

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

2013/0025(COD) - 25/07/2019 - Follow-up document

This Commission staff working document accompanies the report from the Commission on the assessment of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities.

The report recalled that the Financial Action Task Force (FATF) recommends that countries conduct risk assessments that take account of their capacity and experience in each sector subject to requirements on anti-money laundering and countering Terrorist Financing (AML/CFT). They should identify, assess and understand money laundering (ML) and terrorist financing (TF) risks, and take commensurate preventive measures.

The Commission is required to conduct an assessment of specific ML/TF risks affecting the internal market and relating to cross border activities. The Commission published its first supranational risk assessment in 2017.

The 4th Anti-money Laundering Directive also requires the Commission to update its report every two years (or more frequently if appropriate). The current exercise updates the information in the 2017 report, analyses the present ML/TF risks and proposes comprehensive action to address them. It assesses the degree to which the Commission's recommendations for mitigating measures have been implemented and evaluates the remaining risks, taking into account new products and sectors.

More specifically, this staff working document details the risk analysis for the following sectors and products:

- Cash products;
- Financial sector;
- Non-financial products;
- Gambling;
- Non-profit organisations;
- Professional sports;
- Free-trade zones;
- Citizenship/residency.

The legal framework

The risk assessment needs to provide a snapshot of the money laundering and terrorist financing risks and requires a clear-cut timing. The assessment of risks affecting the EU was carried out at a time when the relevant legislative framework was still the 4th Anti-money Laundering Directive. Even though the 5th Anti-Money Laundering Directive was adopted, its transposition has not been completed yet.

Therefore the supranational risk assessment is based on the EU legislation implemented at the time of the assessment. This is particularly important to stress since some sectors were not, or only limitedly, covered by the obligations in the 4th Anti-money Laundering Directive. Therefore the risk level may be assessed differently for those Member States having already applied the stricter regime. Nevertheless, changes

brought by the 5th Anti-money Laundering Directive to be transposed by January 2020 have been anticipated when defining the new mitigating measures.