

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

2013/0025(COD) - 26/06/2017 - Follow-up document

In accordance with the requirements of Directive 2015/849 (Fourth Money Laundering Directive), the Commission presents a report on the supra-national risk assessment of the risks of money laundering and terrorist financing (ML/TF) affecting the internal market and relating to cross-border activities. It analyses the risks of ML/TF that the EU could face and proposes a comprehensive approach to address them.

Conclusions on the supranational risk assessment: the assessment shows that the EU internal market is still **vulnerable** to ML/TF risks. The Commission has identified **40 products or services** that are considered potentially vulnerable to ML/TF risks affecting the internal market. These cover 11 **professional sectors**.

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

- **financial sector**, particularly private banking and institutional investment, safe custody services, electronic money or money value transfer services. Emerging products – such as crowd funding platforms and virtual currencies – also appear to be significantly exposed;
- **certain gambling products** such as land-based betting and poker, and gambling online;
- **the non-financial sector**, with the identification of the beneficial owner of the customer seeming to be the main weakness in this sector, especially for trust and company services, (providers, tax advisors, auditors, external accountants, and notaries); and the real property sector;
- cash remains the most recurring means used for ML/TF purposes, since it allows criminals to conceal their identity. Assets offering similar facilities to cash (**gold, diamonds**) or high-value, easily tradable "lifestyle" goods, (e.g. cultural artefacts, cars, jewellery, watches) are also high-risk.

All sectors discussed are vulnerable to **additional risks**: (i) criminal infiltration; (ii) false documents ; (iii) insufficient information-sharing between the public and the private sector: (iv) insufficient resources, risk-awareness and know-how to implement AML/CFT rules: (v) new risks emerging from FinTech and online services.

Mitigating measures: as of 26 June 2017 the EU legal framework includes new requirements under the fourth Anti-Money Laundering directive. However, the evaluation has confirmed that more needs to be done to **improve certain legislative measures** and strengthen the capacity of public and private actor to meet their obligations. Amongst these legislative measures and other initiatives, the following are notable:

- the Commission [proposal](#) **amending the Fourth Money Laundering Directive** under which both virtual currencies exchange platforms and wallet providers should become obliged entities to reduce anonymity in transactions;

- the [proposal](#) on the revision of the **Cash Control Regulation**, which intends to enable authorities to act on amounts lower than the current declaration threshold of EUR 10000 where there are suspicions of criminal activity ;
- adoption, in the summer of 2017, of a proposal aiming at combatting terrorism financing via illicit **trafficking in cultural goods**;
- an initiative to enhance transparency of cash payments;
- an internal task force to assess technological developments, and technology-enabled services;
- improving the collection of statistical data;
- training for professionals carrying out activities covered by the legal privilege principle;
- further work to enhance supervision in the EU.

Recommendations: the Commission sets out a series of recommendations for the European Supervisory Authorities (ESAs), bearing in mind the pivotal role played by the ESAs in raising the EU's capacity to meet the challenges in this sector.

Amongst other things, it recommends that **Member States:**

- define appropriate mitigating measures concerning **cash-intensive business and payments in cash**, cultural artefacts and antiques, and electronic money products;
- ensure that the information on the **beneficial ownership** of legal entities and legal arrangements is adequate, accurate and current;
- allocate **adequate resources** to their competent authorities so that the latter might carry out their tasks;
- ensure that the scope of **on-site inspections** is focused on specific operational AML/CFT risks depending on the specific vulnerabilities inherent to a product or a service, and ensure authorities carry out thematic inspections;
- define a lower than EUR 15 000 CDD threshold applicable to **occasional transactions** and ensure an appropriate level of CDD for safe custody services.

Lastly, there should be strengthened **regular cooperation** between competent authorities and obliged entities to make detecting suspicious transactions simpler, particularly in the gambling sector, on risk factors arising from transactions involving tax advisors, and transfer of funds.

The Commission invites Member States to **implement the recommendations issued in this report expeditiously**. Under the Fourth Money Laundering Directive, Member States that decide not to apply any recommendations in their national AML/CFT regimes, should **notify** the Commission of their decision and provide **a justification** for it ("comply or explain"). In the absence of such notifications, Member States are expected to implement those recommendations.

The Commission will monitor the actions taken by Member States based on the findings of the supranational evaluation and report on these findings at the latest by June 2019.