Basic information

2004/0137(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Directive	Procedure completed
Money laundering: prevention of the use of the financial system, including terrorist financing (repeal. Directive 91/308/EEC) Repealed by 2013/0025(COD) Amended by 2005/0245(COD) Amended by 2006/0281(COD) Amended by 2008/0190(COD) Amended by 2009/0161(COD) See also 2017/2013(INI) **Subject** 7.30.20 Action to combat terrorism 7.30.30.08 Capital outflow, money laundering	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
LIBE Civil Liberties, Justice and Home Affairs	NASSAUER Hartmut (PPE-DE)	13/09/2004

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs (Associated committee)	MUSCAT Joseph (PSE)	10/11/2004
CONT Budgetary Control	The committee decided not to give an opinion.	
IMCO Internal Market and Consumer Protection	WHITEHEAD Phillip (PSE)	30/11/2004
JURI Legal Affairs	WALLIS Diana (ALDE)	22/11/2004
PETI Petitions	SBARBATI Luciana (ALDE)	23/11/2004

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2628	2004-12-07
Economic and Financial Affairs ECOFIN	2666	2005-06-07
Economic and Financial Affairs ECOFIN	2638	2005-02-17

	Economic and Financial Affairs ECOFIN	2617	2004-11-16
	Agriculture and Fisheries	2677	2005-09-19

European Commission	Commission DG	Commissioner
	Financial Stability, Financial Services and Capital Markets Union	

Key events

Date	Event	Reference	Summary
30/06/2004	Legislative proposal published	COM(2004)0448	Summary
27/10/2004	Committee referral announced in Parliament, 1st reading		
07/12/2004	Debate in Council		
17/02/2005	Debate in Council		
10/03/2005	Referral to associated committees announced in Parliament		
26/04/2005	Vote in committee, 1st reading		
04/05/2005	Committee report tabled for plenary, 1st reading	A6-0137/2005	
25/05/2005	Debate in Parliament		
26/05/2005	Decision by Parliament, 1st reading	T6-0198/2005	Summary
26/05/2005	Results of vote in Parliament		
19/09/2005	Act adopted by Council after Parliament's 1st reading		
26/10/2005	Final act signed		
26/10/2005	End of procedure in Parliament		
25/11/2005	Final act published in Official Journal		

Technical information

Procedure reference	2004/0137(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive
Amendments and repeals	Repealed by 2013/0025(COD) Amended by 2005/0245(COD) Amended by 2006/0281(COD) Amended by 2008/0190(COD) Amended by 2009/0161(COD) See also 2017/2013(INI)
Legal basis	EC Treaty (after Amsterdam) EC 095 EC Treaty (after Amsterdam) EC 047-p2
Stage reached in procedure	Procedure completed

Committee dossier	LIBE/6/23163

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	PETI	PE353.307	27/01/2005	
Committee opinion	ECON	PE350.211	22/02/2005	
Committee opinion	JURI	PE353.292	08/03/2005	
Committee opinion	IMCO	PE353.502	18/03/2005	
Committee report tabled for plenary, 1st reading/single reading		A6-0137/2005	04/05/2005	
Text adopted by Parliament, 1st reading/single reading		T6-0198/2005 OJ C 117 18.05.2006, p. 0022-0140 E	26/05/2005	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	03631/5/2005	26/10/2005	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2004)0448	30/06/2004	Summary
Commission response to text adopted in plenary	SP(2005)2482	16/06/2005	
Follow-up document	SEC(2009)0939	30/06/2009	Summary
Follow-up document	SEC(2011)1178	04/10/2011	
Follow-up document	COM(2012)0168	11/04/2012	Summary

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	PT_PARLIAMENT	COM(2012)0168	25/07/2012	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary

ECB	European Central Bank: opinion, guideline, report	BCE(2005)0002 OJ C 040 17.02.2005, p. 0009-0013	04/02/2005	Summary
EESC	Economic and Social Committee: opinion, report	CES0529/2005 OJ C 267 27.10.2005, p. 0030-0035	11/05/2005	
EU	Implementing legislative act	32006L0070 OJ L 214 04.08.2006, p. 0029-0034	01/08/2006	Summary

Additional information		
Source	**Document**	**Date**
European Commission	EUR-Lex	

Final act	
Directive 2005/0060 OJ L 309 25.11.2005, p. 0015-0036	Summary

Money laundering: prevention of the use of the financial system, including terrorist financing (repeal. Directive 91/308/EEC)

2004/0137(COD) - 11/04/2012 - Follow-up document

The Commission presents a report on the application of Directive 2005/60/EC (Third AMLD) on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. The EU rules are to a large extent based on international standards adopted by the Financial Action Task Force (FATF) and, as the Directive follows a minimum harmonisation approach, the framework is completed by rules adopted at national level.

The purpose of this report is **threefold**:

- to provide feedback from the Commission's review process on how the Directive has been applied;
- to fulfil the obligations set out in Articles 42 and 43 of the Third AMLD i.e a specific examination of the treatment of lawyers and other independent legal professionals and on the threshold percentages with respect to the identification of beneficial owners;
- to consider the need for possible changes to the framework in light of both the Commission's own findings as well as the newly adopted international standards.

The report sets out the various issues raised by the Commission's review of the Third AMLD, the revisions of the FATF Recommendations, and the Directive's clauses that require the Commission to report to the European Parliament and the Council. **Generally, the existing framework appears to work relatively well, and no fundamental shortcomings have been identified which would require far-reaching changes to the Third AMLD**. The Directive will have to be revised in order to update it in line with the revised FATF Recommendations. In this context, one issue that will need to be considered is the level of harmonisation of the future EU framework. An important challenge for the future will be to focus efforts on improving the effectiveness of the rules. This is an area of work that the FATF is currently developing.

Application of the Directive: the report examines the application of the Directive through a number of identified key themes, which are central to the Third AMLD's objectives. These include the following: (i) criminalisation of ML/TF; (ii) scope of the Directive; (iii) customer due diligence; (iv) politically exposed persons; (v) beneficial ownership; (vi) reporting obligations; (vii) FIUs (viii) group compliance; (ix) supervision; (x) self-regulatory bodies; (xi) third country equivalence; (xii) administrative sanctions for non compliance with the Directive; (xiii) protection of personal data. Under each theme, consideration is given to how the existing rules have been applied, which factors may drive changes (in particular resulting from the international revision process), and what might be the possible options for changing the existing EU rules.

The 25% beneficial ownership threshold: the European Parliament and the Council require a report on the threshold percentages in the Directive, paying particular attention to the possible expediency and consequences of a reduction of the percentage in certain provisions from 25% to 20%. The

external study concluded, on the basis of its survey of stakeholders and Member State authorities, that there were a significant number of stakeholders who would not favour lowering the threshold. It was felt that lowering the threshold would not bring significantadvantages but would increase cost of compliance and administrative burden. The Commission has not received any further evidence of the need to modify the threshold.

The Commission will carefully consider whether it is appropriate to modify the 25% thresholds.

With regard to the **application of a risk-based approach**, the Directive leaves room for countries to design their own RBA and to decide on the degree of risk-based measures that may be applied by obliged entities. An external study report that a wide diversity of national measures can complicate cross-border compliance, and that there is a lack of practical guidance available.

Assessment of the Directive's treatment of lawyers and other independent legal professionals: findings would appear to suggest that it may not be necessary to fundamentally revise the treatment of lawyers in the new Directive. However, it may be appropriate to give further consideration to the under-reporting of suspicious transaction reports. The external study found that levels of reporting of suspicious transactions by some non- financial professions (in particular lawyers) are low compared to those of FIs. The issue of under-reporting in some jurisdictions remains a concern, and consideration could be given to ways to improving levels.

Money laundering: prevention of the use of the financial system, including terrorist financing (repeal. Directive 91/308/EEC)

2004/0137(COD) - 07/06/2005

The Council agreed to a draft Directive on the prevention of the use of the financial system for the purpose of money laundering, including terrorist financing. It accepted all the amendments passed by the European Parliament at first reading.

The Directive will be adopted without discussion at a future meeting after the text has been finalised.

It is intended to replace Directive 91/308/EEC by extending its scope to the financing of terrorism and to persons and institutions not covered at present. The Directive seeks to implement the recommendations of a Task Force on Money Laundering set up by the G7. It will apply to natural or legal persons selling goods for payments in cash of EUR 15 000 or more, whether the transaction is carried out in a single operation or involves several clearly inter-linked operations.

The Member States will have to implement the Directive by 2007.

Money laundering: prevention of the use of the financial system, including terrorist financing (repeal. Directive 91/308/EEC)

2004/0137(COD) - 04/02/2005 - European Central Bank: opinion, guideline, report

The European Central Bank published an opinion on the proposal for a directive on the prevention of the use of the financial system for the purpose of money laundering, including terrorist financing.

On a general note, the ECB recalls the commitment of the Eurosystem of 'doing everything within its power to contribute to the adoption, implementation and execution of measures against the use of the financial system for terrorist activities', as expressed in the public statement of 1 October 2001 of the Governing Council of the ECB, made in the aftermath of the terrorist attacks in the United States on 11 September 2001. Against this general backdrop, the ECB strongly welcomes the proposed directive since it constitutes an important step towards enhancing the Community's legal framework for protecting the integrity of the financial system, bearing in mind the challenges raised by developments in money laundering and terrorist financing activities. The ECB also welcomes the proposed directive as it facilitates the coordinated implementation and application of the FATF's Forty Recommendations

among Member States, thereby contributing to the convergence of practices in this field.

The ECB notes that the application of Articles 7 and 30 (which respectively cover customer due diligence requirements and internal procedures) to credit institutions and other financial institutions will

mean a substantial interaction with prudential supervision requirements. These provisions are in line with the recommendations of the Basel Committee on Banking Supervision on 'Customer Due Diligence for Banks', which address this issue from a different perspective in that they aim at reducing operational and reputational risks for banks. The ECB welcomes these enhanced requirements of the proposed directive, since they are consistent with internationally-accepted best practice. The ECB further notes that it is important to ensure in the national transposition of the proposed directive consistency between these procedures and national measures implementing the acquis communautaire in the area of prudential supervision of credit institutions and other financial institutions, notably with regard to the supervision of banking and financial groups. To this end, a consistent and coordinated application of customer due diligence requirements by the competent authorities should be sought and will be of particular relevance in legislation where the enforcement of compliance with customer due diligence standards is entrusted to authorities other than the prudential supervisor for banks. Consistency and coordination should also lessen the regulatory compliance burden at a cross-border level.

The ECB therefore suggests that the proposed directive exempt credit institutions from other Member States from enhanced customer due diligence requirements in respect of cross-frontier correspondent banking relationships, on the basis of the EU system of mutual recognition.

Money laundering: prevention of the use of the financial system, including terrorist financing (repeal. Directive 91/308/EEC)

2004/0137(COD) - 01/08/2006 - Implementing legislative act

ACT: Commission Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of “politically exposed person” and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

CONTENT: the purpose of this implementing Directive is threefold.

Firstly, to clarify the definition of “politically exposed person”.

Secondly, to establish when and to whom the “simplified customer due diligence” procedures may apply.

Thirdly, to set out the technical criteria for exempting certain legal or natural persons, who carry out a financial activity on an occasional or very limited basis.

Politically exposed persons.

The Directive defines *“natural persons who are or have been entrusted with prominent public functions”* as:

- heads of state, heads of government, ministers and deputy or assistant ministers;
- members of Parliament;
- members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
- members of courts of auditors or of the boards of central banks;
- ambassadors, chargés d’affaires and high ranking officers in the armed forces;
- members of the administrative, management or supervisory bodies of state owned enterprises.

“Immediate family members” are defined as:

- the spouse;
- any partner considered by national law as equivalent to the spouse;
- the children and their spouses or partners;
- the parents.

“Persons known to be close associates” are defined as:

- any person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations.
- any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit of the person who have been entrusted with prominent public functions (see above).

Lastly, persons falling under the concept of politically exposed persons should not be considered as such after they have ceased to exercise prominent public functions.

Simplified customer due diligence

The application of the simplified customer due diligence procedures should be restricted to just a few cases. In cases where the simplified procedure may apply institutions and persons will still be expected to monitor business transaction in order to detect complex or unusually large transactions which have no apparent economic justification or lawful purpose. The institutions that may benefit from the “simplified customer due diligence procedures” include;

- domestic public authorities;
- the ECB and the Community institutions since these entities do not appear to present a high risk of money laundering or a conduit for terrorist financing. They have, therefore, been recognised as low-risk customers;
- general insurance services;
- savings benefits for children;

- some investment insurance policies and some leasing agreements;
- low value consumer credit.

“Low-risk customers” which act anonymously or try to hide their identity will be considered a risk factor and therefore suspicious.

Financial activity on an occasional or very limited basis.

In certain circumstances, natural persons or legal entities may conduct financial activities on an occasional or very limited basis – such as hotels providing currency exchange services to their clients, in which case, Directive 2005/60/EC allows such persons/entities to be exempted from its provisions. This implementing Directive sets out the conditions for exemptions. Exemptions will be based on references to quantitative thresholds, transactions and turn over. The thresholds will be decided at a national level and depend on the type of activity concerned.

The Directive does state that those activities which are most likely to be abused by terrorists – i.e. money transmission or remittance services – will not be exempted from the scope of Directive 2005/60/EC. Further, as soon as a person or entity engages in activities that provide a full range of financial services, they will then loose their exemption. Member States are requested to ensure that the exemption decisions are not abused for money laundering or terrorist financing purposes by setting up a “risk-based” monitoring system.

Specifically speaking the Directive states that exemptions may be granted on condition that:

- the financial activity is limited in absolute terms;
- the financial activity is limited on a transaction basis;
- the financial activity is not the main activity;
- the financial activity is ancillary and directly related to the main activity;
- the financial activity is provided only to the customers of the main activity and is not generally offered to the public.

The total turnover of the financial activity must be sufficiently low. Although the individual Member States must decide the level of threshold is will not exceed EUR 1000, nor must the total turnover of the legal or natural person concerned exceed 5%.

TRANSPOSITION: 15 December 2007.

ENTRY INTO FORCE: 24 August 2006.

Money laundering: prevention of the use of the financial system, including terrorist financing (repeal. Directive 91/308/EEC)

2004/0137(COD) - 26/10/2005 - Final act

PURPOSE : to adopt coordinating measures in order to prevent money launderers and terrorist financers taking advantage of the freedom of capital movements and the freedom to supply financial services in the EU.

LEGISLATIVE ACT: Directive 2005/60/EC of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

CONTENT : This directive applies to:

1) credit institutions;

2) financial institutions;

3) the following legal or natural persons acting in the exercise of their professional activities:

- auditors, external accountants and tax advisors;

- notaries and other independent legal professionals, when they participate, whether by acting on behalf of and for their client in any financial or real estate transaction, or by assisting in the planning or execution of transactions for their client concerning the: buying and selling of real property or business entities; managing of client money, securities or other assets; opening or management of bank, savings or securities accounts; organisation of contributions necessary for the creation, operation or management of companies; creation, operation or management of trusts, companies or similar structures;

- trust or company service providers not already covered under points above;

- real estate agents;

- other natural or legal persons trading in goods, only to the extent that payments are made in cash in an

amount of EUR 15 000 or more, whether the transaction is executed in a single operation or in several

operations which appear to be linked;

- casinos.

The directive imposes customer due diligence measures. Member States must prohibit their credit and financial institutions from keeping anonymous accounts or anonymous passbooks. Due diligence must be exercised by institutions and persons covered by the Directive in the following cases:

- when establishing a business relationship;

- when carrying out occasional transactions amounting to EUR 15 000 or more, whether the transaction is carried out in a single operation or in several operations which appear to be linked;

- when there is a suspicion of money laundering or terrorist financing, regardless of any derogation, exemption or threshold;

- when there are doubts about the veracity or adequacy of previously obtained customer identification data.

Customer due diligence measures shall comprise:

- identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source;

- identifying, where applicable, the beneficial owner and taking risk-based and adequate measures to verify his identity so that the institution or person covered by this Directive is satisfied that it knows who the beneficial owner is, including, as regards legal persons, trusts and similar legal arrangements, taking risk-based and adequate measures to understand the ownership and control structure of the customer;

- obtaining information on the purpose and intended nature of the business relationship;

- conducting ongoing monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's or person's knowledge of the customer, the business and risk profile, including, where necessary, the source of funds and ensuring that the documents, data or information held are kept up-to-date.

The general rule is that Member States shall require that the verification of the identity of the customer and the beneficial owner takes place before the establishment of a business relationship or the carrying-out of the transaction. They shall require that all casino customers be identified and their identity verified if they purchase or exchange gambling chips with a value of EUR 2 000 or more.

Member States shall require the institutions and persons covered by the Directive to apply, on a risk-sensitive basis, enhanced customer due diligence measures, in addition to the measures referred to, in situations which by their nature can present a higher risk of money laundering or terrorist financing, and at least in the situations set out and in other situations representing a high risk of money laundering or terrorist financing which meet the technical criteria. The situations set out in the directive include those where:

- the customer has not been physically present for identification purposes;

- in respect of cross-frontier correspondent banking relationships with respondent institutions from third countries;

- in respect of transactions or business relationships with politically exposed persons residing in another Member State or in a third country.

The institutions and persons covered by the Directive must pay special attention to any activity which they regard as particularly likely, by its nature, to be related to money laundering or terrorist financing and in particular complex or unusually large transactions and all unusual patterns of transactions which have no apparent economic or visible lawful purpose.

The Directive contains provisions on record keeping and statistical data. The institutions and persons

covered by the Directive must keep certain prescribed documents and information for use in any investigation into, or analysis of, possible money laundering or terrorist financing by the FIU or by other competent authorities.

By 15 December 2009, and at least at three-yearly intervals thereafter, the Commission shall draw up a report on the implementation of the Directive and submit it to the European Parliament and the Council. For the first such report, the Commission shall include a specific examination of the treatment of lawyers and other independent legal professionals.

ENTRY INTO FORCE : 15/12/2005.

DATE FOR TRANSPOSITION : 15/12/2007.

Money laundering: prevention of the use of the financial system, including terrorist financing (repeal. Directive 91/308/EEC)

2004/0137(COD) - 26/05/2005 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a report drafted by Hartmut NASSAUER (EPP-ED, DE) following an agreement with Council. The principal amendments to the Commission’s text were as follows:

- Parliament defined more clearly the responsibilities of financial institutions, lawyers, insurance agents and others involved in money laundering or the funding of terrorism;

- there is inserted into the text a requirement for financial institutions to identify not only the director of a company, casino or trust which carries out a transaction but also all "beneficial owners" who control at least 25% of those entities. When banks deal with companies, they must identify anyone who controls at least 25% of the firm (the Commission proposed a 10% threshold);

- the Commission must present a report to the European Parliament and to the Council on the threshold percentages in 36 months, paying particular attention to the possible expediency and consequences of a reduction of the percentage in points from 25% to 20%;

- Parliament voted to raise the threshold for identifying customers in casinos slightly. Whereas the Commission proposed that all clients with betting chips worth EUR 1,000 or more be identified, the Parliament has suggested a threshold of EUR 2000;

- terrorist financing is defined as a separate offence to money-laundering as terrorism is often funded through legal sources while money laundering involves criminal proceeds. “Terrorist financing” means the provision or collection of funds, by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out any of the offences within the meaning of Articles 1 to 4 of Council Framework Decision 2002/475/JHA;

- Member States must require that the verification of the identity of the customer and the beneficial owner takes place before the establishment of a business relationship or the execution of a transaction. Parliament has inserted certain derogations to this rule, notably concerning life insurance business, and the opening of a bank account;

- Member States must prohibit their credit and financial institutions from keeping anonymous accounts or anonymous passbooks. Parliament inserted a derogation, stating that in all cases the owners and beneficiaries of existing anonymous accounts or anonymous passbooks shall be required to submit to customer due diligence requirements as soon as possible and in any case before the accounts or passbooks are used in any way;

- banks, lawyers and others covered by the Directive will have to report all 'high-risk' transactions to the national financial intelligence unit, which should be provided with adequate resources. Failure to do so will lead to them being penalised. However, this does not apply in situations when notaries, independent legal professionals, auditors, external accountants and tax advisors are in the course of ascertaining the legal position for their client or performing their task of defending or representing that client in, or concerning judicial proceedings, including advice on instituting or avoiding proceedings;

- in the case of credit and financial institutions and casinos, competent authorities will have enhanced supervisory powers, notably the possibility to conduct on-site inspections;

- within two years of the expiry of the deadline for transposition the Commission shall draw up a report on the implementation of the Directive. For the first such report, the Commission must include a specific examination of the treatment of lawyers and other professionals;

- the application of the provisions of the Directive concerning the adoption of technical rules will be suspended four years after the entry into force of the Directive. On a proposal from the Commission, Parliament and the Council may renew the provisions and, to that end, will review them prior to the expiry of the four-year period.

Money laundering: prevention of the use of the financial system, including terrorist financing (repeal. Directive 91/308/EEC)

2004/0137(COD) - 30/06/2004 - Legislative proposal

PURPOSE : Preventing the use of the financial system for the purpose of money laundering – including terrorist financing.

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

CONTENT : This proposal builds upon, extends and ultimately repeals the 1991 Directive on prevention of the use of the financial system for the purpose of money laundering and its 2001 amendments. Directive 91/308/EEC was limiting in that it covered money laundering only in terms of drugs offences. Although the 2001 amendment to the Directive widened its scope, the precise definition of "serious offence" was left open. As with the previous Directive the core provisions of this new proposal are based on 40 Recommendations prepared by the Financial Action Task Force on Money Laundering (FATF). Since 2003 the FATF world standard has been revised in order to remain relevant to emerging trends in money laundering – notably the need to combat money laundering by terrorist organisations. When considering this proposal the Member States agreed that the concept of serious offences should cover all offences relating to the financing of terrorism. This has been reflected in the specific reference to the coverage of terrorism and terrorist financing. In revising its Recommendations, the FATF has extended the level of detail, notably as regards customer identification and verification, situations where a higher risk of money laundering may justify enhanced measures and situations where a reduced risk may justify less rigorous controls. The main aim of the proposal is to seek an application of the revised FATF 40 Recommendations in a co-ordinated and unified way across the EU. Specifically speaking the proposal contains the following provisions:

- Money laundering is defined as a criminal offence meaning that criminal law sanctions need to be applied in order to ensure effectiveness. The new definition of money laundering includes specific reference to terrorist financing. Lawful property being diverted to finance terrorism is part of the definition.

- Specific reference is made to trust and company service providers, including life insurance intermediaries. All persons trading in goods or providing services and accepting cash payments above the threshold fall under the Directive's scope.

- The definition of financial institution is amended in line with the approach followed by the FATF. Any undertaking defined as a financial business is considered a financial institution. Member States are, however, given the option to consider some of them low risk institutions.

- Insurance intermediaries, terrorism, beneficial owner, trust and company service providers, politically exposed persons, the financial intelligence unit, business relationship and shell banks are all defined.

- The definition of criminal activity has been amended to include terrorism as a separate element.

- Credit and financial institutions must not maintain anonymous accounts.

- Provisions obliging those subject to the Directive to know their customers and understand the nature of their financial business activities are outlined. Procedures may be conducted on a risk-sensitive basis.

- Business relationships may begin while the customer identification procedures are in progress.

- In cases where customer identification cannot be carried out in a satisfactory way the relationship should be terminated and old accounts examined where there might be a money laundering risk.

- Specific provisions are included referring to high-risk money laundering possibilities. The provisions include three such cases, namely cases where there is no face-to-face contact with the customer; cross-frontier correspondence banking relationships and relations with politically exposed persons.

- All data relating to suspicious transactions should be forwarded to the financial intelligence unit as the body responsible for receiving and processing such information.

- Member States are urged to do all in their power to prevent employees from being threatened or victimized in cases where they have sent reports to the authorities leading to an investigation.

- Clients should not be informed that their transactions are under investigation.

- Member States are required to keep appropriate statistics on the use made of and results obtained from suspicious transaction reports.

- Bureaux de change, trust and company service providers must be subject to a licensing or registration obligation. Casinos must be licensed.

- Member States are required to impose appropriate penalties for infringement of the national implementing measures adopted by the Directive.

- A new Committee on the Prevention of Money Laundering has been adopted to define the implementing measures.

Money laundering: prevention of the use of the financial system, including terrorist financing (repeal. Directive 91/308/EEC)

2004/0137(COD) - 30/06/2009 - Follow-up document

In late 2008 and early 2009 the Commission undertook a limited examination on how banks belonging to a group of companies comply, as a group, with their obligations to apply a series of anti-money laundering (AML) measures to prevent the use of the financial system for the purposes of money laundering (AML Directive). The purpose of the examination was to check whether the fragmentation of national regulation and/or supervision poses a problem for such compliance at group level.

This Commission Staff Working Paper presents the results of that evaluation. It shows that, despite the minimum harmonisation nature of the AML Directive, the degree of convergence across Member States AML rules applying to banks is relatively high. Nevertheless, national regulatory differences remain in certain areas, for example differences regarding the extent of data that can circulated within the banking group.

Moreover, some uncertainties remain regarding the interaction of AML rules with national data protection rules and with bank secrecy rules and their impact on banks' AML policies at group level. In this context, the Commission has launched exploratory work with the EU data protection authorities with a view to achieving more clarity, at EU level, on the interrelations between AML rules and data protection rules.

Lastly, the paper shows that promoting further convergence between EU supervisors on supervisions of banks' compliance with the AML rules is desirable.