

The revision of EU anti-money laundering tools

Following developments in international anti-money laundering (AML) standards, the European Commission has proposed to revise two major EU instruments in order to strengthen the AML framework and, at the same time, make it more flexible.

EU anti-money laundering efforts in the international context

Non-binding, but universally recognised recommendations of the [Financial Action Task Force](#) (or FATF, an intergovernmental body set up in 1989) stand out as a particularly important set of international AML standards. They are regularly updated in response to the evolution of criminal activities, and to redefine the resultant priorities. The most recent [edition](#) of these standards (February 2012) includes recommendations related to countering not only money laundering, but also terrorist financing and – for the first time – the proliferation of weapons of mass destruction.

The EU participates in elaborating the FATF standards and has incorporated them in European law through three successive AML Directives. The last of these, [Directive 2005/60/EC](#), has been in force since 2005. It applies to all financial institutions, as well as an array of other actors including auditors, notaries, real estate agents, and casinos. It has established a preventive system whereby these entities and professionals are under an obligation (known as "customer due diligence") to check the identity of their customers and report suspicious transactions to so-called financial intelligence units (FIUs). The Directive is complemented by other instruments, including the 2006 [Funds Transfers Regulation](#) which laid down rules for payment service providers on the information on the payer required to accompany all transfers of funds.

European Commission proposals

With the FATF concluding the fundamental revision of its recommendations in 2012, the Commission undertook a parallel assessment of the EU's own AML framework. As a result, it made proposals in 2013 to amend both the third AML Directive and the Funds Transfer Regulation, in line with the revised FATF standards. The idea was to create a strengthened, yet more flexible system through applying a more targeted risk-based approach. This entails the possibility of Member States (MS) using enhanced measures for high-risk sectors or activities and simplified ones for those perceived as low-risk.

The [proposed directive](#) therefore tightens the rules on customer due diligence and introduces an obligation to take [additional precautions](#) when dealing with all politically exposed persons (prominent public figures whose position makes them more susceptible to attempts at corruption) – not just foreign ones, as currently. It also seeks to enhance the clarity and accessibility of information on the beneficial owner(s), i.e. the natural person on whose behalf a transaction is being conducted and/or any natural person who ultimately owns or controls the customer entity. Furthermore, the proposed directive adds tax crimes to those in relation to which money laundering is criminalised ("predicate offences").

The [proposed regulation](#) follows FATF [recommendation No 16](#) on wire transfers, stating that financial institutions should include accurate information on both the originator and the beneficiary, to remain with the wire transfer throughout the payment chain.

European Parliament

The two proposals were referred to Parliament's Economic and Monetary Affairs, and Justice, Home Affairs and Civil Liberties Committees which meeting jointly under [Rule 51](#) adopted the two reports in February. The rapporteurs are Krišjānis Kariņš (EPP, Latvia) and Judith Sargentini (Greens/EFA, the Netherlands) for the [directive](#) and Mojca Kleva Kekuš (S&D, Slovenia) and Timothy Kirkhope (ECR, UK) for the [regulation](#).