

Lights on Regulatory Requirements

“In terms of compliance, new organizational models and new tools need to be properly assessed in the light of the regulatory requirements,” says Elisa Da Silva, Managing Director of DS Compliance. She explains how the company helps its clients to implement their regulatory obligations.

CAN YOU DESCRIBE YOUR COMPANY IN A FEW WORDS?

DS Compliance provides services to actors in the fund industry, insurance companies as well as to the banking sector and other regulated professionals such as real estate agents, chartered accountants and lawyers. It includes advisory services, support, mandates, secondment in compliance and training. Anti-money laundering and combating terrorism financing continue to be a strong focus in 2022. During the planned FATF visit in the last quarter 2022, some market players will be interviewed by the FATF experts. They need to be prepared to respond to questions relating to their internal controls, organizational measures, AML-CTF risk assessment and the risk appetite they have put in place internally. The supervisory authorities such as CSSF, CAA, AED, OEC, control commission of lawyers' supervisory authority, continue their focus on AML-CTF by regular offsite and onsite controls. DS Compliance can assist these professionals with bringing an operational response and implementation of their regulatory obligations.

HOW ARE YOUR CLIENT'S EXPECTATIONS CHANGING AND HOW DO YOU ADAPT TO THEM?

The expectations of the clients have evolved in the last two years. The pandemic crisis has created accelerated digitalization. Actors in the financial sector also want to develop new data management processes and integrate new tools of control within their structure. For such changes, they need advice: For example, the implementation of new tools on AML-CTF for transactions' monitoring, sanctions lists, screening and risk assessment must be analyzed. The tool chosen will differ between organizations depending on their size and their business model. In terms of compliance, new organizational models and new tools need to be properly assessed in light of the regulatory requirements.

WHAT MAJOR COMPLIANCE TRENDS DO YOU IDENTIFY?

I see two main trends that impact the compliance area. Firstly, new technologies like blockchain, the



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development of cryptocurrencies, tokenization, and distributed ledger technologies directly impact the governance and internal control framework within companies. These new technologies have already been assessed by the regulator, the CSSF, which recently issued some papers (a white paper on DLT and blockchain and also a FAQ document on virtual assets). When financial institutions deploy these new technologies, they must adapt their risk assessment framework to incorporate regulatory requirements and address risk and compliance matters. Sustainable finance represents the second trend. It relates to European Commission's Green Deal as well as the United Nations' Seventeen Sustainable Development Goals. The European Union has issued a number of subsequent texts over

the past three years (i.e., regulations on disclosure obligations, taxonomy, green bonds and benchmarks) to monitor and report the capital flows towards sustainable investments. The interpretation of these EU regulations is key for financial institutions, in the banking sector, the insurance industry and asset management. They need to demonstrate their intention to apply the ESG factors and their effective implementation by putting in place internal policies, procedures, and scorecards. The objective is to detail on one hand sustainability risks and their impacts on the value of the company/investment; and on the other hand, sustainability factors and adverse sustainability impacts on these factors. The purpose is also disclosure to the clients and investors and the reporting to the supervisory authorities.