

**SPECIAL COMMITTEE ON FINANCIAL CRIMES,  
TAX EVASION AND TAX AVOIDANCE (TAX3)  
TUESDAY 5 FEBRUARY 2019**

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**PUBLIC HEARING**

**“IMPACT OF TAX EVASION AND MONEY LAUNDERING ON  
LOCAL REAL ESTATE MARKETS, IN PARTICULAR IN EUROPEAN  
CITIES”**

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***Panel I: Real estate, Speculation and Money Laundering***

Janet Sanz, Vice-Mayor of Barcelona and Member of the City Council in charge of Real Estate, Environment and Mobility

Ilse Verkerk, Head of Unit at the department of Public Order and Security, responsible for the Programme on Illegal Money Flows and Undermining, City Council of Amsterdam

Christoph Trautvetter, Public policy expert at Netzwerk Steuergerechtigkeit

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***Panel II: How to fight against price increase in the Real Estate sector resulting from tax opportunities and Money Laundering?***

Nilimesh Baruah, CTPA's Senior Tax and Crime Advisor - OECD

Max Heywood, Financial transparency international representative

1-002-0000

**IN THE CHAIR: PETR JEŽEK**  
*Chair of the Special Committee on Financial Crimes,  
 Tax Evasion and Tax Avoidance*

*(The meeting opened at 9.09)*

1-003-0000

**Chair.** – Good morning to everyone who has managed to find their way to this distant meeting room. I'd like to welcome you to this TAX3 Committee meeting and public hearing. Today we'll be discussing the 'Impact of tax evasion and money laundering on local real-estate markets', in particular in European cities. The issue has already been touched upon during our hearing on 'Money laundering cases involving Russian individuals, and their effect on the EU'.

The hearing will consist of two panels, with a series of presentations by guest speakers. The first panel is on real estate, speculation and money laundering. Let me introduce our speakers.

The first is Ms Janet Sanz. Welcome, Ms Sanz. She is the Deputy Mayor of Barcelona and the City Councillor responsible for real estate, environment and mobility.

The second speaker is Ms Ilse Verkerk, who is Head of Unit at the Department of Public Order and Security, and is responsible for the Programme on Illegal Money Flows, at Amsterdam City Council. We also have with us Mr Christoph Trautvetter, who is a public policy expert at Netzwerk Steuergerechtigkeit. Welcome.

Each panel member will have a maximum of seven minutes for their introductory speech.

***Panel I***

***Real estate, Speculation and Money Laundering***

1-004-0000

**Janet Sanz, *teniente de alcaldía de Barcelona y concejala del Área de Ecología, Urbanismo y Movilidad.*** – Muchas gracias a todos por la invitación, especialmente por poder compartir con todos ustedes las reflexiones vinculadas a cómo en las ciudades —en particular en la ciudad de Barcelona— impactan todos los procesos de blanqueo de capitales y de evasión fiscal desde muchas perspectivas, pero, en particular, cómo nos impactan en relación con una cuestión que nos parece que es el reto fundamental que tienen hoy las ciudades, que es la garantía de hacer, de tener, ciudades donde vivir y donde derechos fundamentales como la vivienda estén garantizados.

Y nos encontramos precisamente ante una situación que las ciudades vienen arrastrando desde hace muchos años, ... retos globales.

En primer lugar, me gustaría destacar que, ahora mismo, tenemos una normativa y una arquitectura fiscal y jurídica que no nos sirve — tampoco desde la perspectiva del principio de subsidiariedad y de autonomía local— para proteger los derechos de los ciudadanos frente a los efectos devastadores de los flujos de capital financiero a escala global; que, además, creemos que precisamente esta arquitectura fiscal y jurídica lo que está favoreciendo es su aterrizaje a través de la apropiación de las rentas del suelo.

Y, por eso, en el caso español, vemos elementos que son muy ilustrativos de esto: rescates bancarios con transferencia directa a fondos internacionales desde la Sareb; entidades

financieras públicas a Blackstone; fondos de inversión que compran edificios enteros y expulsan a sus vecinos y vecinas; también ventajas fiscales con las Socimi, que básicamente son las *real estate investment trust*, y también con las Sicav, que son unas sociedades de inversión colectiva que permiten tributar a porcentajes mucho más bajos de lo que haría cualquier otro tipo de sociedad; la adquisición, por ejemplo, de derechos tan básicos como la residencia a través de compras de propiedades inmobiliarias superiores a 500 000 euros. Estamos hablando de los visados de oro —por ejemplo, en el caso español, desde el año 2013 se han autorizado aproximadamente unos 30 000 visados de oro— y de la desregulación de los alquileres, teniendo esto un impacto en el día a día de la ciudad, y de cómo se comparte esto con la vivencia cotidiana de los vecinos.

Ahora mismo, esto es lo que nos pasa con el marco regulatorio y jurídico español.

Pero es cierto que el marco de la Unión Europea tampoco es ninguna salvaguarda, en el sentido de que, precisamente hoy, las directivas que tenemos a nivel europeo no nos permiten actuar preventivamente para reequilibrar las fuerzas del mercado, las prácticas comerciales.

Por ejemplo, la dificultad de control. Pondré algunos ejemplos breves. La dificultad de control frente a los efectos derivados de la libertad de plataformas virtuales extractivas, como Airbnb. Nosotros solo tenemos instrumentos urbanísticos de planificación urbana para poder evitar ese blanqueo de capitales o esas evasiones o fraudes fiscales. Ni siquiera podemos gestionar tan solo cómo se implementan o cómo se instalan en nuestras ciudades.

Otro ejemplo puede ser la ocupación —y el abuso también— del espacio público para finalidades privativas y especulativas de unos pocos. Nos pasa con toda la economía vinculada al *sharing*; todo lo que son los alquileres abusivos de locales con posibilidad de establecer algún tipo de comercio de bajo nivel. Se están haciendo muchas compras en el centro de la ciudad, por parte de determinados fondos o personas residentes en otros países, para sustituir comercio de proximidad por comercios de *souvenirs* o, incluso, de bajo nivel de poder adquisitivo. Por tanto, que no solo sirven para vender algo, sino también para aterrizar en la propia ciudad.

Y, por tanto, también nos falta un marco de tributación justo de las empresas en origen, allí precisamente donde se origina y genera la riqueza. Se trabaja muy duro con un marco común de competencia y quizá también ahora es el momento de abordar un marco fiscal común. Si no, acabamos perdiendo todos.

Y tres necesidades urgentes.

Para poder controlar en tiempo real, para poder conocer lo que está pasando en nuestras ciudades, necesitamos datos..., ahora mismo, a nivel global, y para que no haya sombras en el sistema económico y financiero, para impedir malas prácticas... Porque vamos tarde y vamos mal. Porque las grandes corporaciones sí que han visto que tienen el control absoluto de los movimientos de capital financiero, y las ciudades o regiones... Cuando llegamos nosotros y tenemos esa información, ya vamos tarde. Por eso necesitamos que se protejan los datos, pero que se arroje luz sobre los datos mercantiles, y que esto nos sirva también a las ciudades para poder plantear regulaciones preventivas a muchas de estas actuaciones.

Necesitamos competencias. Hoy las competencias se quedan en el nivel estatal, pero, a nivel local, todo son problemas. Nos cuesta muchísimo tirar hacia adelante todo lo que sean regulaciones que nos permitan concretar cuál es el campo de juego, cuáles son las condiciones, cuáles son las reglas del juego claras para todos.

Y necesitamos recursos. No es normal ver cómo en la última década los ayuntamientos, las ciudades, hemos perdido capacidad a nivel de recursos.

Empezamos la descentralización de los Estados y, en el caso del Estado español, en los años ochenta los municipios tenían aproximadamente un 17 % de financiación, hoy tienen un 15 % de financiación. Esto es un retroceso, cuando sabemos que la partida, cuando sabemos precisamente que las reglas del juego sitúan la presión en las ciudades, y necesitamos trabajar.

Algunos casos muy concretos, también, para poder, de alguna forma, arrojar luz precisamente sobre los grandes problemas a los que estamos enfrentándonos desde las ciudades.

Nosotros, en Barcelona, hemos visto casos de corrupción inmobiliaria directamente, por culpa de la falta de herramientas de control fiscal.

Claramente, una de las grandes empresas inmobiliarias de Barcelona que, desde los años sesenta —desde antes de la democracia, durante el franquismo— ya se dedicaba a comprar suelo y, además, también a sobornar a inspectores fiscales para evitar pagar, para evitar que se publicaran las cosas que estaba haciendo. Y así evadieron aproximadamente trece millones de euros.

Tenemos un caso, muy concreto, que sigue operando en la ciudad y que podríamos decir que tiene en propiedad aproximadamente entre el 15 % y el 20 % del suelo.

Por tanto, casos muy, muy específicos que todavía operan y que todavía tienen impacto en nuestro día a día.

Los visados de oro —como antes también planteaba— y, finalmente, la financiarización del mercado inmobiliario, que también me parece relevante y que, además, de alguna forma, refleja el impacto que esto tiene en el mercado inmobiliario, viendo cómo hoteles de la ciudad de Barcelona son adquiridos, en momentos determinados, por fondos de inversión por 40 millones de euros y acaban vendiéndose por 150 millones de euros al cabo de dos o tres años. Y, por tanto, cómo son vehículos de especulación —como decía— con la ciudad.

Por tanto, es fundamental una normativa clara, que arroje luz sobre las transacciones económicas, que sea cristalina, que nos permita fiscalizar y monitorizar toda esa actividad, pero también tener un marco claro de financiación para los entes locales, con unas estrategias jurídicas que eviten esta evasión, que eviten el blanqueo, que eviten que haya paraísos fiscales, que se haga compatible la actividad en nuestras ciudades con toda esta actuación para poder evitar ese blanqueo de capitales.

Y desde las ciudades estamos trabajando conjuntamente desde muchos frentes, especialmente para proteger —como decía al principio— el derecho a la vivienda. Porque, precisamente, toda esta arquitectura fiscal y económica y jurídica lo que hace es poner en riesgo un derecho básico y fundamental como es la vivienda, incrementando los alquileres de forma desproporcionada en nuestra ciudad. Y, por tanto, necesitamos alianzas.

Las ciudades estamos trabajando juntas para poner marcos claros también a grandes plataformas y, especialmente, a todas estas cuestiones del derecho a la vivienda.

1-005-0000

**Ilse Verkerk**, *Head of Unit, Department of Public Order and Security, responsible for the Programme on Illegal Money Flows, Amsterdam City Council.* – Chair, on behalf of the Mayor of Amsterdam, thank you very much for your invitation to speak here today. In addition to our answers to the written questions, I would like to provide you with information about how illicit financial flows are impacting Amsterdam's society.

Amsterdam has a vibrant economic climate in which international businesses like to use the city as a base. The international economy is thriving and Amsterdam is one of its centres. Amsterdam attracts all kinds of interested parties, including investors and companies. We are very happy about that. It is a source of prosperity, innovation and creativity.

But not every investor or company is equally well intentioned. The source of investments can be difficult or even downright impossible to identify. This is by no means a new issue, although the types and consequences of crime, fraud and corruption are now somewhat different and larger in scale. In a globalised world, money can fly around the planet within a single day: from Spain to the Cayman Islands and on to Amsterdam. There are now digital forms of money which have their own distinctive practices and conventions. It seems as though banks are losing their monopoly in favour of fintech companies.

All of these changes have an impact on the criminal world and the way in which criminals operate. The question we now face is how we, among other European cities, can arm ourselves against this more effectively.

In 2017, EUR 12 billion was invested in real estate in Amsterdam. That puts it in second position in Europe. London is still number one. The problem with this amount of money, this huge amount of money, is that we don't know whether it is regulated money or not.

I would like to show you one example – a 'City Deal' data-analytics research project in which we are involved. It is a cooperative project involving the Ministry of Internal Affairs and the Ministry of Justice and Safety, cities, the Tax Office, the police and Statistics Netherlands. Here you see a map of Amsterdam. The residential housing is worth approximately EUR 175 billion, so one or two percent doesn't seem much at first sight, but we are talking about millions of euros. The map shows the percentage of private houses the owners of which do not have financial resources. The core question here, as far as properties, catering establishments and the retail trade are concerned, is 'who does the city belong to'?

I would like to tell you more about a specific case in order to demonstrate how diverse and complicated the problems around illicit financial flows are and how we try to deal with them in Amsterdam. It is a real-estate case involving an entrepreneur who took over a restaurant in 2013 for EUR 500 000. He paid the owner of the building EUR 50 000 in rent on an annual basis. The entrepreneur financed his purchase mainly with funds from his native country, Egypt. These funds were brought into the Netherlands partly via bank transfers and partly through cash payments. The entrepreneur purchased the building from the owner two years later in 2015 for almost EUR 500 000. He therefore owned both the restaurant and the building. Then, within six months, he sold the building to an investor for EUR 2.4 million. He realised a profit on paper of approximately EUR 1.9 million. The purchase price the entrepreneur paid for the building – EUR 500 000 – is not in line with the market. This created an increase in equity on paper. It is not unlikely that the seller was compensated with a cash payment back in 2015.

The entrepreneur went on to repeat similar purchases and sales with two other buildings, resulting in a profit of EUR 3.1 million in the space of 11 months. This could constitute a money-laundering method involving a feigned increase in value.

We know that the subversive effects of illicit money flows in Amsterdam are certainly an issue not just for our city. That is why we are interested in sharing experience and strategies with other European cities. In 2018, we organised a conference called 'Flying Money' about illegal money flows and money laundering and how this affects our city.

There were 12 European cities represented and they jointly agreed that they share a wish to engage in further, more structural ways of exchanging knowledge and instruments and to see

where we can collaborate. To that end, Amsterdam will host a follow-up event in 2019 and we will be happy to welcome other cities as well.

One conclusion has been that, while a number of European cities face problems related to criminal activity and illegal money flows, there is variety in terms of responsibilities with, in many cases, a mixture of local, regional, national and ad hoc instruments and capacities to tackle the issues. Access to relevant and reliable data and information, however, is a common concern. We therefore believe in further European collaboration.

What we hope to achieve is a multilateral governance approach to this issue, to have expertise at European level combined with expertise from the Member States, as well as experts from certain European cities and organisations, to see how we can align our expertise and knowledge-sharing better and find better ways to cooperate. The model for this approach could be the so-called ‘thematic partnerships’ under the Urban Agenda for the EU. We will discuss this option with the Commission, together with a number of cities and interested Member States.

I could give you plenty more examples and I could talk about efforts by the municipality and its partners to tackle all these activities but, since I was allocated only seven minutes, I would like to thank you for your attention and to hope I have managed to give you some insight into the struggles of a city like Amsterdam.

1-006-0000

**Christoph Trautvetter**, *Public policy expert, Netzwerk Steuergerechtigkeit*. – Chair, honourable Members, thank you very much for your invitation to speak here today. I want to share with you some numbers, cases and observations, with a focus on the Berlin real-estate market, and I hope they will help your work.

Here is a puzzle most of you have seen and heard of: everyone agrees that money laundering is a very big issue but only a very little of it has actually been seen, documented, proven and punished. The slide depicts the situation in Germany. You can see the big yellow circle representing the money that is laundered every year in Germany – EUR 100 billion – and the small black circle in the middle, which represents confiscations successfully implemented: EUR 200 million.

Both figures have strong limitations and reflect methodical weaknesses, but I would argue that, at a score of 500:1, we don’t have to discuss technicalities. We have to ask the question whether the two teams are actually playing on the same field.

And that’s what I want to do, with reference to a number of cases. Here is a very recent one – one of the few public cases of confiscation of real estate in Berlin – and it is the kind of case you would expect from the Berlin police, I must say.

It involves a local gangster from one of the notorious criminal clans – if you can call them that – who blew up a bank in 2014, stole several millions from it, was arrested in Italy, and then gave the proceeds of his crime, the money he had stolen from the bank, to his brother, who was living in the same area of Berlin – on social security. He took the money, EUR 200 000 in cash, went to the Berlin Communal Housing Agency and bought an apartment in his neighbourhood for himself to live in.

I am presenting this case because it’s one of the few cases that we can see in Berlin and it also reflects how most people imagine money laundering: gangsters with suitcases full of money, buying stuff. But that’s not how we get to the EUR 100 billion. That’s the EUR 200 million, here in the middle, and probably some more, but not the EUR 100 billion.

To demonstrate what is in the EUR 100 billion, I have to go outside Germany, because we have no cases here to explain the rest.

Here is a case from France – a case that most of you probably know. The son of the President of Equatorial Guinea bought a villa in Paris. And he did it with a very similar technique to the gangster I mentioned previously. Very simply, he took the cash, in this case to a bank in Equatorial Guinea, and said it was profit from his company – also in Equatorial Guinea – which, in fact, did not do any business but nevertheless made huge profits. He used the alleged profits from this company by putting them in his bank, which then transferred the money to Europe, and he bought the villa.

Again very simple. The big difference from the Berlin example is that here it's not a local gangster, so the police cannot go and get the income tax records and see whether the guy from Equatorial Guinea actually had this money and made it legitimately.

In this case, France made that allegation, or tried to prove that the money was illegitimate. In Berlin we have seen nothing of that nature so far. In our research we found the daughter and the former wife of the former dictator from Turkmenistan, Mr Niyazov, investing money in Berlin real estate but we have not heard back from the police as to whether this money is legitimate or not. So we don't know.

My final case is from the USA and, again, I think most of you are aware of it. It's the 1MDB case. It's a group of fraudsters, apparently including a member of the royal family of Abu Dhabi, and with connections to the former prime minister of Malaysia, who bought fancy apartments and villas throughout the world but mainly in the USA – including the Walker Tower in New York.

Their money-laundering operation, as you can see illustrated here, included, at the beginning, a captured bank, fake documents, wrongly registered beneficial owners, investment funds in Curaçao, US lawyers, US shell companies – the whole package. Why I'm showing you this case is because that is what an investigator would usually see, and where the investigations would stop: a shell company, either from the USA or from the British Virgin Islands, buying real estate.

As for investigating this whole story, including seven or eight banks, and several countries – we just don't get there.

So if we look at Berlin again, I know of many shell companies from the Seychelles and other places buying real estate, but I've never seen any case in which the source of this kind of money is examined.

We don't even have official numbers on the shell companies that own real estate in Berlin. The only place where we have these numbers, as far as I know, is the UK. There, the Land Registry says there are 15 000 London real-estate titles owned by British Virgin Islands companies, and Transparency International has produced excellent studies on these numbers, showing that those overseas buyers drive up prices, distort building activity, leave houses empty and under used, and destroy communities. But again, these numbers are only very small. Again, they do not account for the EUR 100 billion.

I know of one company in Berlin that is owned on paper by a Cypriot law firm, which owns 7 000 apartments in Berlin – indirectly – and would not enter this number.

Again, 15 000 apartments in London sounds a lot but that's only the ones directly owned by the shell companies, not those owned by the investment funds you have referred to, or owned through other vehicles.

To sum up, as my speaking time is already over, the observations from Berlin are just to make my point. Real-estate money laundering sometimes happens through cash from local gangsters but most of it is high-value consumption or investment through complex investment mechanisms, and to get to the EUR 100 billion that is what we have to look at: shell companies and complex investment structures.

There is a story about luxury apartments but the main problem, is that this activity drives up the overall market price for all real estate. There are apartments left empty but most are rented, so that's not the main problem, I would say. Real-estate agents are a problem, and sometimes help with this sort of thing, but most of it is about banks.

1-007-0000

**Chair.** – Thank you very much, Mr Trautvetter, and thank you to all the speakers. The introductory comments have confirmed that we are touching on an issue of key importance and that in cities there is fertile soil for money laundering and tax evasion. On top of that, cities are to some extent left out of the system of EU national governments. Some predict that the future belongs to cities, and that is one more reason to deal with this issue seriously and to come up with suggestions in our report.

Let's open the discussion to the Members. As always, questions will be asked in slots of five minutes: one minute for the question and the remaining time for the answer.

1-008-0000

**Tom Vandenkendelaere (PPE).** – Goedemorgen, genodigden. Ik wil mijn collega Niedermayer bedanken om mij als eerste het woord te verlenen, daar ik straks nog naar een andere vergadering moet en zo alsnog de kans krijg om mijn vragen te stellen.

Ik dank jullie voor de presentatie van vanmorgen en ook voor de voorbeelden die jullie hier met ons gedeeld hebben. Het is duidelijk dat steeds meer buitenlandse en niet-Europese investeerders beleggen in ons vastgoed. Ik ben toch wel aangegrepen door de voorbeelden over het centrum van Londen, en natuurlijk ook over de verhalen dat de echte Amsterdammers allang niet meer in het centrum wonen, maar steeds verder moeten uitwijken omdat de huizen aan de grachten onbetaalbaar worden.

Er zijn heel concreet twee punten die ik wil aanhalen: ten eerste een vraag voor de twee vertegenwoordigers van de steden over gegevensuitwisseling. Steden werken naar mijn aanvoelen nog al te vaak op een eiland. Er is ook geen echt Europees of internationaal systeem om gegevens uit te wisselen. We zien echter dat witwaspraktijken en belastingontwijking veel verder dan stadsgrenzen gaan en dat het fenomeen ook duidelijk uit internationale netwerken bestaat. Mijn vraag is daarom: wat doen jullie als steden om dit aan te pakken? Bestaat er al informatie-uitwisseling tussen steden onderling? Rekenen jullie op de lidstaten om dat voor jullie te organiseren? Zijn er best practices die eventueel al uitgewisseld worden? Hoe werkt dat concreet?

En dan een vraag aan de heer Trautvetter: het wordt duidelijk dat de link met de gouden visa, de zogenaamde gouden visa, gemaakt kan worden. Het is een problematiek waarover we hier in deze commissie al een hoorzitting georganiseerd hebben. Kunnen we, denkt u, op basis van de laatste slide die u voorgesteld heeft concluderen dat er een link is tussen aan de ene kant de problematiek rond witwaspraktijken in de vastgoedsector, of er een link is met het hele vastgoedverhaal, en aan de andere kant de bestaande gouden-visumsystemen. En indien die link zou bestaan, wat zou dan uw aanbeveling zijn op het vlak van die systemen?



1-009-0000

**Ilse Verkerk**, *Head of Unit, Department of Public Order and Security, responsible for the Programme on Illegal Money Flows, Amsterdam City Council.* – Thank you. I will answer this one in Dutch please.

Ik zal dit in het Nederlands beantwoorden. Wat er in Nederland mogelijk is, is dat wij de Wet Bibob kennen, waarbij we als gemeente de mogelijkheid hebben om een integriteitsscreening te doen. Dat is op zichzelf een heel krachtig instrument, waarbij de gemeente, als die partij is in een transactie of indien er bijvoorbeeld een vergunning nodig is, diepgaand kan screenen.

Een van de problemen bij die Wet Bibob is dat de wet ophoudt bij de grens. Dat betekent dat er geen informatie-uitwisseling mogelijk is in Europa of met andere landen. Het gaat niet alleen om Europa, het gaat natuurlijk over de hele wereld. Het is niet mogelijk om die informatie uit te wisselen op casusniveau. Ik kan dus niet mijn collega in Barcelona bellen en vragen mij informatie te verschaffen over een persoon wanneer ik zie dat die ook belangen heeft in Barcelona.

Dat is heel problematisch en zorgt ervoor dat het heel moeilijk is om dit soort transacties tegen te houden. Dat doen we wel, want we hebben in Amsterdam naast de Wet Bibob specifieke privaatrechtelijke beleidsinstrumenten, ook voor integriteit en overeenkomsten in het privaatrechtelijke domein, waarbij we privaatrechtelijke transacties kunnen tegenhouden. Dit gebeurt ook door middel van integriteitsscreening, niet gebaseerd op de wet Bibob, maar gebaseerd op de contractvrijheid die je als gemeente hebt. Dan moet je denken aan verkoop van gemeentelijk vastgoed, gronduitgifte waarbij het vaak om miljoenenprojecten gaat en waarbij we dus ook de partijen screenen op integriteit.

Misschien nog één kleine aanvulling. Wat ik al aangaf: wij ervaren echt een groot probleem bij de informatie-uitwisseling. Zelfs in Nederland kun je niet zomaar informatie tussen gemeenten uitwisselen, laat staan dus met andere lidstaten binnen de Europese Unie.

1-012-0000

**Janet Sanz**, *teniente de alcaldía de Barcelona y concejala del Área de Ecología, Urbanismo y Movilidad.* – Sí, también para complementar algunas de las cosas que se decían ahora mismo. Yo las comparto.

Las dificultades son todas, son muchísimas. Nosotros, además, tenemos muy pocos instrumentos.

Por poner un ejemplo, una de las cosas que nos encontramos también al principio —hace como unos tres o cuatro años—. En Barcelona ha habido una explosión muy importante de pisos turísticos ilegales, sin licencia, sin regulación, promocionados en todas las plataformas *webs* internacionales —como decía antes—, como Airbnb. Muchos de estos pisos evadían impuestos; no pagaban, porque no estaban regulados; no tenían ningún tipo de licencia; no eran legales. E hicimos una propuesta desde la propia ciudad, establecimos un convenio de trabajo con los inspectores fiscales del Gobierno —a nivel estatal— para poder facilitar el intercambio de datos.

Esto no había pasado en la última década; esto lo hemos empezado a hacer hace dos años. Y no puede depender solo de la voluntad de un ayuntamiento cualquiera el impulsar instrumentos de colaboración y de transmisión de información y de datos para poder penalizar los casos en los que no se cumpla con la ley, sino que tiene que haber mecanismos, controles mucho más regularizados y específicos para poder desarrollar... Porque, por ejemplo, con los visados de oro también nos pasa lo mismo. Hay un periodo «x» —de unos diez días aproximadamente— para comprobar de dónde provienen las transacciones económicas, pero es imposible en diez días tener conocimiento certero del origen de ese dinero.

Por tanto, los mecanismos y los canales tienen que ser muy diferentes a los actuales.

1-013-0000

**Christoph Trautvetter**, *Public policy expert, Netzwerk Steuergerechtigkeit*. – Thank you for the question. On the golden visa, I think it's a very good example to show that real estate is the final destination of dirty money. Investment in real estate is the purpose of the golden visa, and it's a very transparent transaction in itself. You report the investment of EUR 500 000 in real estate to get the visa, so there will be no cheating at that level. The cheating happens long before, where the money is laundered and then sent to buy the golden visa, or the real estate for the golden visa. Placing the money in real estate causes prices to increase, but the money laundering will happen somewhere outside, before the money actually arrives here.

1-014-0000

**Jeppe Kofod (S&D)**. – Thank you to the panel for the very interesting presentations of what I think are huge challenges and problems that we face with illicit money and money laundering through real estate in our cities.

First of all, I am still a little surprised that there's no estimate of the scale of the problem. Do the speakers have any numbers? You had numbers in Amsterdam in 2017 – EUR 12 billion was invested in the real-estate sector – but there's no estimate of how much of that could be illicit money flow.

I think the first prerequisite for dealing with this is to get good statistics and good estimates. So I would like to ask both Berlin and Barcelona, and of course Amsterdam, why there is not a more systematic approach to this.

On law enforcement, in some of the examples that were used – if you come up with a suitcase of cash and buy something – it can't be really legal because you need to justify where you got your money from. Why is there no real law enforcement here? What is the role of police law enforcement in this regard?

Thirdly, if you look at the examples, we deal a lot with finance institutions, intermediaries, banks and other licensed institutions. How well do they act as gatekeepers in this regard? I think that's one of the issues. In much of our legislation we regard them as gatekeepers vis-à-vis dirty money, but it doesn't work in practice. We often see that. What is your experience in cities? Can you work with these finance institutions in an effective way, or what is the weakness?

Finally, I was very curious, Ms Verkerk, when you mentioned expertise at EU level. What type of concrete cooperation do you envisage on the types of intelligence you are looking for? We have Europol, in The Hague, in your country, but do you think there is any way, in practical terms, that we could strengthen EU-level cooperation, legally and practically, to deal with this?

1-015-0000

**Ilse Verkerk**, *Head of Unit, Department of Public Order and Security, responsible for the Programme on Illegal Money Flows, Amsterdam City Council*. – I have written down the five questions. The first one is easy. Definitely, of course, we agree that good statistics are the key. Why was there not a systematic approach? Because we do not have a good estimate. I can give you an estimate, but it would be a common-sense estimate and that's dangerous.

We know, however, that we are talking about a large sum of money and we are trying to develop a systematic approach. That's why we have embarked on data-analytics projects to get more inside information, to look at how big this is, to learn about the people who have houses but no money, at least not on paper, and also about the so-called ABC constructions – the houses that get sold very quickly. Yes, that will be necessary.

As a municipality, as a city, we have our limitations unfortunately, and the real-estate market is not a transparent market. That's one of the problems, and why it's so difficult to get total insight into the matter. There is no specific authority. There is no transparency in the markets, and not all real estate goes via a platform. So that's quite a big problem not only for cities but also for law enforcement. That was the third question, I think.

Yes, we do cooperate a lot with the police and law enforcement. We do have ways of exchanging information at case level, and that's very important for us. However, that applies only in dealing with criminal events, and it's quite difficult to see whether an activity is criminal or illicit or shady. We are also interested in these 'shady' flows, because we want to know who lives in the city and who owns the city. We cooperate a lot with the police and law enforcement and we also try to cooperate with banks. We exchange information on trends, on what we see in terms of developments.

It's not possible for us, at the moment, as a municipality to trade information at case level. For the police and law enforcement, there is a system to exchange such information, but that's very difficult because of all the privacy rules there are. We have not made it very easy to tackle these problems.

With regard to the type of expertise and level of intelligence we would like from the European Union, what we see is that everywhere it's so differently organised. We think it would be more valuable if we could exchange all the information that is available within the European Union. So there would be something like a platform, where you could exchange information, and, from there on, think about regulation. Because we do believe that regulation will be necessary in order to exchange information at case level, and that's what we would like to achieve. I hope that will be a sufficient answer.

1-016-0000

**Christoph Trautvetter**, *Public policy expert, Netzwerk Steuergerechtigkeit*. – Very quickly, to give you two numbers, we know from our studies – or we estimate – that about 10% of global wealth is anonymous and most of it illegitimate. I think that directly translates to real estate. It's somewhere between 5% and 15% of the global real-estate market and probably a bit more in cities. What we saw in London – the 15 000 properties – is less than one percent but, as I said, those are only the ones directly owned by shell companies and not the much bigger picture of those indirectly owned through investment funds and the like.

Concerning law enforcement in Berlin, there were no suspicious transaction reports so the woman in the community housing received the suitcase without suspecting anything. That was three years ago. Maybe she's a bit more aware now after these press reports so it might not happen in the future. The police have also just upgraded and doubled their staff so maybe, in future, we'll see a bit more enforcement in these types of cases, but we will still be very far from the more complex cases.

Regarding the financial institutions as gatekeepers, in most of the cases that I've looked at there's always a captured bank at the beginning, so a bank owned by the fraudsters or even a shell bank registered somewhere on an island or somewhere far away, and after that the banks say the money arrived. So it's basically the first step at the gate that is broken and then the other ones don't fix it. They excuse this by saying that it was too complex for them to find out. That's my impression.

1-017-0000

**Janet Sanz**, *teniente de alcaldía de Barcelona y concejala del Área de Ecología, Urbanismo y Movilidad*. – Sí, rápidamente, porque estoy también de acuerdo con muchas de las cosas que ha dicho la colega de Ámsterdam, pero sí quisiera exponer algunos elementos que me parecen importantes.

No tenemos información real de las transacciones, no la tenemos. El mercado inmobiliario no es transparente; y, por ejemplo, las ciudades vamos constantemente detrás de la pelota para conseguir esa información.

Una de las cosas también innovadoras que hemos hecho en Barcelona es declarar toda la ciudad como área de tanteo y retracto. ¿Esto qué quiere decir? Que urbanísticamente nos llega información real, a partir de ahora, de todas las transacciones que se produzcan —que son muchísimas—.

Hemos tenido que crear una operativa interna específica para poder realizar un seguimiento de las mismas, para poder conocerlas y también para ejercer ese derecho de tanteo, de sustitución, en esas transacciones, cuando nos interese comprar esos edificios por interés general o interés público.

Pero esto era una innovación histórica, porque la Administración no se ha desarrollado para tener esos mecanismos de control, para poder incorporar también, por ejemplo, todos los sistemas de presentación de denuncias.

Tú preguntabas específicamente sobre cómo incorporábamos las denuncias: primero, información; después poder ejercer ese poder de denuncia.

Por tanto, ese es el gran problema: no tener las cifras cuantificadas y no tener la información y un marco común que obligue también a los Estados a ser operativos en relación con lo que ocurre con las inversiones que se están desarrollando en las ciudades.

1-018-0000

**Luděk Niedermayer (PPE).** – Thank you very much. I guess that if the PPE have a second slot we will not need it so we can keep to the time.

I guess there are a lot of problems in the real-estate market and this has a big impact on society because it's related to availability of housing, and availability of housing has an impact on individual people and their ability to be part of society. So this is a huge issue. But at the same time, it doesn't seem to me that everything – all programmes related to the real-estate markets – are actually the impact of large-scale tax evasion or money laundering.

Like Jeppe, my concern is that we don't know the proportion of that, because it seems to me that in the real-estate markets there are many things that are making trouble for society and for people, but they should be considered as legitimate investments that are triggered, to some extent, by the fact that availability of capital is relatively good. Of these legitimate investments, some are short-term – we can call this speculation – and some people are making money and some are losing money, and some are long-term investments like buy-to-let.

My key issue is: what's the proportion of that? Are the things that are illegal – or at least to a great extent illegal – forming a big part of this market or are they in a minority? That's my first question.

The second concerns taxing. I must say that, economically speaking, taxing real estate is one of the easiest things because it is not easy to hide a house. Everyone can see the house and you can make some estimates of the value of the house. So my question is: are we talking about the problem of taxing real estate or taxing the income from real estate? These are different things.

If we are talking about Airbnb, I know there were many problems with taxing Airbnb short-term rents but it could be fixed and I guess the gates are now closed. If we are talking about BVI, if

the British are happy to lose tax revenues through that optimisation, this is strange but it is tax avoidance; this is not necessarily tax evasion. So I wonder what are the real problems of large-scale evasion that are influencing the real estate market.

Lastly, and thirdly, money laundering is a huge issue and I can imagine that many transactions in the real-estate market have something to do with that. The speciality of money laundering is that people don't intend to make money. They want to legalise the money but, as Jeppe has just mentioned, both these cases are just typical cases that are 100% illegal. Even if some criminal puts money into some strange country and strange bank, it doesn't mean that that money can be transferred to a European bank and used to pay for real estate.

So I wonder if you think there are some gaps in anti-money laundering legislation, and to what extent do you believe that increasing the transparency of firm ownership, as we are calling for and which is part of anti-money laundering, will make it easier to find the illegal transactions.

1-019-0000

**Christoph Trautvetter**, *Public policy expert, Netzwerk Steuergerechtigkeit*. – Let me take your last question first. Yes, I think there are huge gaps in the anti-money laundering construction globally. So that's why we see a lot of very simple mechanisms still being used, mechanisms discussed for years and years, over and over again. There's even a study from the Netherlands that says the mechanisms used for money laundering haven't changed much in the last 10 years because the likelihood of being punished is so low. So you can still use the mechanisms from 10 years ago.

So there are definitely gaps.

Concerning legitimate investment and the role of dirty money, I fully agree with you that we have two problems at the moment in real-estate markets like Berlin. There is a low interest rate, excess money and inflation of wealth in general, and that, I think, is the biggest effect why housing prices in Berlin are rising. It's not the dirty money, it's the excess cash. Legitimate interest is another problem of our economy.

But we have seen some studies from the US and the UK that estimate the impact of dirty money in specific, and in the UK they say about 20% of the price increases come from dirty money. In the US we saw a study with targeted wealth orders that also says there is something like a 5% to 10% price increase due to dirty-money laundering. But those are the only two studies I am aware of that discuss this problem.

Finally, the question of taxing real estate. I agree that real estate is the most easy to tax, but we are talking about taxing income from real estate. With income from real estate, usually the real estate is put into a company and then it is corporate income. The same thing that we see with all tax avoidance of corporate income, the same mechanisms used, also applies to real estate once the real estate is put into a company, and the rent flows out of Germany as dividend payments, interest payments, the same kind of profit shifting that we see in all other forms of tax avoidance.

1-020-0000

**Ilse Verkerk**, *Head of Unit, Department of Public Order and Security, responsible for the Programme on Illegal Money Flows, Amsterdam City Council*. – To add to what has already been said, no, we don't know the exact proportion of money laundering in real estate, but what is sure is that money laundering in property definitely leads to further price increases that can have a major disruptive effect on the property market.

Properties are becoming more and more expensive, and for example homes are becoming unaffordable for citizens. Citizens with a low or average income are driven out of the city, which can lead to major problems. This is problematic for teachers, nurses and police officers.

What we also see in real estate are fake businesses. They serve as a cover – I think my colleague from Barcelona already spoke about that. It's not only about taxing, it's also about whether it's still liveable in a street or in a neighbourhood. If there are people coming in with dirty money, that does something to the neighbourhoods in our cities, to the people who live there. So for us that's the main issue. I think I will leave it at that.

1-021-0000

**Janet Sanz**, *teniente de alcaldía de Barcelona y concejala del Área de Ecología, Urbanismo y Movilidad*. – Sí, muy rápido también para contrastar algunas de las cosas que se han puesto de manifiesto.

Es evidente que hay inversiones que son legítimas y, también, que estamos hablando de diferentes situaciones: una cosa es blanqueo, otra cosa es evasión, otra cosa es fraude de ley...

El tema es cómo impacta esto —como se decía hace un momento— en el día a día y en la configuración de los derechos de las propias ciudades.

Y que sea legal, desde mi punto de vista, no quiere decir que funcione correctamente, y creo que aquí tenemos que ver —y esto ya es otro terreno— cómo ahondar un poco más en las soluciones.

Pero, en concreto, yo creo que hay dos elementos muy importantes. Por ejemplo, las plusvalías de cualquier inversión legítima son legales, evidentemente. Pero, esas plusvalías, ¿cómo rewerten en el colectivo? ¿Adónde van esas plusvalías? ¿Qué se hace con ellas? ¿Cuál es su destino? ¿Cómo impactan —insisto— en las propias ciudades y en el propio entorno donde se generan? Porque son plusvalías muy desmesuradas en muchos sentidos.

También, por ejemplo, fraudes de ley —que nosotros estamos detectando— de empresas que compran edificios y después venden la empresa. No venden el edificio propiamente y, con eso, se ahorran el pago de determinados impuestos y de determinadas tasas.

Por tanto, cómo vamos desarticulando cada una de las prácticas que, ahora mismo, permite el marco regulatorio común y concreto de cada uno de los Estados. Y ahí yo creo que es donde tenemos que diferenciar un poco cuáles son las situaciones y cuáles son las realidades.

1-022-0000

**Ramón Jáuregui Atondo (S&D)**. – Quiero empezar diciendo que esta comparecencia está siendo muy interesante, y creo que tiene mucho que aportar a nuestro informe, porque estamos en una comisión de investigación que está preparando conclusiones.

Hay tres ideas que me parecen fundamentales.

La primera es pedir a los Estados miembros que acaben con los visados de oro.

Yo he hecho una investigación en mi país. España ha concedido 25 000 visados de oro: 7 200 a ciudadanos chinos; 5 000 a ciudadanos norteamericanos; 5 000 a ciudadanos rusos; 3 200 a ciudadanos indios; y 3 200 ciudadanos venezolanos. Los destinos de las inversiones han sido Madrid, Barcelona y Marbella.

Yo he pedido a mi Gobierno que acabe con los visados de oro. Se establecieron en el año 2013, en gran parte como consecuencia de la crisis inmobiliaria, pero siguen ahí, y hay que poner fin a los visados de oro.

Primera recomendación que yo creo que se extrae de los informes que nos han presentado los tres ponentes: tenemos que pedir, en nuestro informe, a los Estados miembros que cesen con esta práctica que acaba trayendo dinero sucio a nuestro mercado inmobiliario.

Segunda idea: tenemos que establecer una plataforma fiscal común para las plataformas de contratación de alquiler temporal. Airbnb es el caso de Barcelona, pero tenemos que establecer en Europa un sistema fiscal común —como hemos pretendido hacer con las tecnológicas—, porque estas plataformas están afectando al derecho del alquiler, que es un derecho a la vivienda fundamental para nuestros jóvenes y para nuestros ciudadanos.

Y tercero —y termino—, hace falta un control más exhaustivo del origen del dinero en el mercado inmobiliario cuando se trata de fondos.

Estas tres condiciones son las que me parecen más claras de su informe, y que yo querría incorporar a nuestras conclusiones. Pero les pregunto si hay alguna más, aparte de estas tres que ustedes nos sugieren, para incorporar al informe final de la Comisión de Investigación TAX3.

1-023-0000

**Janet Sanz**, *teniente de alcaldía de Barcelona y concejala del Área de Ecología, Urbanismo y Movilidad*. – Estoy muy de acuerdo con toda la intervención, y creo que son elementos fundamentales.

Yo insistía antes, precisamente, en la necesidad de más datos, más competencias, más recursos como elementos fundamentales.

Por tanto, a la eliminación de los visados de oro, al planteamiento de un marco regulatorio común respecto a los alquileres temporales, yo añadiría también los recursos.

No puede ser que, por lo que respecta a la financiación local —donde somos la primera trinchera de todas estas prácticas y debemos tener más equipos que afinen muy bien el control y que estén destinados a esto—, vayamos perdiendo, cada vez, capacidad y autonomía económica, de recursos, para poder ejercer nuestras competencias.

Y, por tanto, es fundamental que también se incorpore una refinanciación de los entes locales a nivel de los gobiernos nacionales.

1-024-0000

**Ilse Verkerk**, *Head of Unit, Department of Public Order and Security, responsible for the Programme on Illegal Money Flows, Amsterdam City Council*. – I totally agree with my colleague from Barcelona. As I previously mentioned, what we hope to achieve is a multi-level governance approach to this – combining the expertise at European level that we spoke about with expertise from the Member States – to see how we can align our expertise and knowledge-sharing better and find better ways of cooperating between these levels in Europe, for example under the Urban Agenda for the EU. One important thing to note is that we need instruments to be able to check the origin of the money flowing into real estate.

1-025-0000

**Christoph Trautvetter**, *Public policy expert, Netzwerk Steuergerechtigkeit*. – I would focus all your efforts on checking the source of the money. I think that's the single most important thing. I would suggest you start with transparency on investors, so we get a better idea of who

owns real estate, and then you create a resource for complex investigations which, at the moment, are not being carried out anywhere in Europe, to my knowledge.

1-026-0000

**Miguel Urbán Crespo (GUE/NGL).** – Yo les quería hacer cuatro preguntas.

¿Qué efecto tiene la concentración de la propiedad del suelo por parte de los grandes grupos de inversión —y, sobre todo, su utilización como vehículo de especulación y de lavado de dinero— sobre el acceso a la vivienda por parte de los ciudadanos? Yo creo que debería ser un elemento de preocupación política importante.

Yo sé que ayuntamientos como el de Barcelona o Ámsterdam lo tienen.

¿Cómo influye en la gentrificación de las ciudades, como Barcelona, por ejemplo, la actividad de fondos buitres y de plataformas de pisos turísticos como Airbnb?

Yo creo que también el elemento de la gentrificación y su vinculación directa con estos fondos de inversión y la concentración del suelo y la especulación son cuestiones que nos debería, preocupar mucho.

El investigador Jason Sharman observó en Londres una relación directa entre las viviendas desocupadas y el lavado de dinero. Desde el Ayuntamiento de Barcelona, ¿han podido observar algo parecido a lo que se ha visto en estudios como, por ejemplo, el de Londres?

Y, por último, la regulación de los precios del alquiler, como se está haciendo desde el Ayuntamiento de Berlín, ¿podría ser una fórmula para combatir la especulación y el lavado de dinero?

Y me sumaría, además, a lo que ha dicho el orador anterior, el señor Jáuregui. ¿Qué medidas podríamos incluir o qué medidas podrían recomendar los ayuntamientos para las recomendaciones finales que hagamos en esta comisión?

1-027-0000

**Janet Sanz, teniente de alcaldía de Barcelona y concejala del Área de Ecología, Urbanismo y Movilidad.** –¿Cómo impactan estos grupos inmobiliarios en el acceso a la vivienda? Pues, de forma nefasta, porque precisamente la evolución de todo lo que estamos viviendo en Barcelona es una crisis vinculada a las hipotecas y, ahora, también al alquiler. Los alquileres no dejan de incrementarse y hay un gráfico —que antes quería poner, pero, al final, no sé qué ha pasado con la presentación, pero os lo podemos enviar— en el que se ve muy bien la evolución precisamente de esa problemática que afecta al día a día.

Ahora mismo, en Barcelona, la mayoría de las familias destina un 40 % de sus rentas a pagar la vivienda, y eso es una anomalía en toda regla.

Y ¿quién se está beneficiando de eso? Precisamente, grandes corporaciones que tienen grandes fondos; grandes tenedores que tienen una concentración muy alta de esas propiedades en determinadas zonas y que, además, evidentemente, generan un efecto vinculado con la segunda pregunta que hacías —que es sobre los procesos de gentrificación—, que es que muchísima gente no puede destinar ..., porque los salarios no están subiendo al mismo ritmo que los alquileres. Y, por tanto, mucha gente no puede pagar esos alquileres con sus rentas y se ve forzada a irse de sus barrios.

Y, además, lo que estamos viendo, precisamente, es cómo la gente, directamente, no tiene ni tiempo de ver lo que está pasando.

Por ejemplo, nosotros hacemos un proyecto de transformación urbana para mejorar la calidad de un entorno. Cerramos una cárcel histórica de la ciudad que estaba en el centro —la cárcel



Modelo— y, antes de que hubiéramos podido plantear qué íbamos a hacer allí, ya se estaba generando especulación alrededor, ya se estaba forzando a los vecinos a irse de los pisos porque iban a subir un 40 % o un 50 % o un 70 % las rentas de alquiler o se estaban sustituyendo los bajos comerciales por tiendas de *souvenirs* y por tiendas con márgenes muy pequeños.

Por tanto, ahí es donde vemos que hay una relación entre quién compra esos locales —lo que sirve para lavar dinero—, que, después, evidentemente, se utilizan para un tipo de ventas que no son las que deberían realizarse en zonas céntricas como el Paseo de Gracia, como las Ramblas....

Y sobre las concreciones también de propuestas... Por ejemplo, una de las medidas que nosotros hemos impulsado ahora mismo —para fortalecer precisamente esas obligaciones a los propietarios, a los promotores y a esos fondos de inversión— es que en Barcelona no puede haber solares vacíos más de dos años, y, por tanto, que no se utilicen como vehículos de especulación entre empresas. Y, además, que, por ejemplo, todas las promociones que se desarrollan, tengan que destinar una parte de esas viviendas a vivienda asequible y, por tanto, limitar también la especulación con los precios, que no puedan superar determinadas rentas y que sean de alquiler.

Son medidas complementarias que intentan poner coto a ese campo de juego tan amplio que tienen los especuladores en nuestro país.

1-028-0000

**Ernest Urtasun (Verts/ALE).** – Chair, since we are running out of time I would just like to ask a very concrete question. If the speakers can develop further the recommendations for our report, that would be great, but on the concrete issue of transparency, which all three of them touched upon, well, we have a framework at European level for information on beneficial ownership, but it's still in the process of being implemented. I would like to ask the speakers, with regard to knowing the final owner of a specific investment company, whether this is really a problem, and how it affects the management of housing planning in the cities. Perhaps they could explain that further, because it is one of the issues that this committee has been looking at in more detail recently.

1-029-0000

**Christoph Trautvetter, Public policy expert, Netzwerk Steuergerechtigkeit.** – Maybe I can start, briefly, with some impressions. In Germany, the Transparency Register that we have, thanks to the Fourth Anti-Money Laundering Directive, doesn't work. It doesn't give us any additional information on real-estate owners. In the cases of companies we've checked and tried to find there, the beneficial owner was not listed, either because – real-estate agents call it the five-person rule – they just put five people together to own the real estate and then each share is below 25% and you don't find any beneficial owner in the register, or because the registry is very badly implemented. We've seen cases of people owning more than 25% but not being registered there. So it hasn't worked so far. A lot of work still needs to be done to make these registers work and to show what is in there.

The second thing is that, even if we had the Transparency Register, we don't have transparency on real-estate ownership: even if we know the company owners, we still don't know the real-estate owners. So we also need transparency in the real-estate registry, and we need to connect the two registers, the real-estate register and the beneficial ownership register of companies. Then we could start discussing statistics, cases and how good these registries actually are.

1-030-0000

**Ilse Verkerk, Head of Unit, Department of Public Order and Security, responsible for the Programme on Illegal Money Flows, Amsterdam City Council.** – Very briefly, I totally agree with the last speaker, but what I would like to plead for is a transparent real-estate market and

transparency on ownership in the real-estate market. That is very important, so that we reach a position in which we can create barriers, because, in all the examples you have been hearing about here today, something has already gone wrong. We have to create barriers, and we need the real-estate market to become more transparent so that we can do that.

1-031-0000

**Janet Sanz**, *teniente de alcaldía de Barcelona y concejala del Área de Ecología, Urbanismo y Movilidad*. – Muy rápidamente, porque estoy muy de acuerdo también con lo que se ha comentado anteriormente.

Yo lo decía al principio y me parece fundamental. Las grandes corporaciones saben, en tiempo real, qué pasa en nuestras ciudades. No puede ser que los ayuntamientos, que las ciudades, no tengan esa misma información, no tengan ese conocimiento. Ahora mismo, somos incapaces de tener todas esas informaciones, de tener esos datos.

Por tanto, necesitamos registros claros —además, no solo a los ojos de la propia Administración, también de la propia ciudadanía— para transparentar y para ganar confianza en aquello que pasa en el terreno de lo urbano y, además, en cómo eso influye en la planificación urbanística. Hay una relación clarísima.

Y, durante mucho tiempo, en la planificación urbanística se ha trabajado con ciertas sombras respecto a lo que estaba pasando en esas ciudades con algunas prácticas —como decía— de fraude y se ha consolidado precisamente eso.

Deshacer esas operaciones y construir un marco de planificación urbana mucho más transparente también es un reto que tenemos y que estamos intentando impulsar desde las ciudades.

1-031-5000

**Chair**. – On the loopholes in the register, that's exactly what this Parliament was telling Member States in the negotiation on the fourth Anti-Money Laundering Directive.

1-032-0000

**David Coburn (EFDD)**. – I have been listening here with great interest, but you admit you don't know how much money is in property, is in money laundering or is money laundering, according to Ms Verkerk. You just hope for your own personal, socialist crusade – political crusade – that there is. As far as I'm concerned, this is absolute twaddle.

A reasonable point to discuss is whether London property prices are higher at the top end of the market because of offshore money and also banker's bonuses, but this committee is just part of the distraction from the real issue, which is that housing is expensive in the middle because of pressure of numbers driven by open-door immigration. You didn't use the word 'immigration', not one single one of you used the word 'immigration', which not only puts pressure on housing but also on public services and wages. The committee wants to blame the rich for every ill in society when in reality, the EU itself is much more corrosive to the general wellbeing.

The EU and those who – the so-called experts here – want to turn Europe into a Stasi East European police state. Well, personally I'd prefer a little dodgy money laundering than having citizens governed by a police state and having to declare every halfpenny they have, or indeed justify every halfpenny they have. Maybe your idea of heaven is a Stasi hell, but it's certainly not mine, and it's certainly not that of the British people who are leaving the European Union.

1-033-0000

**Chair**. – Can we get to the point please.

1-034-0000

**David Coburn (EFDD).** – And may I point out that the European Union is the biggest tax racket in the world. Our assistants are on 15% tax. Where in the world do you get that? So if you want to look around for tax rackets, try the European Union.

Furthermore in Edinburgh the ludicrous Scottish Nationalists made it very difficult to remove tenants. Landlords, who to pay for the money they borrow to buy the buildings – they have to pay for that too – they have now sort of withdrawn from the long-term rental market and only allow holiday lets, and that has caused housing shortages in Edinburgh, and in Barcelona, the lady there, Ms Sanz, did not mention mass immigration to Spain. Anything but.

1-035-0000

**Chair.** – Thank you, with all due respect for freedom of speech, I consider the comparison with the Stasi as highly inappropriate.

1-036-0000

**David Coburn (EFDD).** – But absolutely true, sir, absolutely true.

1-037-0000

**Peter Simon (S&D).** – Herr Vorsitzender! Ich fordere Sie auf, anhand des Protokolls, das wir hier ja haben – es wird ja alles aufgenommen –, die Aussagen des Kollegen dem Juristischen Dienst zu übergeben und zu überprüfen, ob dies mit dem Verhaltenskodex für Abgeordnete vereinbar ist. Die Aussagen hier sind so infam und haltlos und stellen dieses Parlament und die ganze Europäische Union in ein Licht, wie es eigentlich eines Abgeordneten unwürdig ist, dies so zu tun, dass eine solche Überprüfung aus meiner Sicht angezeigt erscheint.

1-038-0000

**Chair.** – Okay, it's noted.

1-039-0000

**Paul Tang (S&D).** – Ik zal in het Nederlands spreken, dank u wel, voorzitter. Ik begrijp de roep om meer transparantie. Dat lijkt mij zeker noodzakelijk. We moeten echter ook erkennen dat een systeem voor *ultimate beneficial ownership* nog niet binnen handbereik ligt, al is het maar omdat ook buiten Europa dat begrip niet volledig is doorgevoerd. De Verenigde Staten hebben dat bijvoorbeeld ook niet doorgevoerd. Dat betekent dus dat het eigendom van geld uit de Verenigde Staten moeilijk te controleren blijft.

Daarom ben ik ook nieuwsgierig naar wat voor data er nog meer zijn. Ik heb ook gehoord dat banken over veel data beschikken. Welke data hebben banken die wij zouden kunnen gebruiken om te kijken in hoeverre geldstromen illegaal zijn. Dat is wat ik graag zou willen weten: welke informatie is er nog meer die we nu al kunnen gebruiken, maar die om wat voor reden dan ook niet ingezet kan worden.

Dat was mijn eerste vraag. De tweede vraag: ik ben geïntrigeerd of je ook de bewijslast kan omdraaien. Amsterdam heeft de Wet Bibob: als er een crimineel vermoeden is, dan kun je een investering tegenhouden. Is het omkeren van de bewijslast niet een grotere mogelijkheid die steden ook weer ruimte kan bieden om grip te krijgen op bezittingen en op investeringen?

1-040-0000

**Ilse Verkerk, Head of Unit, Department of Public Order and Security.** Dank u wel, ik zal ook antwoorden in het Nederlands. Banken hebben heel veel informatie die ze nu niet met ons kunnen delen, en trouwens ook niet altijd met politie en openbaar ministerie. Zij doen natuurlijk zelf hun eigen integriteitsonderzoeken. Waar ze heel veel informatie hebben: ze hebben zicht op alle transactieoverzichten. Dat gaat dan wel over die partijen die zakendoen via de banken. Er zijn natuurlijk ook andere manieren om zaken te doen. Ook de belastingdienst heeft ontzettend veel informatie, in ieder geval in Nederland, voor Nederlandse inwoners of mensen die in ieder geval iets te maken hebben met de Nederlandse belastingdienst. Ook daar zien we nog steeds problemen met informatiedeling.

Als het gaat om de omkering van de bewijslast, dan klopt het inderdaad dat dit in Amsterdam in ieder geval zo wordt genoemd: de omkering van de bewijslast. Ik zal dit heel kort toelichten. Als iemand bijvoorbeeld een vergunning voor een horecazaak wil of bijvoorbeeld voor een uitgifte van grond waarbij de gemeente betrokken is, dan betekent dat dat wij op voorhand vragen naar transparantie rond de financiering en niet alleen naar de gebruikte constructie, maar ook naar de herkomst van het geld. Is die transparantie er niet, dan zeggen wij op grond van het huidige bestuursrecht: het spijt ons, uw aanvraag is niet volledig en dat betekent dat wij uw aanvraag ook niet in behandeling kunnen nemen. We kunnen namelijk op deze manier uw integriteit niet beoordelen. Dat is een heel belangrijk instrument, met de kanttekening dat dit alleen kan worden toegepast als de gemeente ook een positie heeft, dus een partij is. Dat betekent dat het of moet zijn omdat er een vergunning wordt aangevraagd, of omdat er een vastgoedtransactie of gronduitgifte plaatsvindt. Dat is op dit moment wel een beperking.

We hebben overigens wel in Amsterdam ook de algemene plaatselijke verordening gewijzigd op grond waarvan nu de burgemeester straten, branches, wijken of een pand kan aanwijzen die vervolgens vergunningplichtig worden, waardoor wij in staat zijn om de criminaliteit hopelijk beter een halt toe te roepen. Dan moet je bijvoorbeeld denken aan het feit dat er in sommige straten in Amsterdam opeens 40 kapperszaken zitten. Dan moet u denken aan de massagesalons die op dit moment allemaal niet vergunningplichtig zijn, of bepaalde vormen van Nutellawinkels en wafelwinkels, waarbij het vastgoed dus gebruikt wordt als een cover-up, als een frontstore voor het witwassen van geld. Het gaat immers niet alleen over het eigenaarschap van het vastgoed. Het gaat in een stad ook over de functie van het vastgoed, dus het gebruik ervan.

1-041-0000

**Christoph Trautvetter**, *Public policy expert, Netzwerk Steuergerechtigkeit*. – I agree with Ms Verkerk that in the end we will have to use banking data, but I think, in the meantime, there are two important data sources that we could already use now, namely the data at the registries which, with the exception of London, is not used at all, and there's the data that is in Clearstream. That's privately held beneficial ownership data on investment funds and big listed companies. I think that's a data source that should also be looked at.

1-042-0000

**Janet Sanz**, *teniente de alcaldía de Barcelona y concejala del Área de Ecología, Urbanismo y Movilidad*. – Sí, muy rápidamente, solo para remarcar una idea que me parece importante.

Es decir, hoy, aquí, estamos representadas algunas ciudades, pero somos muchas más. Y, en particular, ciudades como París, ciudades como Londres... La alcaldesa de Barcelona, junto con otros alcaldes, se ha reunido, en diferentes momentos, con Sadiq Khan y con otros alcaldes y alcaldesas de toda Europa que estamos sufriendo los mismos problemas, que estamos viviendo las mismas consecuencias y que necesitamos los mismos instrumentos y las mismas medidas.

Y, por tanto, impulsando medidas de planificación urbana que pongan y que prioricen el derecho a la vivienda y eviten esas especulaciones con datos abiertos, con información, con mecanismos, pero con normativa europea clara, porque creo que eso es poner en el centro el principio de subsidiariedad como un elemento central, como un elemento fundamental también de la construcción europea y, además, sobre todo, para poder defender nuestras ciudades.

1-043-0000

**Chair**. – This brings our first panel to its end. Thank you very much to our speakers, Ms Sanz, Ms Verkerk and Mr Trautvetter. We have received a lot of interesting pieces of information, although very worrying ones. I am sure that the topic we're discussing today will be properly reflected in our final report.

We will continue with our second panel at 10.35.

## *Panel II*

### *How to fight against price increase in the Real*

#### *Estate sector resulting from tax opportunities and Money Laundering?*

1-044-0000

**Chair.** – Colleagues and guests, we will start today's second panel on how to combat price increases in the real-estate sector resulting from tax opportunities and money laundering. I hope that the exchange of views will be as interesting as it was in the first panel.

Let me welcome our guest speakers, Mr Nilimesh Baruah, Senior Advisor on tax and crime, international cooperation and tax administration, at the OECD Centre for Tax Policy and Administration, and Mr Max Heywood, who is financial representative at Transparency International. Each speaker will have a slot of a maximum of seven minutes for introductory remarks and presentations.

1-045-0000

**Nilimesh Baruah**, *Senior Tax and Crime Advisor, OECD Centre for Tax and Policy Administration.* – Chair, it is my privilege to come and share my thoughts with this gathering. I would like to start by giving you a broad tax perspective on the whole issue. My structure for the presentation is going to be that I'll talk about the problem statement, about the issues which European citizens are facing, and then we'll talk about the existing regulatory framework, then about the challenges and the suggested way forward. These are the four major points I would like to cover.

The problem statement is everywhere where there is an infusion of illicit funds into the European real-estate market. That's one fact. It's there in media and everybody is discussing the issue. Although we can look at it as a local problem, local to the cities of Barcelona or Berlin, for example, it actually has an international dimension. It's a local issue with an international dimension because money is coming from outside. The reports we are getting indicate that this kind of money is coming from various countries.

It is, of course, a manifestation of banking without borders. Now we have technology whereby transfers can take place very easily so we don't have borders where banking is concerned. Money can come from anywhere.

Apart from that, the ownership structure is not clear. A lot of companies and other entities or arrangements are involved as owners, and we do not know about the beneficial owners. Even legal owners present a really complex structure, so it is very difficult for a layman to find out who the real owners are or, looking behind, the beneficial owners, and of course all the transfers are invisible and virtual, because it is all happening in the technology-driven environment.

What we see, when properties have been purchased out of illicit funds, is the last stage in a process. I mean that, in the money-laundering cycle, this is the last phase: the money has been integrated. But behind this, in the cycle of money laundering, are two other stages, the placement of funds and then the layering of funds, which happen before actual integration and before property is purchased. So there is a predicative offence behind every case of money laundering.

Those stages are important and they are there in the financial system, because dirty money has to be laundered, and for laundering it has to be introduced into the financial system. So there

are trails in the financial system. The issue is how to get hold of those money trails. That's one issue.

And, of course, we have a lot of professional money launderers now. There's a report from the Financial Action Task Force (FATF) indicating that professional money launderers are very different from the DIY launderer. If I am a DIY launderer, I have my dirty money and I am trying to convert in some way, but professional money launderers are experts who can give you a full spectrum of services. If you have dirty money they'll help you to hide it, help you to acquire properties, and help you to shift your money across national borders. This is creating a problem. It is complicating the whole thing and making it very opaque.

We have a background of price escalation in real-estate markets in various cities in Europe: rents are rising and there are unoccupied properties. Against this background, what regulatory mechanisms do we have to tackle this kind of problem? The first thing to be said, of course, is that FATF is a body tasked with addressing the money-laundering issue. Then, of course, there are the EU directives on money laundering, the most recent of which, the fifth one, has added a few more things to the earlier fourth directive.

Among the tools which the anti-money laundering authority has are the gatekeepers, who could be real-estate agents or other non-finance professionals. A gatekeeper could be an accountant, it could be your lawyer, because they are the ones who are involved in conducting or completing land or building deals. The gatekeepers have responsibilities. The gatekeepers are supposed to do due diligence, they are supposed to keep records and then they are supposed to look at the transactions carefully because they are supposed to carry out risk-based assessment.

Risk-based assessment is a very important concept for an anti-money laundering authority, because you have to look at the risk. Depending on the nature of a transaction, and the way you look at that transaction, you may say that, OK, this is something suspicious, and then you have to look at risk assessment based on the risk which you perceive.

These are two very important things, the role of gatekeepers and the risk-based assessment – client due diligence – and of course, once you feel there is something suspicious, then you have to trigger a suspicious transaction reports. I gather from various media reports that the number of suspicious transaction reports in respect of real-estate purchases is very low by comparison with other kinds of suspicious transactions. The fact there are very few such reports means there is something wrong with the process or the mechanism or the non-financial gatekeepers.

That is why FATF came up with a separate report on non-financial gatekeepers. It's about their vulnerabilities, and they are vulnerable because of certain issues. There's an issue about confidentiality of clients, and they feel that they can take cover under that. These issues are very important in the regulatory environment if something needs to be done in relation to anti-money laundering authorities.

Next, the tax authorities have a very important role. A tax authority is a very important stakeholder because behind money laundering there's a predicative offence, and tax crimes are predicative offences. So the tax authorities have a very important role to play in this whole area of real-estate transactions.

Tax authorities have done a lot of work on transparency. With regard to transparency standards, the OECD hosted a global forum for an exchange of information, and transparency has two important standards which are pretty close to the FATF standard and which have full political backing across the board.

The first is the exchange of information on request. So one tax authority can request another authority to give information, but it has to demonstrate in some way that it is relevant to an investigation. This is the standard of actually delivering information on request.

Then, in 2016, the global forum introduced another standard backed by G20, namely that there should be automatic exchange of information relating to the financial accounts of various legal entities including corporates and other arrangements. To execute that concept, it came up with something called the Common Reporting Standard. Under the Common Reporting Standard (CRS), all financial institutions are mandated to collect information about accounts of a person who is a non-resident. The important point is the fact that tax residency has been introduced into the concept: if somebody in Brussels has to collect information, it will collect it about all the non-residents who have bank accounts here. So this is a very important aspect of that common reporting standard for financial accounts. It gives you details about financial assets, location and balances; it gives you a snapshot of the person's or the entity's financial activities; and, at the same time, there is also a mandate, as with due diligence, to collect information about beneficial owners.

Of course, there are also various treaties relating to access to information.

Now there are certain issues if we have not been able to do our due diligence well, or risk assessments have not been done, and there are a lot of cash transactions in the property market, so we are missing out on a large part of it because we can't identify those. In the tax area, the challenge is that the CRS covers only financial assets, it doesn't address real assets. In relation to the exchange of information on request, you first have to have details about the property.

I'll cut this short and move on to the next point.

The OECD has been talking about a whole-of-government approach: all the agencies should work together because every agency, by virtue of its position, has a separate skill set and separate information. The information which tax authorities now possess comprises the financial details of all the entities and their beneficial owners. If we have that information, and if we join hands with the anti-money laundering authorities, we can put it together with the information they have, and with the suspicious transactions reports, as well as all the information about bank details which the tax authorities possess.

If we want to find the money trail, it is there with the tax authorities. What we have been talking about is the need for a whole-of-government approach: that should be operationalised.

And a final point ... Currently, under EU guidelines, European countries are preparing the registers for company beneficial owners. The OECD has already developed, with CRS, a common international transmission system. Under that system, all the finance institutions exchange information and it is given to the local authority, and local authority gives it to the other partner countries.

So there is a very robust system, which is completely searchable, with a clear database. Possibly the OECD can help in other countries that are talking about developing a searchable register, because time is of the essence. It should be possible for us to work together. That's the number one point.

Number two, as many speakers suggested earlier, is that we need transparency in the real-estate sector and we must have more property-related information. It will help if we can combine company information and real-estate registry information with information on beneficial owners. That's the way to solve the problem: it's a cancerous kind of a thing, so we have to look at the root cause and then attack the problem accordingly.

1-046-0000

**Max Heywood**, *Financial representative, Transparency International*. – Thank you very much, Chair, and many thanks for the invitation to this gathering today.

I'd like to jump right in with our headline finding and recommendation, which is that the implementation of the EU Anti-Money Laundering Directive and the Financial Action Task Force (FATF) standard is insufficient uniformly in EU Member States. The tools that are needed to tackle the phenomenon of money laundering in real estate are well known. However, they are not known to enough people and they are not implemented sufficiently.

I'm not just talking about the transposition of the Directive into legislation. We're talking here about things like the powers and resources available to supervisory authorities with responsibility to provide oversight of the sector, the limited understanding and implementation of money-laundering risks and mitigating measures by professionals in the sector, and this can be seen, for example, in the low numbers of suspicious transaction reports – I'll give you a couple of examples in a minute – and the low levels of application of basic supervisory measures like on-site visits and sanctions.

Here there is a source, which are FATF country reviews. As you know, the FATF reviews its member countries on a rolling basis and, if you look at these reports for EU Member States – the most recent ones available – you find, for example – and this is simply picking the ones which are most recently available, this is not to single out the countries that I'm mentioning – that the 2016 FATF report for Austria found there had been one suspicious transaction report from real-estate agents between 2011 and 2014.

In Belgium, it found that there had been six inspections carried out in the whole sector in the year 2014. This is from the FATF review of Belgium. In Denmark, there had been just two suspicious transaction reports by real-estate agents over the five years previous to the visit. The report is from 2017.

Here there is another example around the limited resources, which is that the relevant authority to provide oversight of the real-estate sector, the Danish Business Authority, at the time of the FATF visit in 2016 had seven staff, who were responsible for 3 295 estate agents, in addition to 5 600 accountants and a few other sectors on top.

So with these levels of resources, it is not surprising that the capacity to provide effective oversight, inspections, provide sanctions – also training and outreach, it does not just have to be punitive measures. There's a whole suite of tools that can be used in terms of education outreach that could also have a preventive effect which are not being implemented.

Perhaps a first step to increase the implementation could be more regular yearly reporting from EU Member States against these indicators. If it were not for these FATF reviews, which are carried out on a very irregular basis – the main evaluations are carried out by FATF every seven years – it would become even more difficult to get these types of basic numbers around suspicious transaction reports.

If there was a consistent – ideally yearly – approach where EU Member States had to report on these basic indicators of on-site visits, inspections, sanctions applied and publicly reported, this could perhaps be a driver of change throughout the sectors as a very first step, being aware of all the other things that also have to happen.

We do have some data on the impact, on why this matters. It is true that the data availability is limited so that's why it is very hard to say conclusively that this is the causal relationship between money laundering and real estate and impacts on the real-estate sector. However, there have been very strong and solid case studies in major cities – also beyond the EU, so looking



at Vancouver, New York and also Berlin and London – that show a significant correlation between, for example, the proportion of high-end properties owned through shell companies and increases in prices.

It's important to note, as was said before by the local authority, that this is not just about pricing. It is also about the types of building investment that become available. Where you have high-end luxury properties, you can't build so many properties on a single space so social housing becomes less available and housing for young professionals becomes less available. So there is an impact on the market that goes beyond just pricing.

There is another interesting effect, which I think it could be useful to bear in mind. This is what is known in urban studies as the ripple effects or the knock-on effects, where if you have, for example, in the centre of a city a prime property which is increasing in price, this prices out certain parts of the market who then move outwards in concentric circles, creating a knock-on effect throughout the city, whereby the former residents can no longer afford this and the affordability goes down throughout the whole city. So it does not have to be very large increases across the whole city. Just a small sector in the middle can also create this knock-on effect.

Just to give a couple of indications of the size of the problem from case studies, in London 23% of purchases of prime property were purchased as a second home, which links to significant underuse in parts of the year. Again in London, 5% of homes in central London were found to have extremely low electricity consumption. This is not a direct indicator of empty homes, but there are different ways of getting at this phenomenon of empty homes, again looking at the impact on citizens, where again there are serious indications of the impact on citizens.

Going back to the first point, what is also interesting to note is that we have evidence that the basic tools of due diligence and supervision have a direct and significant impact on reducing this phenomenon. To give just one example, again from the UK and going back to the issue of golden visas mentioned before, in 2015 the UK introduced some checks on golden visa applicants. In the year before, 2014, there had been 1 100 applicants. The year after the checks were introduced, it fell to 192 so there was an immediate drop of about 80% in the number of applicants to this golden visa review. This suggests that if the basic supervisory and due diligence tools were effectively implemented, this would have a direct effect on the issues that we are discussing here.

I think I'll pause there and we can go straight to the debate.

1-047-0000

**Luděk Niedermayer (PPE), Co-rapporteur.** – Thank you for your clear message. Let me ask basically two questions. First, where do we really stand with the anti-money laundering strategy and efficiency? Just a few minutes ago colleagues to my left said that the techniques used in the last 10 years are still being used. This would mean that despite all these reviews, as well as the punishments and really prioritising this issue, we are not achieving a lot. I hope the situation is not so bad but still, I would like to hear your really frank comments.

Also, to comment on the issue as to whether the problem we have is just with overall money laundering or whether, at least in the case of banks, there is significant progress, because the banks are at the core of anti-money laundering. Obviously, it's much more difficult to supervise all the accountants and the real-estate agents, but at the same time, money must be in the bank, and I hope that there is significant progress but I would like certain assurances.

Also, I would like to hear your comment on something that was said in our previous hearing. This is the problem that in some countries money laundering – not anti-money laundering but money laundering – is part of the government system, like in Russia. This means that these

countries cannot cooperate with us because this would jeopardise their way of governing. So this is a question for the OECD especially – how do we tackle this? Because these countries exist and they will continue to exist.

My second question relates to real estate. I am still puzzled as to whether there is a special role of real estate to look into, because real estate must in the beginning be bought with money – that must be laundered if we are talking about criminal activities. And in the end it seems to me that the problem is not the taxing of real estate but the taxing of income from real estate, which is not so different from taxing any other income. So I wonder, what is the special role of real estate when it comes to fighting tax evasion and money laundering?

1-048-0000

**Max Heywood**, *Financial representative, Transparency International*. – Yes, I would agree with the assessments by the previous panel that many of the techniques of money laundering continue to be the same. And the reason for that – despite, of course, innovations and new technologies, etcetera – is that it is still possible, precisely because the implementation of basic elements of customer due diligence – of suspicious transaction reporting – have not made progress in identifying beneficial owners.

So this is precisely why, in addition to any new techniques, we also have the challenge of old ones which continue.

The emphasis on real estate is important, but it's also important to know that this is just one of several sectors with a high risk – the primary one, I would agree, being the financial sector, with the role of gatekeepers, as was mentioned before, i.e. lawyers, accountants and notaries. There are sectors that are primarily more at risk of being involved in, or used for, money laundering.

The focus of this session happens to be on real estate, but there is absolutely a broader context here that also needs to be addressed. It has to be said, however, that there are similar weaknesses in many of those other sectors.

On the financial sector, all I would say is perhaps that there was a low baseline. Yes, there may have been progress in terms of the legal tools that are being applied but the baseline from which we started was very low, so the progress is clearly not sufficient to tackle the scale of the problem.

Regarding the issues raised by the previous panel: as a last point, I think it is important to note that, in complex money-laundering programmes or schemes, real-estate investments may be only part of a much larger picture. In a very large, complex money-laundering scheme, part of the money will go into real estate; there will be shell companies for multiple jurisdictions involved; and part of it may go into luxury goods. There will be an accountant helping in jurisdiction 1, a lawyer helping in jurisdiction 2, and they may be working together. It is important, I agree, to note that these real-estate investments will be just part of a broader picture.

However, real estate is one of the most appealing sectors, particularly because there are other techniques of money laundering which involve a loss. For example, if you buy a luxury car, over time it will lose its value, whereas real estate, although not unique in this, has the special factor that it also can become an investment, which makes it different from other money-laundering techniques.

1-049-0000

**Nilimesh Baruah**, *Senior Tax and Crime Advisor, OECD Centre for Tax and Policy Administration*. – To comment on the banking sector: actually, this Common Reporting Standard (CRS) has made the banking or finance institutions very responsible, and a lot of data

has been exchanged – masses of data have been exchanged between them. Currently there are 102 jurisdictions exchanging information under the CRS.

Now, because there has been due diligence on the part of the banks, there have been considerable deterrent effects. In a number of countries, we have seen that tax evaders have come forward to make disclosure of their earlier undisclosed income and assets. That constitutes very positive fall-out from bank due diligence and from information being shared with other countries.

You had a second question?

*(Mr Niedermayer replied off mike)*

Actually, it is for that purpose that the OECD has the global forum and conducts peer review.

Peer review is a very extensive process in which ratings are given, and the EU has been working together with the OECD in that regard. If a country was not fulfilling the conditions, not addressing money laundering and other issues, it was blacklisted, and we found that that created a huge hue and cry. I have seen cases of countries calling up the OECD to say they needed to be taken off the blacklist. It has an impact.

So governance is eventually going to improve because there is pressure from the peer review, and the EU blacklisting is going to make a difference because investment gets affected.

For example, recently the OECD came out with an analysis of 100 cases of citizenship by investment and residency by investment. One hundred jurisdictions were given a ranking on the basis of risk-profiling, according to whether they were allowing people to get a ‘golden passport’ without too much verification.

That is also going to have an impact and it will have a good-governance effect.

*(Interjection from Mr Niedermayer off mike)*

Yes, there is a review in progress.

*(Response from Mr Niedermayer off mike)*

On the rating, actually I’m not sure, but all the countries are rated. There are different kinds of compliance rating. I don’t have that information to hand but we can share it later.

1-050-0000

**Peter Simon (S&D).** –Meine Fragen werde ich auf Deutsch stellen. Sie verstehen Deutsch? Wunderbar!

In den schriftlichen Stellungnahmen des vorangegangenen Panels haben die Kolleginnen geantwortet, dass der Informationsaustausch zwischen den lokalen, also den kommunalen Behörden vor Ort, und den staatlichen Stellen sich häufig ziemlich schwierig gestaltet. Haben Sie in Ihren Forschungen oder in Ihrer praktischen Arbeit Beispiele kennengelernt, die man als Best-Practice-Austausch – innerstaatlich – bezeichnen könnte? Allein um die kommunale Ebene hier auch etwas schlagkräftiger werden zu lassen? Das als erste Frage.

Als zweite Frage: Wir haben uns leider als Parlament bei der Bearbeitung der vierten Anti-Geldwäsche-Richtlinie nicht durchgesetzt aufgrund des Hinweises, das würde zu viel Bürokratie verursachen, dass in den Registern nicht nur die Eigentümer von Grundstücken EU-

weit festgehalten werden sollen, sondern dass künftig auch die wirtschaftlich Berechtigten dort eingetragen werden, also dass wir in dem EU-weiten Register, das die Grundbücher miteinander verknüpft, praktisch zwei Spalten haben, einmal die Spalte „Eigentümer“ und einmal die wirtschaftlich Berechtigten. Halten Sie so etwas für sinnvoll, oder sind Sie mit den Mitgliedstaaten der Auffassung, dass so etwas allein schon wegen des bürokratischen Aufwandes keinen Sinn ergibt?

Und eine dritte Frage habe ich noch hinsichtlich der Beweislast, dass das Geld, das für den Erwerb einer Immobilie aufgewandt wird, aus legalen Quellen stammt. Was halten Sie davon oder hielten Sie davon, hier die Beweislast für Käufer beim Erwerb einer Immobilie so umzudrehen, dass künftig der Käufer darlegen muss, dass die Mittel aus legalen Quellen stammen?

1-051-0000

**Max Heywood**, *Financial representative, Transparency International*. – Regarding the exchange of information generally, but particularly beneficial ownership information and real-estate information, to me this is yet another argument why such information should be public. Why should a local authority have to send requests to various countries, across borders, in different formats and different languages, and then collect that information, in different formats and different languages and have someone in their office try to analyse this to get the full picture of who owns a building in their town? Would it not be easier to have this information publicly available, making it easier for analysts in any given office to carry out this type of analysis as a very first step?

You also have to bear in mind that simply identifying the beneficial owner and understanding the corporate structure that you're dealing with is just the first step. After that, you have to do due diligence, compare the data with other sources, find out if there any suspicious indicators and look for red flags. So, if the very first step is so complex – the point I was making just now – then making that public, ideally with open data, would make it much easier to compare and crosscheck. This would, in our view, be the way to go.

Regarding the costs of this, we see this argument come up quite often around the costs of beneficial ownership registers and property registers in general. I think it's important to compare this to the social costs of the underlying crimes and activities that we are looking at. If you compare the cost – say it is even a few million – of setting up a public register, or different registers of property, that pales in comparison with the social costs and the impact of the underlying crimes, which, undeniably, these types of register could help us to attack.

It should be part of the argument to say that this is an investment, and the social return on the investment, if you will, is overwhelmingly positive so that is a justification for moving forward with these measures.

Regarding the burden of proof, it's important to note here the recent UK experience with unexplained wealth orders. I'm not sure if you're familiar with this tool, but it is a policy tool that allows authorities, in cases where they are suspicious about illicit wealth, to request that the buyer of a property justify the origins of that wealth. It is a very interesting tool that our colleagues in the UK have worked with for many years and it is already starting to show results. It could definitely be something to look into and to expand further.

1-052-0000

**Nilimesh Baruah**, *Senior Tax and Crime Advisor, OECD Centre for Tax and Policy Administration*. – Just to add something with regard to expense and the question of whether having a beneficial ownership register is going to be very expensive.

My point is that the OECD has already developed, in the context of accessing information under the Common Reporting Standard (CRS), a common transmission system (CTS) which connects all the member countries and all the financial institutions. What has been developed is a particular tool, a standardised tool, and structured data, so that information will go directly to the database. Accessing the data is going to be very easy. Since the tool has been tested across 100 countries, and thousands and thousands of institutions, it is an option that can be explored. It will definitely be a cost-effective kind of system.

1-053-0000

**Dariusz Rosati (PPE).** – Chair, this has been very interesting. Let me maybe clarify one point. From what you said, gentlemen, all these negative implications, these negative externalities – higher prices in towns and negative impacts on social housing and everything – are all implications of high prices produced, let's say, by a kind of speculation, an inflow of illicit funds and so on and so forth.

To what extent can this be addressed through simply tightening controls in banks? Because, to my understanding, there's practically no possibility of having any serious transaction without a bank's involvement. We have quite a number of regulations that impose an obligation on banks to be very strict on that. We can, of course, discuss the weak points and gaps in these regulations on money laundering, the reporting of suspicious transactions, and asking for beneficial ownership identity, and so on, but this kind of regulation already exists.

What kind of specific tool relating to real estate would be suggested to be implemented on top of the existing regulations? I fully agree on all the deficiencies of the existing anti-money laundering framework. The banks do not follow this and disregard quite a number of these obligations. We have examples of this. But, apart from the existing legislation, which has to be improved of course, what is it specifically relating to the real-estate market that would help us simply to reduce the scope of these transactions?

On the obligations of real-estate agents to report, do we have a framework and do we have a system of sanctions in cases of non-compliance? If we have such a system in some countries, or in all countries, how could it be improved? I would appreciate information on that.

A question to Mr Baruah: you said that the Common Reporting Standard does not cover real estate; it covers only financial assets. Do you consider this an important deficiency of the system? Should it be extended to cover real estate? How would you propose to go about it?

1-054-0000

**Nilimesh Baruah, Senior Tax and Crime Advisor, OECD Centre for Tax and Policy Administration.** – I'll respond to the last question. This relates to the concept of global consensus, the step whereby, initially, all the countries agreed that there would be a chain of information, through the Common Reporting Standard, on EU-owned financial accounts. That was the consensus that was built. So, if there's a need for a chain of information on real estate and beneficial owners, then we need to work together to build a global consensus.

1-055-0000

**Max Heywood, Financial representative, Transparency International.** – On banks, absolutely. There's definitely a lot of work to be done there, in part because of the over-reliance of the real-estate sector on the due diligence done by the banks. This is a consistent finding. Real-estate agents say that the payment was done through a bank, they count on them to have done their due diligence, and that's enough.

I think part of the answer goes back to the risk-based approach that was mentioned before. It could be very interesting to have clearer guidance at the national level from authorities working with the real-estate sector and with banks to identify red flags, patterns, what types of transactions out of the millions that are seen every day should be deemed more risky, and what

types of financial structure could be indicative of money-laundering risks. So part of the answer lies in developing – not real-term but constantly updated – guidance towards risk indicators for banks, and what to look at and what the red flags are in real-estate deals, which can only be done by working together with the real-estate sector.

It has to be mentioned that there are professional bodies in the real-estate sector that are publishing their own standards and pushing their membership to increase their standards and to strengthen their anti-money laundering activities. So there are actors within the real-estate sector who are very keen to engage with supervisors and we could also talk about engaging them with banks to develop this kind of guidance.

On the last point, how to improve standards in the sector, again I think that on paper the tools that are needed are quite clear. They're the ones that are in the various directives and in the FATF standards, etc. What needs to happen is primarily a question of resourcing, in the first instance. Without a proper resource authority at the centre with oversight for the sector, it's very difficult to imagine the sector, which is so atomised, managing to coordinate by itself to increase the standards. Even when it comes to training and to outreach at the very first stage, to on-site inspections of a significant sample of real-estate agents every year, publishing the findings, what weaknesses were found – they don't necessarily have to be for sanctions, they can also be just for learning within the sector, saying that these are the typical weaknesses we found and here is an advisory note, some guidance to the sector, if you talk to people from the sector they say that this type of guidance is often lacking, all the way up to – yes – sanctions and debarment for cases where money laundering has been consistent or there have been clear cases of intentional or consistent failings, and there's a whole suite of tools out there that can be implemented – but without an authority which has the power and the resources needed to carry out all of these tools and to reach out to these thousands of actors in every country, it's very hard to imagine how this will happen spontaneously or be self-organised, as it were.

1-056-0000

**Dariusz Rosati (PPE).** – As a follow-up, just to clarify, you are in favour, therefore, of establishing a system of controls, and that system should be well-endowed with resources and everything. Do you have any idea of how much that would cost in a country with, let's say, a standard system in proportion to the size of the real-estate market?

Another point is on the automatic exchange of information. Are you in favour of the national authorities sending to all other national authorities all this information? Or would you agree that it is sufficient simply to make all the registers publicly available so that whenever there is interest on the part of one particular national authority to get information about a transaction it can go directly to the register in another country and get this information? Could you please clarify your position on that.

1-057-0000

**Max Heywood, *Financial representative, Transparency International.*** – I think that public information and cooperation between authorities should be seen as complementary, not as mutually exclusive. Imagine a case where an authority in country one finds public information about someone investing in their town from country two, but doesn't fully understand the picture they're looking at. Through public data they can make a request to their counterparts in country two to provide more background, asking whether, for example, they have any additional files on a given corporate structure.

I think it should be seen as completely mutually complementary but, if we had to choose, public would be the first step and the way to go because, as we were saying before, the transaction costs and information costs of trying to get these network exchanges of information across borders where the information is in silos are huge and not justified, so it should be public.

Speaking of costs, I don't know of any estimates of how much it would cost, but just to give you an example: if you have an authority that has just seven staff and you multiply that by ten and you had 70 staff, I am not aware if we know the costing of that, we could look into it, but it would seem excellent value for money in terms of, as we were saying, the impact of the phenomenon and the effect that these people could have.

Time and again, you see in the FATF reviews that this state or this province has two full-time staff for the supervisory functions in the money-laundering sector. This is clearly insufficient. So this is definitely something that needs more research, but even multiplying by ten would not lead us to a gargantuan bureaucracy. It would lead us to pretty necessary and acceptable levels of staffing to be able to take on the mandate that the body has.

1-058-0000

**Ana Gomes (S&D).** – In my country, Portugal, we had the crisis of 2012, we had the Troika, and we have had the adoption of golden visa schemes – but we didn't invent the wheel there. Now, 7 000 golden visas have been granted, plus more than 13 000 via family reunification. No due diligence, nothing.

But we can't talk about golden visas now without referring to the report that the Commission has just issued, on 25 January 2019, which finds that golden visas – i.e. citizenship and residency investment schemes – amount to fuelling corruption, money laundering, tax evasion and sanctions busting and carry a high risk of infiltration by organised crime! Obviously not just for the Member State concerned but also for the whole European Union. It's a security risk – the Commission says this clearly – particularly for the Schengen countries.

So, in that context, I'd like to put a question to Mr Baruah, on behalf of the OECD. One striking thing in Portugal is the total opacity around the people who have been granted golden visas, and the Government refuses to give this information to anyone – including to me. Has the OECD asked for the list of these people? The statistics show that it is, first of all, Chinese nationals, then Brazilians, then South Africans, then Turkish, then Russian, who have been granted golden visas in Portugal.

It would be crucial that the OECD and the Commission ask for that list from the Portuguese Government.

Then, there's another scheme in Portugal that is very much responsible for the kind of effect on the housing market that we have been talking about. It is the tax exemption given to citizens of other European countries who makes Portugal their main country of residence. They get tax exemption – for ten years. It is a kind of tax exemption that the Portuguese don't have! They, by contrast, are being asked to pay more and more taxes. As a result of this scheme, it is estimated that about 30 000 French citizens, to take just one nationality, now have their first residence in Portugal. This is, of course, another thing that is having a tremendous impact on the housing market, with speculation and so on. It is another avenue for tax evasion and money laundering. Who is going to do something about it? The OECD? The Commission?

Finally, Mr Baruah, you also mentioned the money-laundering industry, and you are quite right. But is this a question of policing, when our tax authorities, for instance, are understaffed – they don't have the capacity to do their jobs because of the adjustment measures and so on – and when, in fact, the gatekeepers in this industry, such as the real-estate agents, the lawyers, the accountants and the consultants, are the industry?

The gatekeepers, the so-called 'obliged entities', are the money-laundering industry! And the state is the enabler of the industry. Our Member States are the enablers of the industry.

So, surely what we have here is a fundamental problem that goes much deeper, a problem about the coherence of the system: are we really fighting money laundering and the financing of terrorism that is associated with it? Or is this about actually enabling it?

1-059-0000

**Nilimesh Baruah**, *Senior Tax and Crime Advisor, OECD Centre for Tax and Policy Administration*. – Yes, I think that these are very basic questions you are asking, and fundamentally we have to address this. As far as the list is concerned, I will go back and check the procedure for getting the list, and whether the OECD is entitled to get the list or not. I'll find out and I can get back to you on that.

About the gatekeepers, I think we have to make a distinction between two types of gatekeeper. On the one hand, there are those doing those regular checks who might not understand the rules very well, and might not be complicit. That's one category, and we have to deal with them separately. Maybe there is a lack of understanding and a need for capacity building, and these things should be taken care of separately.

But the other group are professional money launderers. They do it for a fee. They do everything. Right from the beginning, they'll give you a nominee and the structure, and they'll open the bank accounts for you. If you look at the Panama papers and the Paradise papers, you can see that it's an industry. It is to address that industry that we have been talking about the whole-of-government approach. A single agency, whether it's an anti-money laundering or a tax authority, will have to address this issue – and FATF has indicated that professional money laundering is a very big issue. These are networks. They serve criminal networks, and in that case we need a joined-up approach. That's why the whole-of-government approach is the one concept that we must all support. In 2011, we had the Oslo Dialogue organised by the OECD. Without a whole-of-government approach, the question of remedial measures cannot be tackled.

1-060-0000

**Ana Gomes (S&D)**. – Why do you think our governments refused to include this in the proposal for the fifth Anti-Money Laundering Directive? It was a proposal of Parliament that there should be an obligation on the state agencies, for instance, in charge of granting golden visas, to exercise this kind of gatekeeper control.

1-061-0000

**Nilimesh Baruah**, *Senior Tax and Crime Advisor, OECD Centre for Tax and Policy Administration*. – These are issues on which the committee can probably make a recommendation and then we can take it forward. We need backing from other countries to build global consensus.

1-062-0000

**Matt Carthy (GUE/NGL)**. – Thank you, Chair, and thanks again to the speakers for their presentations. I flew over from Ireland this morning where despite the fact that we had a housing crash, our leaders have managed to bring us back into the middle of another housing crisis – and a house price crisis – where we have seen a huge property bubble emerging in both housing and commercial real estate.

We've heard Mario Draghi of the ECB identify that the search for yield by international investors is the cause of much of this overheating. We were told that large investors, mainly US hedge funds but not exclusively, are now responsible for about a fifth of all new real-estate purchases in Dublin.

And in many respects, it's unclear to what extent money laundering is a factor in the process. So the questions that I would like to ask the speakers through their own work in this area are: do they perceive any links between speculative investment and money laundering in real estate?



Do they have a view as to whether taking steps to end speculation in the housing market can also be used to tackle money laundering in the real-estate sector? Or do they believe that we should have specific measures to target money laundering in their absence? And I wonder if there is any evidence from their work as to whether or not periods of extreme price volatility in the property market make it easier or more attractive for those who would like to use that market as a means of money laundering?

1-063-0000

**Max Heywood**, *Financial representative, Transparency International*. – This is definitely an area that needs further research. There is no in-depth research, at least not that I'm aware of, that directly addresses this question. However, it can be said that in the absence of transparent data on things like property ownership, transactions, the value of those transactions, pricing trends, ownership, it is very hard to get at the root of what is speculative, what is legitimate and what is not. In the absence of data, this is why we go back again to the issue of transparency as a core principle, even to allow us to start to answer these questions.

One other thing to add is that in a market which is highly active with a very large volume of transactions there will be many more places to hide for money launderers. So a very large transaction which is involved in money laundering in a small town which does not have a very active market will definitely stand out. A large city which is having very high levels of investment, deals being made on a daily basis, will have not only greater chances of being hidden but will also find a greater supply of gatekeepers and potential enablers who will know how to structure transactions for them.

So these markets and these speculations do not just happen by themselves. There is an industry or a group of professionals who are enabling it and you just need a couple of them, a small percentage of this industry, to see an opportunity in money laundering and you have opened the door to significant dirty money investments in the city. I think that's as far as we can go on that point for now.

1-064-0000

**Sven Giegold (Verts/ALE)**. – One of the big achievements of our Parliament was that we got a beneficial ownership register and we managed to ensure that it will become publicly accessible, at least in the future.

Now in my constituency, in Dortmund, we have a large building where 753 people had to leave their homes because of problems in its construction. The beneficial owner of the building is not known. The building has the funny name Hannibal 2 and Hannibal is a real problem for 753 citizens who cannot find out who is actually responsible.

There is a German limited company. This German limited company has a CEO. The CEO has nothing to say, no decision to take, and the real person who is the owner of that building is not known. The Tenant Association of Dortmund – the largest association of tenants – told me they don't know with whom to talk – seriously!

So the big question now is: if you look in the register you do not find the beneficial owner. So even after we implemented the Fourth Anti-Money Laundering Directive (AMLD IV) into German law, the beneficial owner is not there. Why? Because the implementation of what we voted is bad and not correct in German law; because if you put two stages of shell companies in between, you are relieved of the obligation. Therefore the German transposition is wrong. I wrote to the Commission to tell them that it is not correct. The Commission doesn't do anything; it only replies, 'Well, we are checking it', but they have been checking it now for many months.

We had an achievement. The reality test for the tenants of Hannibal 2 is negative. Therefore, I want our committee to speak out about this lack of effective implementation and I would like to know from Transparency International, how do you see the reality of beneficial ownership registers in Europe? Are they working? What are the main obstacles? Do you see an improvement?

From the OECD I would like to know – there was a lot of discussion at G20 level and then also respective advice given to the OECD to ensure effective networking between the different registers. Do you now see progress, that the registers will finally be operational and make effective exchange of information possible? How far away is the OECD from ensuring that there are effective beneficial ownership registers all over the world and that they are actually speaking the same language?

We made a lot of progress when it came to the Common Reporting Standard (the CRS), to financial accounts, but how far along are we when it comes to beneficial ownership information?

1-065-0000

**Nilimesh Baruah**, *Senior Tax and Crime Advisor, OECD Centre for Tax and Policy Administration.* – The OECD is actually given a particular mandate and it works within that mandate. The mandate given to the OECD in this case was about financial account information of beneficial owners of account holders of different legal entities and arrangements. That was the mandate given to the OECD by the G20.

Now, the exchange of that information has just started, and the peer review process is yet to start. A peer review process has been carried out for the exchange of information on request, but that is something different. There, they conducted a peer review with the authorities concerned to find out if information about beneficial owners was available.

So as far as beneficial ownership of financial accounts is concerned, the peer review has yet to be done. We are at the stage where everyone is trying to implement the system. So the moment the peer review is done this is an issue which we would definitely like to take ...

*(Speaker went off mike)...*

The review is yet to start for automated criminal information.

Am I being clear?

1-066-0000

**Sven Giegold (Verts/ALE).** – Not really. How far are you concerning the interoperability of the different beneficial ownership information systems of your member countries? How far are you in this precise piece of work?

1-067-0000

**Nilimesh Baruah**, *Senior Tax and Crime Advisor, OECD Centre for Tax and Policy Administration.* – At the moment, it's more about looking at the data. With regard to interoperability, automatic exchange is not part of the mandate at the moment. Say, for example, that a bank in Brussels has to send information about beneficial owners to all the partner jurisdictions, that is happening, but to what extent it will happen and what the quality is are things we will have to consider further when the peer review is done. The peer review has yet to take place.

*(Mr Giegold, off mike: 'In the CRS?')*

In the Common Reporting Standard (CRS), yes.

1-068-0000

**Sven Giegold (Verts/ALE).** – So, concretely, you are working on peer reviews in respect of the Common Reporting standard (CRS), but you have no effective programme to monitor the registers, which we have in some jurisdictions, of beneficial ownership information? You have no specific work stream for this, but you subsume it under the CRS peer-review process?

1-069-0000

**Nilimesh Baruah, Senior Tax and Crime Advisor, OECD Centre for Tax and Policy Administration.** – That is there for exchange on request. So, while doing exchange on request, the beneficial ownership information has to be checked, and the peer review has checked that the information is there, that it has been provided in accordance with the compliance reports. The compliance reports are mixed. Not all jurisdictions have been able to have a proper register, but that is a matter of record.

1-070-0000

**Max Heywood, Financial representative, Transparency International.** –Just briefly, I think it could be very interesting, if I may so suggest, to have a hearing or session such as this one to look at the question of the progress made in the EU. It's a huge question. You probably need more than one hearing, but this is a key question – 'what progress has been made since the Directive' – because it's an unknown factor.

Just to give you an example of the research effort involved. Last year we looked at the G20 countries and the beneficial ownership implementation. This is a study we first did in 2015 to see to what extent they were implementing their own commitments on beneficial ownership transparency. This is a year-long research project and we are talking about just a handful of countries that all have agreed to similar principles. So there are significant challenges here but I think it is a key question that needs further research and that I think will be very interesting to push further.

One last point is that this is important because there are significant technical challenges with not just interoperability but open data, the sources of data in countries which have different registers spread across the country; there are a huge amount of technical challenges here which need, again, resources and dedication and the will to be addressed. So again, it would be very interesting to move forward with that.

1-071-0000

**Peter Simon (S&D).** – Herr Vorsitzender! Ich möchte noch einmal zurückkommen auf die vorhin angesprochenen Immobilienmakler. Sie haben gesagt, dass man auch Leitlinien anfertigt, die helfen können. Jetzt haben wir die Situation sicher gesetzlich auch in den einzelnen Mitgliedstaaten jeweils unterschiedlich. Manche Dinge, die wir über die Geldwäscherichtlinie geregelt haben, die für alle verbindlich sind, andere Dinge, die sich aus nationaler Gesetzgebung ergeben. Was halten Sie von einem Gedanken, dass man trotz all dieser Unterschiedlichkeit versucht, einen Mindestkern von Leitlinien zusammenzustellen und über die europäische Ebene sanktionsbewehrt in den Mitgliedstaaten verpflichtend zu machen, dass wir also weitergehen in den Bereich derjenigen, die wir hier gegebenenfalls auch in die Haftung nehmen, wenn Dinge schief laufen, dass wir ihnen Spielregeln geben, an die sie sich halten müssen und wo sie, wenn sie das nicht tun, dann auch entsprechende Konsequenzen fürchten müssen? Denn ich denke, wenn wir an den Notaren ansetzen, ist es eine deutliche Stufe zu spät. Der Notar bekommt die Menschen erst dann zu sehen, wenn sie unterschreiben, und alles andere, was vorher ist, entzieht sich seiner Kenntnis, und da fehlt ihm sicher Sachkenntnis über viele einzelne Bereiche.

Dann noch eine Frage zu etwas, was vorhin im ersten Panel angesprochen wurde: Da wurde ein Beispiel genannt, wo eine Wohnung mit einem Koffer voll Bargeld bezahlt worden sei. Haben Sie irgendwelche Daten bezüglich Immobilienkäufen mit Bargeld? Also haben wir da irgendwelche Anhaltspunkte? Das ist dann sicher nicht die große organisierte Kriminalität, aber

ich möchte das mal Alltagsgeldwäsche nennen. Es würde mich interessieren, ob es hierzu etwas gibt.

Dritte und letzte Frage: Was halten Sie denn von einer Sperrzeit zwischen Transaktionen mit Immobilien, um zu verhindern, dass die – allein durch den schnellen Kauf und Weiterverkauf – für Geldwäsche missbraucht werden? Was halten Sie davon, dass wir hier, um *property flipping* zu vermeiden, Haltezeiten, Haltefristen für Immobilien einbauen?

1-072-0000

**Max Heywood**, *Financial representative, Transparency International*. – On the last point – beyond certain time periods for flipping, it is in general a part of the industry that needs much more attention. Many of the transactions that happen before the property is finalised, so even before it has begun to be built, are falling under the radar because they are in a bit of a grey area. Beyond just these possible cooling-off periods of some kind, in general that aspect needs a lot more attention from an anti-money laundering perspective.

Regarding the percentage of transactions in cash, I would have to look. The most recent data I saw was that it is quite unusual. There have been polls of real-estate agents. If I remember correctly, it was less than 1% who had seen a full-on cash transaction. However, it must be said that this may no longer be the prime method of money laundering. There are much more effective and less risky, from the money launderer's perspective, ways of laundering money than showing up with a bag full of cash; shell companies, for example, and all the methods that have been described before.

The issue of minimum standards at EU level is, I think, definitely worth more study and is partly what I was getting at with the issue of more consistent reporting, because asking Member States to implement – if I understood the question correctly – a core group of measures is, of course, very interesting but beyond sanctions, as we were saying before. How many outreach sessions have been carried out? How many on-site visits have been carried out? All the suite of tools, both punitive and also supportive and training, etc., should be part of the core toolkits of the anti-money laundering system.

Again, I think the first step would be to just have a consistent idea of how much of that is happening in the Member States and on a regular basis, as a start for discussions.

1-073-0000

**Chair**. – There is a request for catch-the-eye from Dariusz Rosati, PPE.

1-074-0000

**Dariusz Rosati (PPE)**. – Let me continue my quest for clarification.

Where does responsibility rest, firstly, for due diligence in respect of a person who wants to purchase a property? Where is the responsibility for identifying the beneficial owner – the true beneficial owner? The case of Hannibal 2, just invoked by Sven Giegold, shows us that there are serious failures in implementing some basic EU legislation in some Member States.

And what happens if there is no gatekeeper in the form of a real-estate agent? What is the proportion of transactions that are made directly between the customer and the owner? These are transactions that probably elude any reporting, but perhaps you have some estimate in that regard. What we could do in order to ensure that these transactions too are subject to some kind of supervision?

1-075-0000

**Max Heywood**, *Financial representative, Transparency International*. – I think this question is getting at why it's so important to have consistent implementation of standards across professions, especially for large real-estate transactions. There's not just the real-estate agent, there's the notaries, lawyers, accountants, advisors and marketing people. There are all types

of people involved in this, and – at least in principle, in terms of the standards – most of those professions have an obligation to identify the beneficial owner. They should, by international standards, know their customers.

The challenge is that, when those international standards, including the directive, are transposed into national legislation, there may be gaps where, for example, the interpretation in national law is that it is primarily, let's say, the notary who has to do this. So everyone else involved in the transaction assumes that the notary has done that due diligence. That is where we start to see the gaps that can allow money laundering to slip through, as it were, because, in a complex transaction, several parties may be assuming that, to give the most concrete example, the bank will take care of the due diligence. They're all assuming that because there is, let's say, a large mortgage deal with a well-known bank. This is a high risk, a red flag in this case.

That is why it's so important to have consistent implementation for all of the parties involved in these complex real-estate deals.

On the last question, about direct transactions, unfortunately again we have a data gap here. However, I think it's safe to assume it's a very small minority – in part because the real-estate profession itself has an incentive to crack down on that and not, for example, to allow unlicensed dealers to operate. So I would assume that is probably not a major part of the risk. It is probably more to do with the large, complex shell companies – that kind of thing is probably where the bulk of the money laundering is going, on the basis of the data we have to date.

1-076-0000

**Ana Gomes (S&D).** – Well, following on from that, what about the situation when it's not about the obliged entities, such as the real-estate agents or notaries involved, knowing who the beneficial owner is, but when the beneficial owner is participating in a scheme to disguise the beneficial owner for tax evasion purposes.

For instance, in Portugal, Ricardo Salgado, who was head of Banco Espírito Santo, didn't own any property. Everything he owned, including his mansion, was in the name of a company and that was not just to obfuscate but also too for purposes of other means of tax evasion; you know, billing to the company that owned the property all sorts of expenses on which otherwise he should have paid tax, and also of course other expenses.

Or the situation of some politically exposed persons who own, for instance, the houses where they live but actually pretend that or indeed make a contract where they are renting those houses from companies, for instance in the BVI.

I mean these are schemes that ought to be very easily detectable but the problem is you don't have state officials, be it from the tax authorities or whatever authority, with a mandate and with the capacity to uncover all these schemes; I mean, alluding to who the owner is, is actually for additional tax fraud.

1-077-0000

**Max Heywood**, *Financial representative, Transparency International*. – This is a point in support of what Mr Baruah was saying around the importance of cooperation between tax authorities and other anti-money laundering authorities – that there have been papers and some initial studies, just a beginning of this cooperation, but there has to be multiple times more. There are good examples, but this cooperation between authorities has to become standard practice rather than functioning only in isolated very large cases where ad hoc bodies are put together.

This cooperation between authorities has to become a standard part of practice precisely because, when you're looking at a money-laundering case, the predicate crime is not

immediately evident. You have to first be able to figure out that there are red flags for some kind of money laundering, and only after analysing the case do you find out whether it was corruption or tax evasion or what was the underlying crime.

If you have the data – and multiple actors looking at that data with a mandate to report, analyse and take action about that – that is when I think that the balance will shift so that not engaging in money laundering becomes a more interesting activity than actually engaging in it.

1-078-0000

**Nilimesh Baruah**, *Senior Tax and Crime Advisor, OECD Centre for Tax and Policy Administration*. – Just to add, the OECD has come up with several publications. One is a handbook for tax auditors, giving a list of various money-laundering indicators. When a tax examiner is looking at a case and comes across these indicators, he is supposed to inform the anti-money-laundering authority immediately. A similar handbook has been produced to help tax authorities identify indicators of corruption.

I think this sort of capacity building has to take place in all the agencies. Tax authorities should know about money laundering and corruption, and both types of authority should also know what tax evasion is – so that, ultimately, all the agencies should work together. That is an area which we really need to work on, and the whole-of-government approach has to be operationalised.

1-079-0000

**Chair**. – Thank you very much to both speakers, Mr Baruah from the OECD and Mr Heywood from Transparency International. I think we have learned a lot and we have also dealt with a more general topic than real-estate issues related to taxes and money laundering, and that is the quality of registers of beneficial owners. I'm afraid that these registers are at risk of becoming only shell registers, empty shells with almost no data or no reliable data. It will certainly require a lot of effort and resources – financial and human – to get the registers right.

So thank you very much to everyone. The next meeting of the TAX3 Committee is on 11 February at 19.00 in Strasbourg. That concludes our session today.

*(The meeting closed at 11.52)*