



Anti-Money Laundering and countering Terrorist Financing: Stronger rules to respond to new threats

July 2016

The threats associated with money laundering and terrorist financing are constantly evolving. For this reason, it is imperative that we also need to swiftly adapt our rules on a regular basis to prevent these threats. The recent terrorist attacks in the European Union and beyond demonstrate the urgent need for a strong coordinated European response to combat terrorism. In addition, the “Panama Papers” have placed our anti-money laundering systems further in the spotlight.

In May 2015, the Union adopted the [Anti-Money Laundering Package](#), representing a significant step forward in our efforts to combat money laundering from criminal activities and to counter financing of terrorist activities. The EU Member States committed to implement the actions swiftly and as much as possible in advance of the agreed deadline.

Delivering on commitments under the Action Plan against terrorism financing, the European Commission adopted a proposal on July 5th to amend the current framework, complementing other actions taken or planned by the Commission in the fight against organised crime, corruption and tax evasion.

Amendments will be made on the following legislation:

Directive (EU) 2015/849 on preventing the use of the financial system for money laundering or terrorist financing (4AMLD)

[Directive 2009/101/EC - consequential changes to the relevant company law rules are required]

Amendments

MEASURE 1 - Designate virtual currency exchange platforms (and wallet providers) as obliged entities

Add **virtual currency exchange platforms** as well as **custodian wallet providers** to the list of obliged entities. These are the “gatekeepers” allowing the public to have access to the various schemes of virtual currencies.

By providing a regulatory framework for the functioning of exchanges, competent authorities will be able to better monitor currency transfers. As obliged entities under the 4AMLD, as financial institutions are, virtual currency exchange platforms (and wallet providers) become subject to the obligation to implement preventive measures and report suspicious transactions.

MEASURE 2 – Tackle the use of anonymous pre-paid instruments

The Commission proposes to (i) lower the thresholds (**from 250 to 150 EUR**) for non-reloadable pre-paid payment instruments to which Customer Due Diligence (CDD) measures apply and (ii) suppress the CDD exemption for online use of prepaid cards. This will better serve identification purposes and widen customer verification requirements.

Limiting the anonymous use of prepaid instruments will provide a clear disincentive for use for terrorist and criminal purposes. Pre-paid cards will continue to be an accessible instrument.

In addition, anonymous **prepaid cards issued outside the Union** will only be used in the Union where they can be shown to comply with requirements equivalent to the ones in 4AMLD.

MEASURE 3 – Give new powers to FIUs to request information from any obliged entity

The 4AMLD already includes a number of provisions to **facilitate cooperation** between Financial Intelligence Units (FIUs). The Commission proposes to reinforce these rules, aligning them with the most recent international standards on access to information.

This answers the need to allow FIUs to play an important role in identifying the financial operations of terrorist networks across borders and in detecting their financial backers.

MEASURE 4 – Enable FIUs and competent authorities to identify holders of bank and payment accounts

The Commission proposes to require Member States to **set up automated centralised mechanisms** so as to swiftly identify holders of bank and payment accounts. This will allow Member States to choose between setting up (i) a central registry, containing the necessary data allowing for the identification of holders of bank and payment accounts, and granting their own national FIUs and AML/CFT competent authorities a full and swift access to the information kept in the registry, and (ii) other centralised mechanisms, such as central data retrieval systems, which allow the same objective to be met.

This will lead to a faster detection - both nationally and internationally - of suspicious ML/TF transactions, and improve preventive action.

MEASURE 5 – Harmonise the EU approach towards high-risk third countries

Currently, each Member State may adopt a **specific list of Enhanced Customer Due Diligence measures** towards high-risk countries. Harmonisation of these measures will avoid the risk of forum-shopping based on how jurisdictions apply more or less stringent regulations towards high-risk third countries.

The ECDD proposed measures are fully compliant with the lists of such actions drawn up by the Financial Action Task Force ('FATF').

MEASURE 6 – Improve transparency: new rules on access to beneficial ownership information

The 4AMLD sets out rules on the collection, storing and access to information on the ultimate beneficial owners of companies, trusts and other types of legal arrangements.

The Commission proposes:

- **public access** to such information for companies (by amending the 1st Company Law Directive)
- **public access** to such information for trusts engaged in commercial or business-like activities (by amending the 1st Company Law Directive)
- access to such information on a **legitimate-interest** basis for family or charitable trusts.

The Commission also proposes to clarify that, for trusts, the Member State that must ensure registration is the one where a trust is administered.

MEASURE 7 – Interconnection of national central registers

The interconnection will allow competent authorities, FIUs and obliged entities to identify the beneficial owners in an easy and efficient way, and will increase the transparency requirements on companies and trusts. It will also allow the public to access the beneficial ownership information across the EU.

MEASURE 8 – Additional technical clarifications

This includes the types of entities monitored (addition of existing customers, under certain conditions), exclusion of closed-loop cards from the 4AMLD, clarification of the concept of “competent authority”, and accurate references to electronic identification means.

MEASURE 9 – Earlier transposition

The Commission calls Member States to bring transposition of the entire anti-money laundering framework into national law forward to **1 January 2017**.