# Prevention of the use of the financial system for the purposes of money laundering or terrorist financing

2013/0025(COD) - 24/07/2019 - Follow-up document

In accordance with the requirements of Directive 2015/849 (Fourth Money Laundering Directive), the Commission is required to conduct an assessment of money laundering and terrorist financing risks affecting the internal market and relating to cross border activities and to update it every two years (or more frequently if appropriate). This report updates the Commission's first supranational risk assessment published in 2017.

It assesses the implementation of the Commission's recommendations and evaluates remaining risks, including in new products and sectors.

The report provides a systematic analysis of the money laundering or terrorist financing risks of specific products and services. It focuses on vulnerabilities identified at EU level, both in terms of legal framework and in terms of effective application and provides recommendations for addressing them.

This supranational risk assessment takes into account the requirements of the 4th Anti-Money Laundering Directive, which was due to be transposed by July 2017. Additional changes brought by the 5th Anti-Money Laundering Directive, due to be transposed by January 2020, have been anticipated when defining the new mitigating measures.

***Outcomes of the assessment***

In this second supranational risk assessment, the Commission identified 47 products and services that are potentially vulnerable to money laundering/terrorist financing risks, up from 40 in 2017. These products and services fall under 11 sectors, including the 10 sectors or products identified by the 4th Anti-Money Laundering Directive along with one additional category of products and services relevant for the risk assessment.

***Main risks in the sectors***

The main risks for the internal market in the sectors concerned are as follows:

- ***cash and cash-like assets***: although cash is falling out of favour among consumers, it remains criminals' money laundering instrument of choice. The use of cash is the main trigger for the filing of suspicious transaction reports.

Since the 2017 supranational risk assessment, the relevant legal framework has been strengthened. The 4th Anti-Money Laundering Directive covers traders of goods who make or receive cash payments of EUR 10 000 or more. Member States can adopt lower thresholds, additional general restrictions on the use of cash and stricter provisions.

The revised Cash Controls Regulation applicable from 3 June 2021 extends the obligation of any traveller entering or leaving the EU and carrying cash to a value of EUR 10 000 or more to declare it to the customs authorities.

It also extends the definition of cash, to cover not only banknotes but also other instruments or highly liquid commodities, such as cheques, traveller's cheques, prepaid cards and gold.

Assets with similar properties to cash (e.g. gold, diamonds) or high-value ‘lifestyle’ goods (e.g. cultural artefacts, cars, jewellery, watches) are also high-risk, due to weak controls.

- ***financial sector***: the report on the assessment of recent alleged money laundering cases involving EU credit institutions identifies the factors that contributed to, as well as lessons learnt from, recent money laundering cases in EU banks, with a view to informing further policy actions.

The use of new technologies (FinTech) that enable speedy and anonymous transactions with increasingly non-face-to-face business relationships, while bringing considerable benefits, may pose a higher risk if customer due diligence and transaction monitoring are not conducted efficiently across the delivery channel.

- ***non-financial sector and products***: it is estimated that 2030% of all proceeds from crime are laundered in the non-financial sector. The sector’s exposure to risks is therefore considered significant to very significant overall.

- ***new products/sectors***: exchange platforms and wallet providers, professional football, free ports, and investor citizenship and residence schemes (‘golden passports/visas’) were all identified as new sectors posing risks.

***EU mitigating measures***

Most legislative measures referred to in the 2017 supranational risk assessment have been adopted, notably the 5th Anti-Money Laundering Directive, the new Cash Control Regulation, the Directive on Countering Money Laundering by Criminal Law, and the Regulation on the import of cultural goods.

The revision of the European Supervisory Authorities Regulations strengthened the European Banking Authority's mandate for collecting, analysing and further disseminating information to ensure all relevant authorities effectively and consistently supervise the risks of money-laundering.

The European Banking Authority's power to act where Union law is breached has also been clarified and enhanced. The adoption of the 5th Capital Requirements Directive 38 removes the obstacles to cooperation between prudential and anti-money laundering/countering the financing of terrorism supervisors.

***Recommendations to Member States***

The Commission followed up on the 2017 Recommendations to Member States through checks on the transposition of the 4th Anti-Money Laundering Directive, questionnaires to Member States on the follow up of 2017 recommendations and the update of the national risk assessments.

For some Recommendations the input received is either not significant or national authorities stressed the limited time available to implement them. The Commission underlines the need to maintain or intensify current efforts.

***Conclusion***

The Commission will continue to monitor the implementation of the recommendations of this supranational risk assessment and report again by 2021. The review will also assess how EU and national measures affect risk levels, and will examine the impact of more recent changes to the regulatory framework. The Commission will also conduct a study on the effective implementation of the 4th Anti-Money Laundering Directive by Member States.