Enhancing AML/CTF through Private Sector Data Exchange:

What Opportunities Does Art. 75 of the New EU Money Laundering Regulation Offer for Collaborative Transaction Monitoring?

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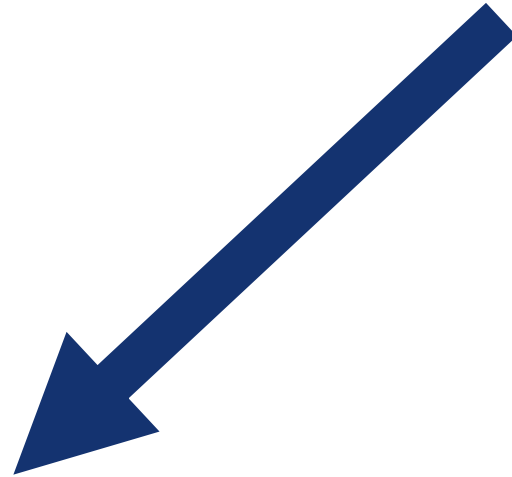# Collaborative Transaction Monitoring in Practice

Future of Financial Intelligence Sharing (FFIS)

A Survey and Policy Discussion Paper:
"Lessons in private-private financial information sharing to detect and disrupt crime"
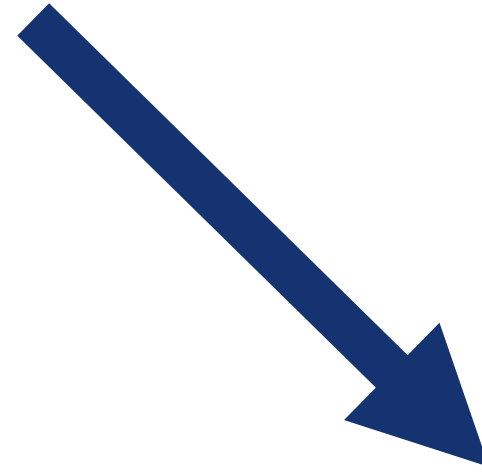
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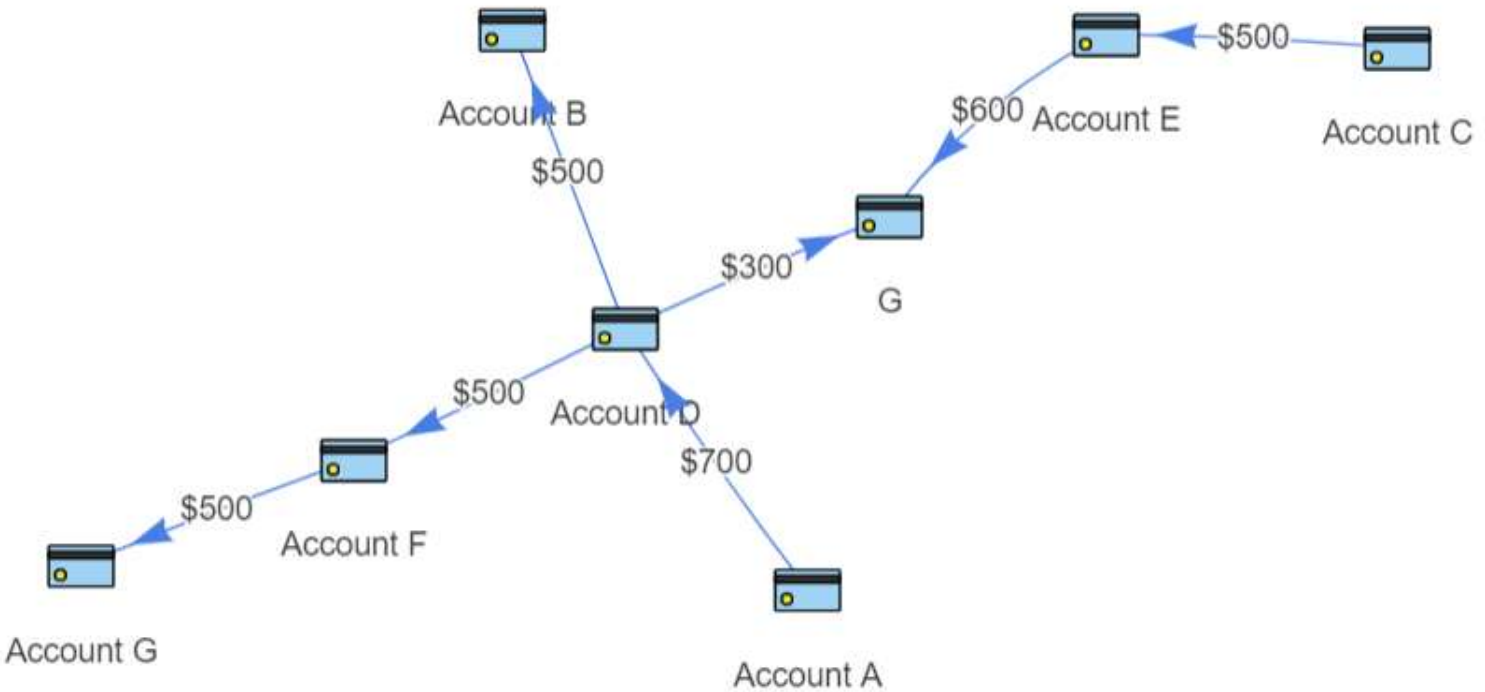# Use cases of Collaborative Transaction Monitoring

discover unknown risk

assess known risk

Discovering unknown risks: Examples

Network Analysis

Discovering unknown risks: Examples

Privacy-preserving Anti-Money Laundering using Secure Multi-Party Computation

Marie Beth van Egmond[1], Vincent Dunning[1], Stefan van den Berg[1], Thomas Rooijakkers[1], Alex Sangers[1], Ton Poppe[2], and Jan Veldsink[3]

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Abstract. Money laundering is a serious financial crime where criminals aim to conceal the illegal source of their money via a series of transactions. Although banks have an obligation to monitor transactions, it is difficult to track these illicit money flows since they typically span over multiple banks, which cannot share this information due to privacy concerns. We present *secure risk propagation*, a novel efficient algorithm for money laundering detection across banks without violating privacy concerns. In this algorithm, each account is assigned a *risk score*, which is then propagated through the transaction network. In this article we present two results. Firstly, using data from a large Dutch bank, we show that it is possible to detect unusual activity using this model, with cash ratio as the risk score. With a recall of 20%, the precision improves from
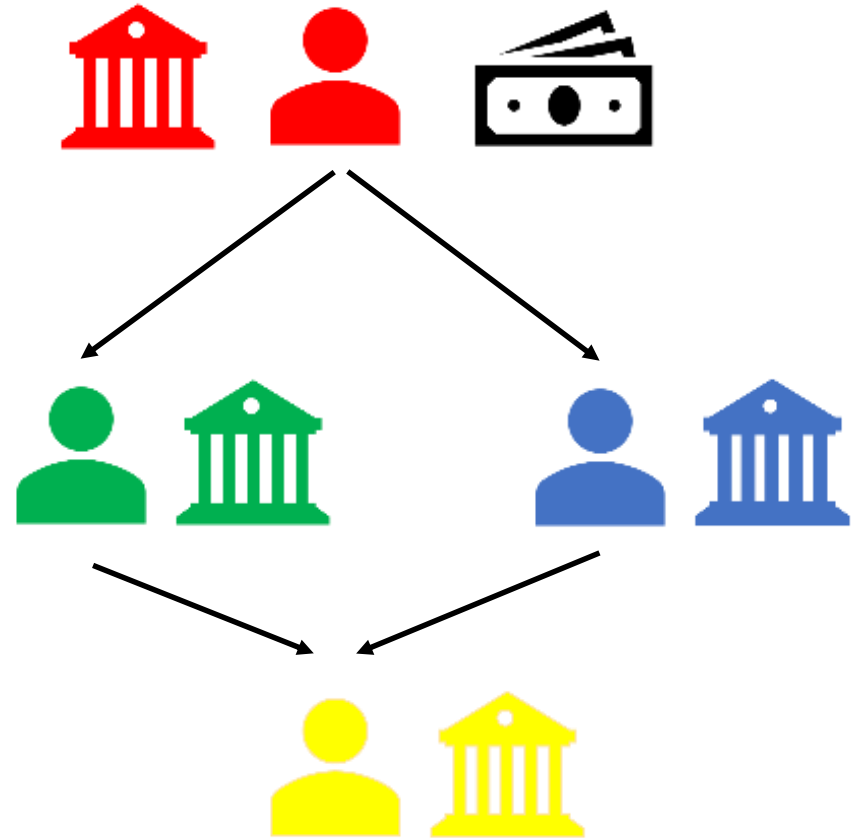
Assessing known risks: Example

Known Risk: Customer A is receiving money from a counter party from a high-risk jurisdiction.

Privacy Impact

Step 1: Sharing of anonymous statistical data

Step 2 to X: Sharing of statistical data on Customer A / the specific transactions (e. g. number of high-risk customers in the network of customer A)

Last step: Sharing of open personal data (e. g. asking other banks whether their customers also receive money from the same counter party)

Legal Challenges in Collaborative Transaction Monitoring

- Data protection laws
- Outsourcing of compliance functions that are not permitted under AML law
- Cooperation prohibited by competition law
- Possible violation of prohibitions on tipping off

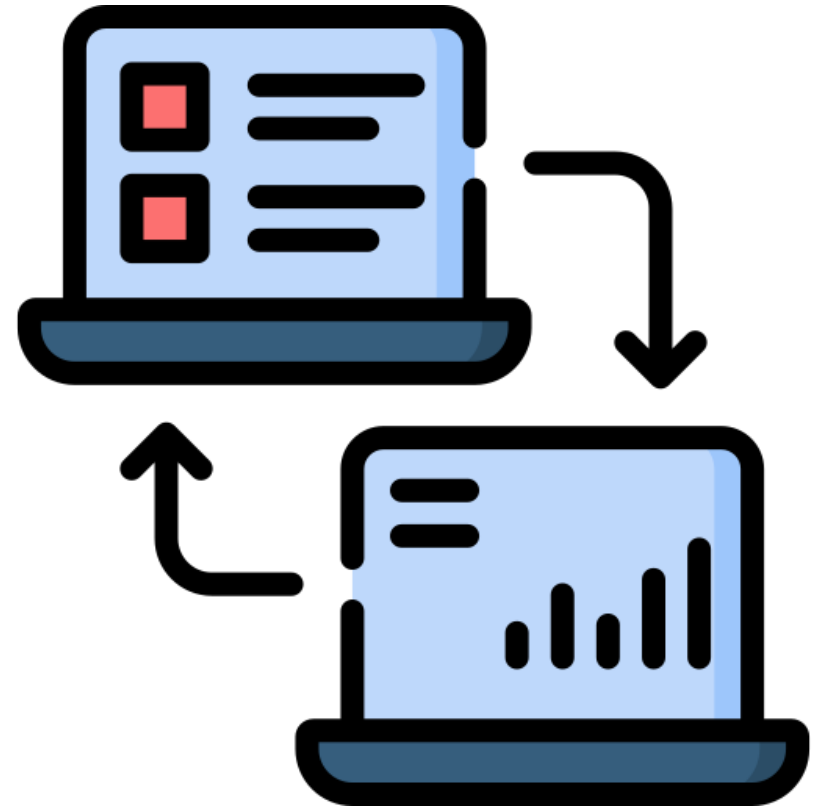# Art. 75 EU-AML Regulation as a game changer for the European market?

Applicable from summer 2027

Data sharing based on Art. 75 EU-AMLR

- **All obliged entities** can participate.
- The **range of shareable** data is vast:
  - Customer Data (address, name etc.)
  - Transaction Data
  - CDD data (such as risk classification)
  - TM data (number of alerts etc.)

→ No restriction to post-suspicion data!

Data sharing based on Art. 75 EU-AMLR

Caveat: Art. 75 para. 4 lit. f) EU-AMLR seems to restrict data sharing to high-risk cases.

However:

- Definition of high-risk cases is quite broad (e. g. every case that is associated with a higher risk according to NRA or SNRA)

- Data exchange is also allowed when customers are involved *"for whom the obliged entities need to collect additional information in order to determine whether they are associated with a higher level of risk of money laundering, its predicate offences or terrorist financing"*

Privacy Measures

- Art. 75 EU-AMLR **does not grant** any exception to the EU General Data Protection Regulation.

- Obliged entities *"shall implement appropriate technical and organisational measures […] to ensure a level of security and confidentiality proportionate to the nature and extent of the information exchanged"* (Art. 75 para. 4 lit. e) EU-AMLR).

Privacy Measures: Suggestion for a „ladder approach"

Open data exchange

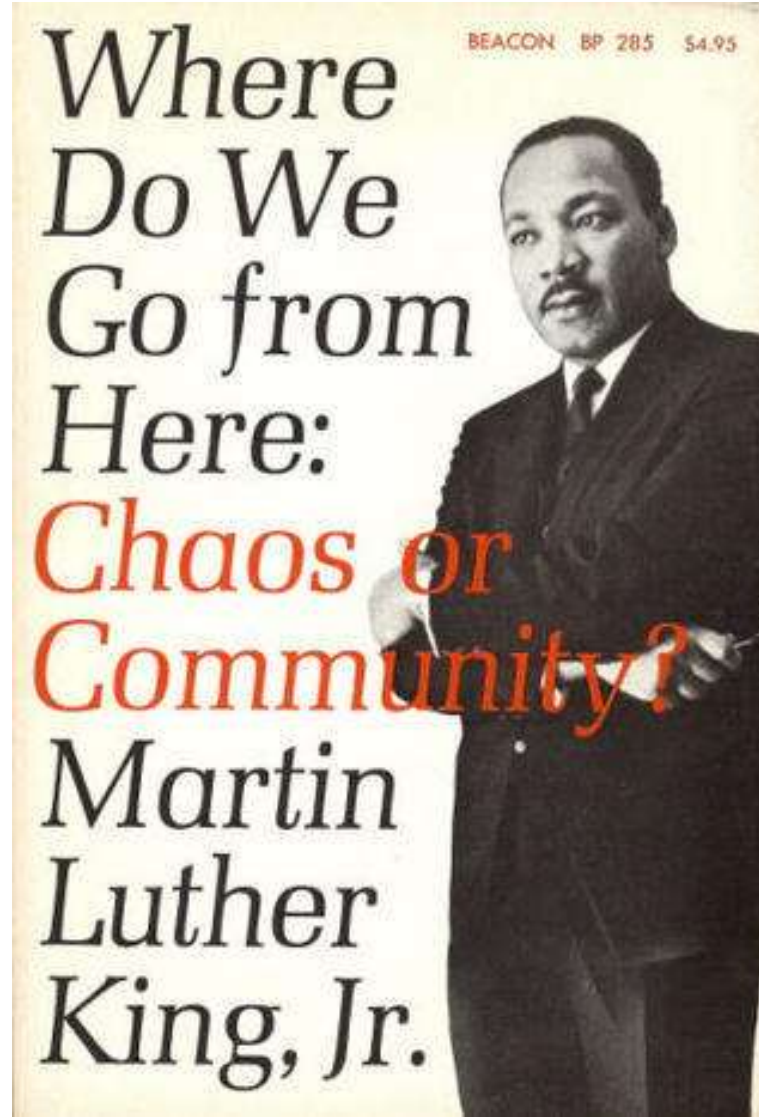**Exchange of more granular statistical information**

Exchange of statistical information with low-risk of personal identification

Increased suspicion / SAR filing imminent

Only high-risk customers / transactions

All data

Outlook

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