

# Information accompanying transfers of funds

2013/0024(COD) - 05/02/2013 - Legislative proposal

**PURPOSE:** to improve traceability of payments and to prevent and detect money laundering and terrorist financing when transferring funds.

**PROPOSED ACT:** Regulation of the European Parliament and of the Council (revision of Regulation (EC) No 1781/2006 on transfer of funds).

**PARLIAMENT'S ROLE:** Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

**BACKGROUND:** the [Funds Transfers Regulation](#), based on Special Recommendation VII on wire transfers adopted by the Financial Action Task Force (FATF), lays down rules for payment service providers to send information on the payer throughout the payment chain for the purposes of prevention, investigation and detection of money laundering and terrorist financing.

Against a background of the changes regarding the nature of money laundering and terrorist financing threats, facilitated by a constant evolution of technology and means at the disposal of criminals, the FATF has undertaken a fundamental review of the international standards, which culminated in the **adoption of a new set of Recommendations in February 2012**.

In parallel with this process, the European Commission has also been undertaking its own review of the EU framework, which demonstrates the need to ensure adjustment to changes.

**IMPACT ASSESSMENT:** the impact assessment identifies the main problems in the current EU anti-money laundering/combatting terrorist financing legislative framework. It examines three scenarios: (i) a base-line scenario (status quo); (ii) an adjustment scenario; and (iii) a full harmonisation scenario.

The analysis has demonstrated that **the most balanced is the adjustment scenario** which entails limited changes to the Funds Transfers Regulation necessary to either (i) align the legislative text to the revised international standards, or (ii) to ensure a sufficient level of consistency between national rules, or (iii) to address the most important shortcomings concerning the new emerging threats.

**LEGAL BASIS:** Article 114 of the Treaty on the Functioning of the European Union (TFEU).

**CONTENT:** the purpose of the proposal is to revise Regulation (EC) No 1781/2006 on information on the payer accompanying transfers of funds in ways which **improve traceability of payments and ensure that the EU framework remains fully compliant with international standards**.

In line with new FATF Recommendation No 16 on wire transfers, the proposed changes are aimed at addressing areas where gaps in transparency still remain by imposing the following main requirements:

- include **information on the payee** (the name and account number of the payer, where such an account is used to process the transfer of funds, or a unique transaction identifier where no such account is used for that purpose;
- clarify that **credit or debit cards**, or mobile telephone or any other digital or IT device become subject to the provisions of the Regulation if they are used to transfer funds person to person;

- clarify that, in the case of fund **transfers outside the EU of a sum below EUR 1 000**, a lighter regime of non-verified information on the payer and the payee applies;
- impose a requirement to **verify the identity of the beneficiary** (where not previously identified) for payments originating outside the EU and where the amount is more than EUR 1 000;
- impose an obligation to **establish risk-based procedures** for determining when to execute, reject or suspend a transfer of funds which lacks the required information and to determine appropriate follow-up action;
- align the requirements on **record keeping** with the information with the FATF standards;
- reinforce **sanctioning powers for competent authorities** and require coordination of actions when dealing with cross-border cases;
- require **publication of sanctions** imposed for breaches and the establishment of effective mechanisms to encourage reporting of breaches of the provisions of the Regulation.

**BUDGETARY IMPLICATIONS:** the proposal has no implications for the Union budget.