for private sector information sharing.

Eurofinas and Leaseurope represent European finance companies engaged in business, asset and consumer finance activities. These activities are conducted by banks, specialised subsidiaries of banks, captive finance companies of manufacturers or distributors and independently owned institutions. Their geographical footprint is diverse and ranges from local activities (i.e. within one specific jurisdiction) to pan-European and, in some cases, global networks. Irrespective of their legal status and operational business characteristics, these firms are subject to the Anti-Money Laundering (AML) and Counter-Financing of Terrorism (CFT) international standards.

The consumer credit, asset finance and leasing markets have developed to respond to business investment and consumption needs as well as to accompany the development of local industrial production and distribution. Their economic roles are central. What makes our sector specific from other banking and financial organisations is the very high degree of specialisation as well as the relatively smaller size of our businesses. Our member firms are much more likely to benefit from structured information sharing in the field of AML/CFT. Specialisation brings a very precise and accurate expertise which, in our view, allows for an efficient detection of illicit practices. This know-how is very much valued within financial groups and needs to be shared. Relatively smaller-sized firms also take a specific interest in pooling resources with other operators for efficiency and cost control purposes.

Against this background, we would like to thank and congratulate the FATF for its work in promoting information sharing in the private sector. We think this is a very valuable initiative and we appreciate its difficulties given the high number and diversity of jurisdictions involved. In particular, we welcome the acknowledgement that effective information sharing group-wide and between financial institutions that are not part of the same group is one of the cornerstones of a well-functioning AML/CFT framework.

In relation to the Data Protection and Privacy (DPP) framework, we agree that existing standards can create obstacles in the implementation of AML/CFT requirements including in connection to information sharing. Even when data processing and sharing for AML/CFT purposes are explicitly authorised, the complexity of DPP regimes, the potential sanctions and reputational implications in case of breach of standards as well as a general lack of precision in supervisory guidance are very powerful deterrent factors.

As we highlighted at the last FATF Private Sector Consultative Forum, we strongly support an enhanced dialogue between banking/financial, DPP and AML/CFT supervisors at international and local levels on this question. We believe *ad hoc* channels should be established to address concrete operational questions such as, for example, the sharing of listings regarding suspicious customers or the implementation of innovative identification or risk assessment criteria.

Information sharing within financial groups – Recommendation 18

We agree with the clarifications concerning the definition of 'financial group' as well as the concept of 'group wide'. For us, it is essential that information sharing is permitted within groups independently of the legal status of the subsidiary entities. We would recommend adding an explicit reference to the case of joint venture enterprises to make sure that information exchanges are also possible between these entities and their owning firms.

We also agree with the comprehensive listing of information required to be shared for group-wide programmes. It would also be helpful to permit the exchange of data on movable financed or leased assets (e.g. cars, ICT equipment). Access to this information intra-group would help managing risk and identify potential suspicious patterns as movable assets can easily reappear in the context of another financial transaction.

Information sharing between financial institutions

Eurofinas and Leaseurope strongly support the exchange of information between financial institutions that are not part of the same group for AML/CFT purposes. This is particularly vital for smaller-sized institutions with a limited scope of activities.

We understand that there are different operating and legal frameworks across jurisdictions and different cultural sensitivities regarding information sharing (including within closely integrated European markets). It is important to recognise at international level that different approaches may therefore be required as efficient systems can only be established if they are truly supported by contributing operators and public authorities.

We believe most stakeholders understand that AML/CFT strategies and tools cannot be developed in silos by individual organisations or authorities but require mutualisation. In this context, it is worth recalling that information sharing in the private sector helps private organisations comply with AML/CFT standards and increase the efficiency of controls. It does not compete with but enriches the action of public authorities.

Against this background, we think the following points should be clarified:

- DPP as well as banking secrecy frameworks should not be an obstacle to the exchange of information for the purpose of managing financial crime risk. There should be clear rules in place to allow private operators to exchange information in a secured and accountable way.
- Information obtained by obliged entities outside their own enterprises should be recognised as valid for the purpose of reporting suspicious files.
- All obliged entities should be allowed and encouraged to exchange information, independently of their legal status or operational business characteristics i.e. information exchange should not only be permitted for certain type of operators. In this context, it would also be useful to assess the possibility for relevant non-obliged entities (e.g. telcos) to partner with financial institutions for the purpose of information sharing.
- Information sharing should be permitted through public authorities but also through trade and private organisations.
- Subject to the appropriate security and privacy safeguards, the exchange of the following information should be allowed:
 - Customer information such as identification
 - Outcome of documentation checking
 - Relevant financial data such as credit history
 - Data on movable financed or leased assets (for e.g. car registrations)
 - AML/ CFT patterns (independently of an STR)

Finally, we would like to reiterate our call for international support for the facilitation of information sharing between private operators in the context of fraud prevention and cybersecurity. Though not all fraudulent loan/lease applications are connected to illicit activities, fraudulent behaviors (such as the forging of documentation) are a very powerful risk indicator of financial crime. We would welcome an FATF encouragement in this field.

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About Leaseurope

Leaseurope brings together associations representing the leasing, long term and/or short term automotive rental industries in Europe. The scope of products covered by Leaseurope members' ranges from hire purchase and finance leases to operating leases of all asset categories (automotive, equipment and real estate). It also includes the short term rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 94% of the European leasing market and in 2016, total new leasing volumes worth 334 billion were granted by the firms represented through Leaseurope's members, reaching 779 billion EUR of outstandings at the end of the year. More info at www.leaseurope.org

About Eurofinas

Eurofinas is the voice of consumer credit providers in Europe. As a Federation, Eurofinas brings together associations throughout Europe that represent finance houses, universal banks, specialised banks and captive finance companies of manufacturers and distributors. The scope of products covered by Eurofinas members includes all forms of consumer credit products such as personal loans, linked credit, credit cards and store cards. In 2016, the consumer credit providers that are members of Eurofinas helped support European consumption by financing more than 457 billion EUR new lending of goods, services, home improvements and private vehicles for individuals, reaching 1024 billion EUR of outstandings at the end of the year. More info at www.eurofinas.org