

NVB CASPs Industry Baseline

Additional information for
Crypto-asset Service Providers
(CASPs) and banks

What are the NVB Industry Baselines?

The NVB Industry Baselines are a publication of the Dutch Banking Association (NVB). These Industry Baselines set out clear principles for the risk-based approach and interpretations of the open norms in the Dutch Anti Money Laundering law and regulations (Wwft) in Client Due Diligence (CDD) processes by banks. The NVB Industry Baselines include several Risk-Based Baselines and several Sector Industry Baselines.

This additional information is about a specific Industry Baseline: the Crypto-asset Service Providers (CASPs) Baseline. This Industry Baseline has been drawn up in consultation with the Dutch industry organisation for CASPs and several of their members.

Why the NVB Industry Baselines?

Banks want to be effective and efficient gatekeepers. Minimising the impact of CDD on bonafide clients and making it difficult for criminals to misuse the financial system for purposes such as money laundering. The NVB Industry Baselines set out clear starting points for the risk-based approach and open norms in the Wwft in CDD for banks. The aim is to improve consistency and risk relevance in CDD processes.

Who are the NVB Industry Baselines for?

These Industry Baselines are created for use by banks. They can use them as a starting point for their policies and processes when conducting their CDD. The Baselines answer questions such as: what constitutes adequate implementation of the legal AML/CFT obligations? What should banks know and record about clients and risks?

The Industry Baselines also provide clarity to other parties. Those parties include consumers (organisations), industry organisations and employees in certain industries. The Industry Baselines also give other AML/CFT obliged entities (such as notaries, accountants) a better understanding of what information banks need for their legal AML/CFT requirements.

What is the expected impact on CASPs?

Direct interaction and communication between the sector and banks provides insight into the challenges that the sector faces. At the same time, banks can explain their obligations and expectations to the sector. In conjunction with the industry organisations, banks aim to determine what the real risks are in those specific industries so that their CDD can be targeted accordingly. Banks want their CDD to be risk-relevant. This means that a request for information to the client must focus on mitigating a potential risk – within the context of the individual client.

When will CASPs start noticing the implementation of the Industry Baseline?

- CDD for all clients requires a substantial effort from banks. Banks aim to perform CDD adequately and efficiently.
- Individual banks decide how to use the NVB Industry Baselines in their policies and processes. Each bank also determines its own risk appetite and other factors, such as capacity, play a role. After the Industry Baseline has been published, individual banks will determine how and when to implement. As the implementation varies from bank to bank, the timing of when individual clients notice the impact also differs.

Are CASPs now guaranteed a bank account?

To open a bank account, the client and bank must go through the client acceptance process. A bank determines whether it can and wants to enter into a business relationship with a client on the basis of its risk appetite. Banks assess potential risks and any risk-mitigating measures during CDD. Where necessary, a bank can request additional information from the client and will assess each situation individually. Banks have contractual freedom to determine with whom or which party they enter into and maintain a business relationship. Through targeted and risk-based CDD and clear communication, banks contribute to financial inclusion and help prevent misuse of the financial system.

What are risk factors in the Industry Baseline for CASPs and how are they used?

The Industry Baseline contains a table with information on characteristics and behaviour that banks consider in their risk assessment. The overview includes both risk-increasing and risk-reducing factors, which create insight into the risks in the overall context of the client. This overview also helps CASPs to understand what the bank considers important when conducting CDD.

A risk-increasing factor means that the bank may need more information or documentation about that specific characteristic or behaviour. The client always has the opportunity to clarify their specific situation and give a complete context. Although a risk factor is considered, it is not decisive in itself. One risk-increasing factor does not directly or automatically classify the client as high risk. The Industry Baseline includes some practical examples to illustrate this. We call these examples 'use cases'.

What is the scope of the NVB Industry Baselines?

National

The NVB Industry Baselines describe clear principles for banks in the Netherlands to clarify the open norms in the Wwft for an adequate risk-based approach. The examples from the Industry Baselines are illustrative and not exhaustive.

Individual banks decide how to use the NVB Industry Baselines and determine their own policy and risk appetite. Each bank also decides whether and which additional questions to ask its client. Using the Industry Baselines is not a legal requirement: they provide guidance on how to adequately implement the risk-based approach, described for and by banks and in consultation with DNB.

International

The Dutch Wwft is the national implementation law of the European Anti Money Laundering Directive (AMLD). This legislation allows for a risk-based approach. This NVB Industry Baseline takes into account the recent guidance from European Banking Authority (EBA) on de-risking (EBA/GL/2023/03). In essence, when conducting CDD for a CASP, financial institutions must assess the individual context of the client and must apply risk-relevant measures.

How will the impact of the CASPs Industry Baseline be assessed?

The sector and banks have agreed to jointly evaluate the impact of the Industry Baseline six months after its implementation. Which consequences experience CASPs, considering which effects the sector organisation members and banks? It has been agreed that adjustments or additions will be made if necessary. There will also be room to address new or different problems. Through regular contact, all stakeholders hope to

continue sharing information and addressing identified issues together.

Which parties were involved in drafting the CASPs Industry Baseline?

Verenigde Bitcoinbedrijven Nederland (VBNL); the Dutch Banking Association (NVB) and banks; the Dutch Central Bank (De Nederlandsche Bank – DNB).

- In September 2022, the supervisory authority DNB published the report Van herstel naar balans (From recovery to balance) in response to signs about the undesirable effects of de-risking. The results started a series of round tables on the risk-based approach and conversations with banks and industries experiencing difficulties to access payment services.
- The Dutch Banking Association (NVB) organised workshops with the sector, banks and supervisory authority. The aim was to exchange information and gain a better understanding of each other's issues and identify improvements.
- This cooperation is the source of the NVB Industry Baselines. Together, we explored the scope for a targeted and risk-relevant CDD by banks and for ensuring access to payment services for bona fide clients. DNB participated in the workshops, contributing to the shared principles in the Industry Baselines and risk-based supervision.

NVB Risk-Based Industry Baselines

Starting in May 2023, the NVB will deliver a set of NVB Risk-Based Industry Baselines in phases. These provide banks with starting points for the targeted and proportionate implementation of their Wwft obligations. Or more specifically: for risk-based CDD. The NVB Industry Baselines were designed in consultation with the supervisor, the Dutch Central Bank (DNB), and the Ministry of Finance.

NVB Industry Baselines

Several specific NVB Industry Baselines are being published, including for not-for-profit organisations, sex workers, Crypto-asset Service Providers and the automotive industry. These Industry Baselines deal with CDD and the risks in those specific industries. They describe risk-increasing and risk-reducing factors, supporting targeted and proportional CDD. These Industry Baselines are based on discussions with representatives of various industry organisations, DNB and – for some industries – the Ministry of Finance.



© November 2023

Dutch Banking Association
Gustav Mahlerplein 29-35
1082 MS Amsterdam
www.nvb.nl