

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

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In accordance with Article 65(2) of the 5th Anti-Money Laundering Directive, the Commission is required to assess the framework for Financial Intelligence Units' cooperation with third countries and obstacles and opportunities to enhance cooperation between Financial Intelligence Units (FIUs) in the European Union, including the possibility of establishing a coordination and support mechanism.

This is the aim of this report.

As a reminder, Financial Intelligence Units (FIUs) are central players in the Union's anti-money laundering and countering the financing of terrorism framework. They are operationally independent and autonomous units that have been established under the EU anti-money laundering and countering the financing of terrorist framework and their functioning and tasks are mainly regulated by the Anti-Money Laundering Directive.

This report should be looked at in conjunction with the Commission's Supranational Risk Assessment report, the Commission's report on the interconnection of national centralised automated mechanisms and the Commission's report on the assessment of recent alleged anti-money laundering cases involving EU credit institutions, all published at the same time as this report.

Main findings related to actions by Financial Intelligence Units

Increased cooperation: the EU - and the international - anti-money laundering and counter terrorist financing framework rely on the reporting of suspicions by the private sector, analysis by the Financial Intelligence Units and cooperation between FIUs and relevant authorities. It is imperative that the private sector fulfil their legal obligation to report suspicious transactions and receive support and assistance of relevant authorities in doing so. It is also essential that FIUs are able to carry out their tasks and that, given the cross-border nature of many transactions, they cooperate with each other and with competent authorities, including law enforcement, but also tax and customs authorities and the European Anti-Fraud Office, in a more meaningful and efficient manner.

The lack of regulation of exchanges of information between Member States' FIUs and FIUs of third countries led to a non-harmonised approach to such exchanges and there are questions on the compliance of such exchanges with the Union's data protection framework.

Reporting: the report stressed that reporting by the private sector is hampered by the lack of a common template for the reporting of Suspicious Transaction Reports and the lack of a mandatory electronic filing of such reports. Regular feedback by FIUs to the private sector on the quality of their reports and a structural dialogue between them in order to share typologies, trends and general guidance is imperative in order to enhance the ability of the private sector to correctly identify suspicions and file the most meaningful reports. In dealing with threats common to all Member States, FIUs need to establish a common approach.

Inadequate IT tools: FIUs also sometimes lack the proper IT tools to efficiently import and export information to/from the FIU.net that would allow them to analyse effectively the Suspicious Transaction

Reports they receive and have divergent access to national databases, which hinders them from carrying out analysis the broadest and most useful way. However, a number of FIUs have started to develop IT tools, which make their national analysis more efficient and bring benefit to joint analysis of cross-border cases. Common tools based on artificial intelligence (e.g. for joint analysis or identification of trends) and machine learning (e.g. for feedback to the private sector and development of typologies) could be developed centrally and be made available to Member States' FIUs through a cooperation and support mechanism.

FIU.net: there are recurrent technical difficulties in the functioning of the FIU.net which make it cumbersome for FIUs to share information. In the meantime, Europol is working to maintain FIU.net and has developed a proposal for a new system that will be the successor of the FIU.net.

Remaining obstacles

To remedy the identified shortcomings, the Commission will continue to reflect on possible further steps and assess different or complementary options to the existing system. It is likely that many of the identified shortcomings will continue to exist until the tasks and cross-border cooperation obligations of the FIUs are more clearly spelled out in the EU anti-money laundering and countering the financing of terrorism framework legal framework.

In addition, the present assessment shows a need for a stronger mechanism to coordinate and support cross-border cooperation and analysis. This mechanism could, as a minimum, include powers to adopt legally binding standards, templates and guidelines in the area of work of FIUs. It could also include certain aspects of centralised reporting and a more central capacity building based on new IT tools (based on artificial intelligence and machine learning technologies) to strengthen and facilitate joint analysis.