



Strengthened EU rules to prevent money laundering and terrorism financing

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The Juncker Commission has made the fight against money laundering and terrorism financing one of its priorities. The Commission presented in 2016 an Action Plan to strengthen the fight against terrorist financing, which also responds to the Panama Papers revelations.

With the agreement of the European Parliament and the Council on the Commission's proposal, the amended 4th Anti-Money laundering directive will:

- increase transparency about who really owns companies and trusts to prevent money laundering and terrorist financing via opaque structures;
- improve the work of Financial Intelligence Units with better access to information through centralised bank account registers;
- tackle terrorist financing risks linked to anonymous use of virtual currencies and of pre-paid instruments;
- ensure a common high level of safeguards for financial flows from high-risk third countries.

What are the main changes to the 4th Anti-Money Laundering directive?

> Improving transparency on the real owners of companies

The beneficial ownership registers for legal entities, such as companies, will be public. This wider access to part of the beneficial ownership information will enhance public scrutiny and will contribute to preventing the misuse of legal entities for money laundering and terrorist financing purposes.

> Improving transparency on trusts

The access to data on the beneficial owner of trusts will be accessible without any restrictions to competent authorities, Financial Intelligence Units, the professional sectors subject to Anti-Money laundering rules (banks, lawyers...) and will be accessible to other persons who can demonstrate a legitimate interest. In addition, when a trust is a beneficial owner of a company, access to this information can be requested via a written request.

> Better connection of the beneficial ownership registers

The national registers on beneficial ownership information will be interconnected directly to facilitate cooperation and exchange of information between Member States. In addition, Member States will have to put in place verification mechanisms of the beneficial ownership information collected by the registers to help improve the accuracy of the information and the reliability of these registers.

> **Lifting the anonymity on electronic money products (prepaid cards) in particular when used online**

Member States will have the possibility to allow the anonymous use of electronic money products only in two situations:

- (i) when customers use their prepaid instrument (such as prepaid cards) directly in the shop for a maximum transaction amount of EUR 150;
- (ii) when customers carry out an online transaction with a prepaid card below EUR 50.

> **Extending Anti-Money Laundering and Counter Terrorism financing rules to virtual currencies, tax related services, works of art**

The rules will now apply to entities which provide services that are in charge of holding, storing and transferring virtual currencies, to persons who provide similar kinds of services to those provided by auditors, external accountants and tax advisors which are already subject to the 4th Anti-Money Laundering directive and to persons trading in works of art. These new actors will have to identify their customers and report any suspicious activity to the Financial Intelligence Units.

> **Improving checks on transactions involving high risk third countries**

Member States will have to ensure that the sectors dealing with countries presenting strategic deficiencies in their Anti-Money Laundering and Counter Terrorism financing regimes listed by the European Commission apply systematic enhanced controls on the financial transactions from and to these countries. The list of checks is now harmonised to ensure there are no loopholes in the EU. In addition, the listing of the Commission will include third-countries with low transparency on beneficial ownership information, no appropriate and dissuasive sanctions or which do not cooperate nor exchange information.

> **Setting up centralised bank account registers or retrieval systems**

Member States will be required to set up centralised bank account registers or retrieval systems to identify holders of bank and payment accounts. The Commission will work on the technical aspects to ensure the interconnection of such registers or retrieval systems.

> **Enhancing the powers of EU Financial Intelligence Units and facilitating their cooperation**

The Financial Intelligence Units will have access to more information through centralised bank and payment account registers or data retrieval systems. The Financial Intelligence Units from the different EU countries will also be able to cooperate more easily, as well as with other competent authorities.

> **Enhancing cooperation between financial supervisory authorities**

In light of the revelations of the Panama Papers, the revised Directive will further enhance the exchange of information and cooperation between financial supervisory authorities in full respect of their confidentiality rules, including with the European Central Bank.

When will the new rules come into force?

Today's agreement will now need to be formally endorsed by the European Parliament and the Council. The Member States will then have up to 18 months to transpose these new rules in their national legislation.

> Amended 4th Anti-Money Laundering Directive ⁽¹⁾

> 4th Anti-Money Laundering Directive ⁽²⁾ and Funds Transfer Regulation ⁽³⁾

> The Supranational Risk Assessment Report ⁽⁴⁾

> The Staff Working Document on Financial Intelligence Units ⁽⁵⁾

⁽¹⁾ http://europa.eu/rapid/press-release_IP-16-2380_en.htm

⁽²⁾ http://europa.eu/rapid/press-release_IP-17-1732_en.htm

⁽³⁾ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2015:141:TOC>

⁽⁴⁾ http://ec.europa.eu/newsroom/document.cfm?doc_id=45319

⁽⁵⁾ http://ec.europa.eu/newsroom/document.cfm?doc_id=45318