

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

2021/0239(COD) - 20/07/2021 - Legislative proposal

PURPOSE: to lay down rules on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (Single EU Rulebook).

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: money laundering and terrorist financing pose a serious threat to the integrity of the EU economy and financial system and the security of its citizens. Europol estimated that around 1% of the EU's annual Gross Domestic Product is detected as being involved in suspect financial activity. The fight against money laundering and terrorist financing is vital for financial stability and security in Europe.

Legislative gaps in one Member State have an impact on the EU as a whole.

It is therefore necessary that rules on matters currently covered in Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing which may be directly applicable by the obliged entities concerned are addressed in a new Regulation in order to achieve the desired uniformity of application.

The [EU's Security Union Strategy](#) for 2020-2025 highlighted the importance of enhancing the EU's framework for anti-money laundering and countering terrorist financing in order to protect Europeans from terrorism and organised crime.

Furthermore, on 20 July 2021, the European Commission presented an ambitious package of legislative proposals to strengthen the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) rules. It is part of the Commission's commitment to protect EU citizens and the EU's financial system from money laundering and terrorist financing. The aim is to improve the detection of suspicious transactions and activities, and close loopholes used by criminals to launder illicit proceeds or finance terrorist activities through the financial system.

CONTENT: the Commission proposal aims to lay down rules on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing with the objective of setting up a single EU rulebook for AML/CFT which will harmonise AML/CFT rules across the EU, including, for example, more detailed rules on customer due diligence, beneficial ownership and the powers and task of supervisors and Financial Intelligence Units (FIUs). Existing national registers of bank accounts will be connected, providing faster access for FIUs to information on bank accounts and safe deposit boxes.

The Commission will also provide law enforcement authorities with access to this system, speeding up financial investigations and the recovery of criminal assets in cross-border cases.

The proposed regulation makes a number of changes to the existing AML/CFT Directive in order to bring about a greater level of harmonisation and convergence in the application of AML/CFT rules across the EU:

- in order to mitigate new and emerging risks, the list of obliged entities is expanded to include crypto-asset service providers but also other sectors such as crowdfunding platforms and migration operators;
- to ensure consistent application of rules across the internal market, requirements in relation to internal policies, controls and procedures are clarified, including in the case of groups, and customer due diligence measures are made more granular, with clearer requirements according to the risk level of the customer;
- the requirements in relation to third countries are reviewed to ensure that enhanced due diligence measures are applied to those countries that pose a threat to the Union's financial system;
- requirements in relation to politically exposed persons are subject to minor clarifications, particularly as regards the definition of a politically exposed person;
- beneficial ownership requirements are streamlined to ensure an adequate level of transparency across the Union, and new requirements are introduced in relation to nominees and foreign entities to mitigate risks that criminals hide behind intermediate levels;
- to guide more clearly reporting of suspicious transactions, red flags raising suspicion are clarified, whereas disclosure requirements and private-to-private sharing of information remain unaltered;
- in order to ensure full consistency with EU data protection rules, requirements for the processing of certain categories of personal data are introduced and a shorter time-limit is provided for retention of personal data;
- provisions preventing traders in goods or services from accepting cash payments of over EUR 10 000 for a single purchase, while allowing Member States to maintain in force lower ceilings for large cash transactions.