
27 April 2022

EBA statement on financial inclusion in the context of the invasion of Ukraine

Following the invasion of Ukraine, millions of people have found refuge in EU Member States. They need access to basic financial products and services to participate in EU society. The EBA calls on financial institutions to provide such access.

In this statement, the EBA sets out what financial institutions and their supervisors can do to provide access to refugees from Ukraine to the EU's financial system. It also sets out what financial institutions and supervisors can do to protect vulnerable persons from abuse by criminals and calls on financial institutions to ensure that compliance with the EU's restrictive measures regime does not lead to unwarranted de-risking.

This statement is in line with the current EU legal framework and reflects content from the EBA's existing guidelines and opinions. It is without prejudice to provisions in the national law of EU/EEA Member States.

Ensuring access by refugees from Ukraine to the EU's financial system

On 4 March 2022, the [Temporary Protection Directive \(2001/55/EC\)](#) was activated. This Directive gives refugees from Ukraine temporary EU residency and an associated right to access and use a payment account with basic features in line with Article 16 of the Payment Accounts Directive (2014/92/EU, PAD). The right to open and use a basic payment account applies to the extent that credit institutions can comply with their anti-money laundering and countering the financing of terrorism (AML/CFT) obligations. Compliance with AML/CFT obligations is also required for other financial products and services, such as prepaid cards or money transfers.

The EBA considers that compliance with AML/CFT obligations should not lead to the financial exclusion of legitimate customers. This is because the EU's AML/CFT framework is sufficiently flexible to allow financial institutions to comply with their AML/CFT obligations effectively in different ways.

For example, under EU law, financial institutions can apply Simplified Customer Due Diligence measures when taking on new customers or before carrying out an occasional transaction in situations where the money laundering and terrorist financing (ML/TF) risk is reduced. This could be the case where a financial product's functionalities are very limited or available to customers meeting a set of narrowly defined criteria only.

Guidelines 4.40 to 4.44 of the EBA's [ML/TF Risk Factors Guidelines](#) set out what Simplified Customer Due Diligence entails.

As a result, when onboarding customers for a payment account with basic features, financial institutions may not need to obtain the prospective customer's passport to verify their identity. Instead, they may be able to rely on alternative, independent documentation, such as evidence that a prospective customer is a refugee from Ukraine.

Financial institutions may also be able to postpone the application of initial customer identification measures to a later date where the conditions in Guidelines 4.41, 9.15, 10.18 of the EBA's [ML/TF Risk Factors Guidelines](#) are met. This approach will be particularly useful in situations where help for refugees is disbursed in the form of prepaid cards that do not benefit from exemptions from Customer Due Diligence under Article 12 of Directive (EU) 2015/849.

Financial institutions may also be able to mitigate the ML/TF risk associated with less robust or reliable identity documentation in situations that do not present a lower ML/TF risk by setting up stricter monitoring controls, by offering a more limited range of services or by restricting the functionality of certain products at least temporarily, for example by imposing monthly turnover limits, or limiting the amount of person-to-person transfers. Guidelines 4.9 and 4.10 of the EBA's [ML/TF Risk Factors Guidelines](#) and the EBA's 2016 [Opinion on the Application of Customer Due Diligence Measures for Asylum Seekers](#) have further details on this point.

The EBA welcomes efforts from competent authorities in some EU Member States to clarify how financial institutions can provide refugees from Ukraine with access to financial products and services under their national legal framework and calls on other competent authorities to take similar steps.

Protecting vulnerable customers from abuse by criminals

Refugees from Ukraine include Ukrainian nationals and persons from third countries who lived in Ukraine before the war broke out. All refugees are vulnerable and may be at significant risk of human trafficking and exploitation.¹ These risks can be reduced by providing refugees with access to financial services.²

At the same time, financial institutions should be alert to any indicators that suggest that customers who are refugees are being exploited and report any suspicious activity to their local Financial Intelligence Unit without delay. Examples of such indicators include recurring payments for wages at unreasonably low amounts and unusual patterns of money transfers. The FATF's [2018 report on Financial Flows from Human Trafficking](#), the FATF's [2022 report on migrant smuggling, and the OSCE's Compendium and Guide on Financial Investigations into Trafficking in Human Beings](#) provide further information on such risk indicators.

Handling the proceeds from human trafficking and exploitation is a crime. The EBA encourages competent authorities to cooperate closely with financial institutions, Financial Intelligence Units and law enforcement agencies in this regard and to raise awareness of the ML/TF risks associated with human trafficking and exploitation, and the steps financial institutions can take to detect and report it.

¹ [Early Warning Notification War in Ukraine – refugees arriving to the EU from Ukraine at risk of exploitation as part of THB.pdf \(europa.eu\)](#). See also [IOM Warns of Increased Risk of Trafficking in Persons for People Fleeing Ukraine | International Organization for Migration](#)

² [Home page - Finance Against Slavery and Trafficking \(fastinitiative.org\)](#)

Managing sanctions risks and financial inclusion concerns

The EBA welcomes the commitment by financial institutions to implement the EU's sanctions regime effectively. This regime is complex and evolving, which can make compliance with it difficult.

The EBA has been facilitating exchanges between competent authorities, financial institutions and the European Commission to clarify provisions in the EU's sanctions regime. At the same time, cooperation between different authorities and the private sector is important to identify, monitor and raise awareness of emerging financial crime risks and typologies.

As the sanctions regime expands, the EBA considers that financial institutions should pay particular attention to apparent attempts by customers to obfuscate relationships with sanctioned persons and those who are at risk of being sanctioned, or to conceal the ultimate beneficial owner, through for example, sudden changes in the customer's ownership or control structure.

The EBA also emphasises, in line with [the European Commission](#), that achieving compliance with the EU's financial sanctions regime should not lead to the financial exclusion of legitimate and potentially vulnerable customers, including customers with links to Russia or Belarus that are legally resident in the EU. It should also not hamper efforts by EU organisations, including non-governmental organisations, to provide humanitarian relief in those areas.

The EBA's [2022 Opinion on De-risking](#) has further details on this point.

Next steps

The EBA will continue to monitor the situation and work with competent authorities and the private sector as necessary to share best practices, set common regulatory expectations and facilitate the development of a common approach, across EU Member States, to tackling financial crime and to fostering the financial inclusion of all vulnerable persons that are legally resident in the EU.