European Commission

Strengthened EU rules to prevent money laundering and terrorism financing

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Věra Jourová
Commissioner for Justice, Consumers and Gender Equality

Directorate-General for Justice and Consumers

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

With the agreement of the European Parliament and the Council on the Commission's proposal, the 5th 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;**
- **Improve the cooperation and exchange of information between anti-money laundering supervisors and with the European Central Bank;**
- **Broaden the criteria for assessing high-risk third counties and ensure a common high level of safeguards for financial flows from such countries.**

What does the 5th Anti-Money Laundering directive bring?

> 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 the real owners of 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.

> Interconnection of the beneficial ownership registers at EU level

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, and traders in 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.

> **Broadening the criteria for assessing high-risk third countries and improving checks on transactions involving such countries**

New criteria have been added under which to assess high-risk third countries, including transparency of beneficial ownership. In addition, 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**

The revised Directive will further enhance the exchange of information and cooperation money laundering supervisors and financial super visor y authorities including with the European Central Bank. The European Commission already has set up a joint working group to support such closer cooperation and exchange of information, given that risks of money laundering can also pose a risk to the financial stability of a bank.

When are the new rules in force?

The 5th Anti-Money laundering directive has been adopted and entered into force on 9 July 2018. Member States will have to implement these new rules into their national legislation by 10 January 2020. These rules were upgraded as EU leaders called for a collective European effort following the wave of terrorist attacks. The Commission urges Member States to stick to their commitment to introduce these tightened measures as early as possible.

> 5th Anti-Money Laundering Directive > See statement

> 4th Anti-Money Laundering Directive and Funds Transfer Regulation > See press release

> The Supranational Risk Assessment Report

> The Staff Working Document on Financial Intelligence Units