

Preventing money laundering and terrorism financing in the EU's crypto-assets sector

Crypto-assets have grown rapidly over the past decade, with mainstream adoption expanding as more individuals, businesses, and financial institutions engage in the crypto space. The underlying blockchain technology offers traceable transactions and immutable records. Such technology, when paired with robust compliance, can assist crypto asset businesses and authorities in identifying illicit activities, including money laundering and terrorist financing (ML/TF).

But crypto-assets businesses can be abused for ML/TF purposes. There are some features that make crypto-assets and crypto-assets businesses particularly vulnerable. For instance:

- Crypto-assets have features that hide the identity of customers and make it easier for criminals to conceal their tracks.
- Certain distribution channels and business models are new and neither regulated nor supervised.
- Some crypto services have a global reach

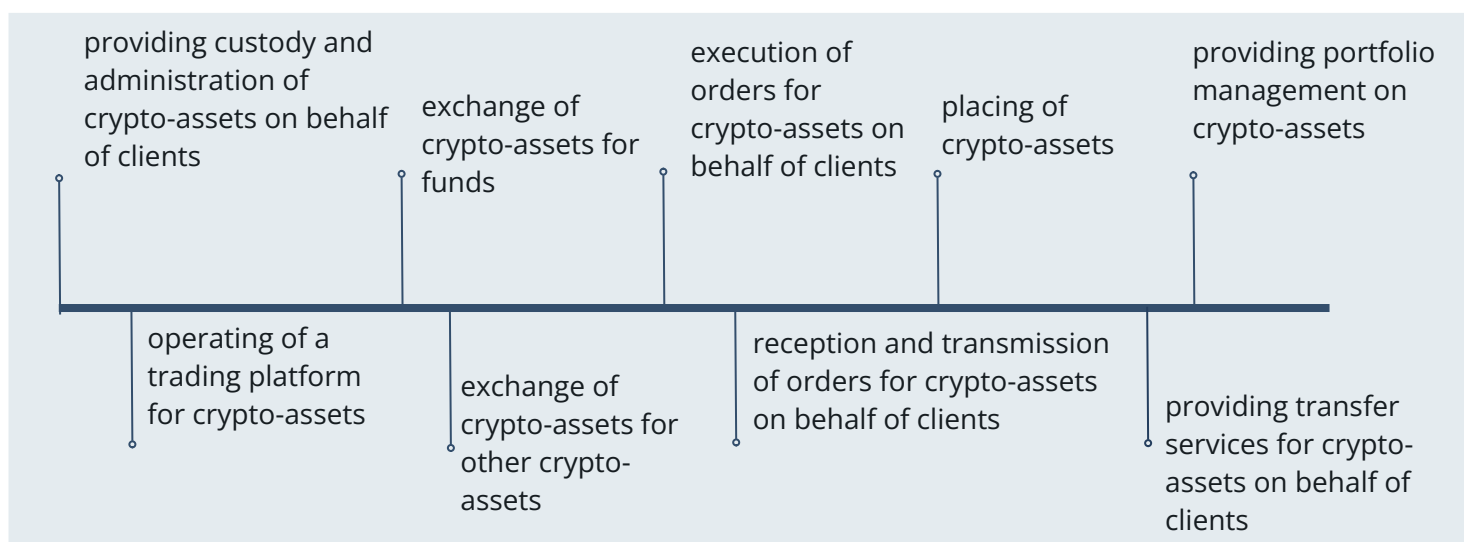
Most crypto-asset businesses have so far been unregulated. This affected what these businesses have done to detect and deter financial crime.

How has the European regulatory approach to tackling ML/TF risk in this sector evolved?





The EBA has been monitoring the use of crypto-assets in the EU since 2013.

In 2018, Directive (EU) 2018/849 brought some crypto-asset businesses within the scope of the EU's AML/CFT framework. However, the AML/CFT requirements and obligations were applicable to two types of service providers only: a) custodian wallet providers, and b) providers engaged in exchange services between virtual and fiat currencies. They were also limited to AML/CFT policies and procedures and did not extend to other checks, such as market entry controls or consumer protection requirements.

In 2023, Regulation (EU) 2023/1114 (Markets in Crypto-Assets Regulation - MiCAR) introduced a single rulebook for the regulation and supervision of a wider set of crypto-asset issuance, trading, and service provision. At the same time, the EU's AML/CFT legislative framework was revised and extended to other crypto-asset service providers (CASPs), via the amendments to Directive (EU) 2015/849 as introduced by Regulation (EU) 2023/1113. This new legal framework applies from December 2024.



The new EU framework applies from the end of 2024. It introduces four key AML/CFT rules for CASPs.

- 1**  CASPs, issuers of asset-referenced tokens (ARTs), and issuers of e-money tokens (EMTs) have to seek authorisation to operate in the EU. To be authorised, they have to demonstrate adequate control mechanisms and risk management procedures concerning their operation, organisation and governance, including from an AML/CFT or financial crime perspective.
- 2**  After obtaining that authorisation, all CASPs and issuers of EMTs have to ensure compliance with EU AML/CFT rules. This includes assessing and understanding the ML/TF risk to which they are exposed, and putting in place internal policies, controls and procedures that are adequate and commensurate to that risk.
- 3**  Issuers of ARTs that are not CASPs or other obliged entities are not 'subject to specific AML/CFT systems and controls rules but still have to ensure that the issuer or the sector are not exposed to serious ML/TF risks and that financial crime is not occasioned, facilitated.
- 4**  CASPs are required to include specific information on the originator and beneficiary with transfers of crypto-assets to make these transfers traceable. CASPs also have to apply specific measures in relation to transfers of crypto-assets involving self-hosted addresses.

Entities that are already subject to AML/CFT requirements and wish to take advantage of the MiCAR grandfathering regime continue to be subject to those AML/CFT requirements and any changes thereto.

Article 143(3) of the MiCAR sets out that "Crypto-asset service providers that provided their services in accordance with applicable law before 30 December 2024, may continue to do so until 1 July 2026 or until they are granted or refused an authorisation pursuant to Article 63, whichever is sooner." This transitional provision gives CASPs that already operated under an applicable framework (AMLD or a domestic AML/CFT regime) before the date of application of the MiCAR on 30 December 2024 the possibility to continue to provide their services while applying for a CASP license under the MiCAR. Regulation (EU) 2023/1113, and the changes to the AMLD introduced by this Regulation apply to grandfathered CASPs as they do to other credit and financial institutions.

What is the EBA doing to tackle ML/TF risks in the sector?

The EBA is responsible for preventing the use of the EU's financial system for ML/TF purposes. This includes CASPs and issuers of ARTs and EMTs. On 31 December 2025, the EBA will transfer its AML/CFT powers to the new EU AML Authority.

The EBA is working to build a common approach to tackling ML/TF risks in this sector and has issued several regulatory instruments to institutions and their supervisors that specify how the new rules should be applied at market entry and throughout the life cycle of a CASP, EMT or ART.



These instruments include:



Compliance

EBA Guidelines on internal governance arrangements for issuers of ARTs under MiCAR on internal governance arrangements.

The Guidelines clarify that identifying, managing, and mitigating ML/TF risks are part of issuers' sound governance arrangements and risk management framework.

EBA Guidelines on redemption plan

The Guidelines identify the relevant AML/CFT checks that should be carried out at the moment of redemption. If the issuer is not subject to ML/TF obligations, these activities must be performed by an intermediary that is an obliged entity under the AML framework.

ESMA Guidelines on procedures and policies, including the rights of clients, in the context of transfer service for crypto-assets

The Guidelines, taking into account the provisions of Regulation (EU) 2023/1113 as also specified in the EBA travel rule Guidelines, clarify that CASPs should establish, implement and maintain adequate risk-based policies and procedures for determining whether and how to execute, reject, return or suspend a transfer of crypto-assets.

EBA Guidelines on ML/TF risk factors

The Guidelines highlight factors that CASPs should consider to assess their exposure to ML/TF risk, and set out how to adjust customer due diligence in line with those risks. Furthermore, they also include guidance to other credit and financial institutions on risks to consider when engaging in a business relationship with a CASP or when they are otherwise exposed to crypto-assets.

EBA Guidelines on policies and procedures for restrictive measures

The Guidelines set out the criteria CASPs should consider when choosing and assessing the adequacy of screening systems to comply effectively with their restrictive measures obligations. It also clarifies what CASPs should do when screening customers and transfers, and when analysing alerts generated through such screening.

EBA Travel rule Guidelines

The Guidelines specify the steps that CASPs should take to detect missing or incomplete information that accompanies a transfer of crypto-assets, and the procedures they should put in place to manage a transfer that lacks the required information.



Market Entry

EBA RTS on information for assessment of a proposed acquisition of qualifying holding in issuers of ARTs, ESMA RTS specifying the detailed content of information necessary to carry out the assessment of a proposed acquisition of a qualifying holding in a CASP

The RTS specifies which information should be provided to the competent authority for their assessment of the reasonable grounds for suspecting an attempt or increase in ML/TF risk by the proposed acquisition.

EBA RTS on information for authorisation as issuers of ARTs under MiCAR

The RTS clarifies that the risk assessment within the programme of operations should include ML/TF risk. Additionally, it requires a clear indication of the mechanism of issuance, including the CAPSs involved in the issuance and redemption of the ARTs. Finally, the RTS mandates that the internal control systems of the CASPs comply with AML/CFT requirements.

ESMA RTS specifying the information to be included in a notification by certain financial entities of their intention to provide crypto-asset services

The RTS specifies the information that the applicant must provide regarding its internal control mechanisms, policies, and procedures to ensure compliance with AML/CFT requirements, as well as information on the risk assessment framework to manage ML/TF risks.

ESMA RTS specifying the information to be included in an application for authorisation as CASP

The RTS clarifies the information applicants should provide regarding their mechanisms, systems, policies, and procedures for preventing AML/CFT risks associated with their business activities.



Supervision

EBA RTS on supervisory colleges

The Guidelines include guidance to competent authorities when assessing ML/TF risks associated with CASPs and ensure a common understanding by competent authorities in the EU of the risk-based approach to the AML/CFT supervision of these entities.

EBA Guidelines on risk-based supervision

The Guidelines include guidance to competent authorities when assessing ML/TF risks associated with CASPs and ensure a common understanding by competent authorities in the EU of the risk-based approach to the AML/CFT supervision of these entities.

Joint EBA/ESMA Guidelines on the suitability assessment of members of management body of issuers of ARTs and of CASPs

The Guidelines specify the actions required to assess the sufficiently good reputation of shareholders or members with direct or indirect qualifying holdings, including considerations related to the suspicion of ML/TF.

Joint EBA/ESMA Guidelines on the suitability assessment of shareholders and members, whether direct or indirect, with qualifying holdings in issuers of ARTs and in CASPs.

The Guidelines clarify the methodology that should be applied to assess the absence of reasonable grounds to suspect that ML/TF is being committed or attempted.

All existing EBA AML/CFT guidelines that are addressed to credit and financial institutions apply to CASPs as well. CASPs should refer to the [EBA website](#) for further information.

In addition, the EBA continues to monitor crypto-assets activities in the EU markets from an AML/CFT perspective and supporting competent authorities in their supervision, for example, by:

Coordinating

supervisory actions and responses where adverse developments could jeopardise the orderly functioning and integrity of financial markets or the stability of the financial system in the EU

Assessing

risks associated with crypto-assets as part of the Opinion on ML/TF risks affecting the Union's financial sector.

Promoting

supervisory convergence and the effective implementation of the regulatory instruments, for example, through supervision workshops and timely exchange of information.

Building

capacity through training.