

# Anti-money laundering measures in national recovery and resilience plans

## SUMMARY

The Member States have drawn up their individual national recovery and resilience plans (NRRPs, or 'recovery plans') to benefit from the Next Generation EU (NGEU) recovery instrument and its main spending tool, the Recovery and Resilience Facility (RRF), and to emerge stronger from the COVID-19 crisis. To receive RRF funding, Member States must address at least a significant subset of the country-specific recommendations (CSRs) and foster the green and digital transitions, by achieving the milestones and targets linked to the measures agreed in their NRRPs.

This briefing focuses on policy measures on anti-money laundering (AML) that 12 Member States – Bulgaria, Estonia, Ireland, Greece, Croatia, Latvia, Luxembourg, Malta, the Netherlands, Slovakia, Finland and Sweden – have laid out in their recovery plans. Reform measures prevail, while Estonia, Latvia and Slovakia also envisage four investment measures totalling €18.4 million. The briefing also touches on the European Semester, which coordinates national economic policies and follows up on how the RRF-financed measures are implemented. More precisely, it includes an overview of the CSRs that focus on AML and are applicable to the vast majority of the countries analysed.

Money laundering is defined as 'concealing or disguising the origins of illegally obtained proceeds so that they appear to have originated from legitimate sources' and is often linked to terrorist financing. Experts suggest that such activities have increased in the wake of the coronavirus crisis. The EU's framework for AML and countering the financing of terrorism (CFT) seeks to prevent money laundering from occurring and to enforce investigation and prosecution. The European Parliament is a strong advocate for combating money laundering and terrorist financing activities and has adopted several resolutions on that matter. The Parliament is also crucial for ensuring transparency and democratic scrutiny in the implementation of the NGEU instrument, including the AML measures presented in the recovery plans.



### IN THIS BRIEFING

- EU anti-money laundering framework
- Next Generation EU and country-specific recommendations
- Overview of AML-related measures in the recovery plans
- European Parliament
- Expert debate



## EU anti-money laundering framework

Money laundering is [defined](#) as 'concealing or disguising the origins of illegally obtained proceeds so that they appear to have originated from legitimate sources'. It is often linked to terrorist financing and, as such, it [threatens](#) global security, the financial system and sustainable growth. The EU has been building up a regulatory framework to counter money laundering and terrorist financing activities since 1991 when the first EU anti-money laundering (AML) directive was enacted. The directive has gone through several major reforms over the years – the most recent being its fifth amendment<sup>1</sup> in 2018. Specifically, the current framework<sup>2</sup> **aims to prevent money laundering** from happening and to **enforce investigation and prosecution**. The money-laundering aspects within the law enforcement dimension are legislated separately within two additional directives.<sup>3</sup>

In May 2020, the European Commission introduced an [action plan](#)<sup>4</sup> with the aim of fixing some of the shortcomings in the AML and countering the financing of terrorism (CFT) framework. The suggested actions referred to (i) the effective implementation of the existing EU AML/CFT framework, (ii) establishing an EU single rulebook on AML/CFT and EU-level supervision, (iii) coordinating and supporting financial intelligence units in the Member States, and (iv) strengthening the EU-level criminal law provisions and information exchange, as well as the international dimension of the EU AML/CFT framework.

In an effort to operationalise the previously announced action plan, the Commission presented its AML/CFT [legislative package](#) and the accompanying [impact assessment](#) in July 2021. The package led to proposals for regulations to establish a new EU AML/CFT [supervisory authority](#) and a single rulebook, i.e. novel AML/CFT [rules](#) directly applicable in the Member States on customer due diligence and [beneficial ownership](#), and on setting up an EU-wide limit of €10 000 for large cash payments. The need for the single rulebook regulation stems from [significant discrepancies](#) among the Member States transposing the AML/CFT directives, which may ultimately undermine the functioning of the single market. In addition, the Commission's package featured a proposal for the [sixth AML/CFT directive](#), covering the rules on national supervisors and financial intelligence units in the Member States, and a revision of the 2015 [regulation](#) on transfers of funds, which defines the information and AML controls for transfers, including the newly proposed ones on crypto-assets. These legislative proposals are being discussed in the European Parliament and the Council.

The EU closely follows the work of the global standard setter on AML/CFT – the Financial Action Task Force ([FATF](#)) – and tends to [align](#)<sup>5</sup> its legislative framework with the recommendations on ensuring a coordinated response to prevent organised crime, corruption and terrorism.

## Next Generation EU and country-specific recommendations

The **Next Generation EU** ([NGEU](#)) recovery instrument and its central investment tool, the **Recovery and Resilience Facility** ([RRF](#)), were adopted to support the EU Member States' recovery from the COVID-19 crisis while also fostering the green and digital transitions. To benefit from the RRF's financial envelope of €723.8 billion in grants and loans, each of the Member States needed to develop an individual national recovery and resilience plan ([NRRP](#), or 'recovery plan'). The plans contain reform and investment measures that address, in a significant way, the Council's 2019 and 2020 country-specific recommendations (CSRs) under the [European Semester](#), as well as a set of commonly identified challenges (European flagships).<sup>6</sup> The disbursement of RRF resources has been made conditional upon successful fulfilment of milestones and targets for which the Member States have to present evidence in their payment requests. With all the recovery plans adopted and with over [21 %](#) of the RRF resources already paid out, the implementation of the RRF is well under way. This briefing places special emphasis on AML measures enshrined in the NRRPs, as well as on CSR cycles with AML elements relevant for the implementation of the RRF.

The [2019](#) CSRs on AML were issued to Bulgaria, Denmark, Estonia, Latvia, Malta and Sweden. In particular, the Council recommended to these six countries to ensure effective supervision and enforcement of the AML framework. The AML-related CSRs from the [2020](#) European Semester cycle

included the countries already mentioned, as well as Ireland, Luxembourg, the Netherlands, Slovakia and Finland. The emphasis was again placed on supervision and enforcement of the AML framework, with new elements being added to the recommendations, such as ensuring adequate AML-related risk assessment and mitigation (Bulgaria and Malta) and focusing on professionals providing trust, company and investment services in the attempt to better supervise and strengthen the AML framework (Ireland and Luxembourg).

In the [2022](#) European Semester cycle, AML concerns were pushed to the recitals of the CSRs, as greater emphasis in the recommendations had been put on the Member States' fiscal position, efforts to contain the pandemic, and the green and digital transitions. The [2023](#) CSR edition did not include AML aspects.

## Overview of AML-related measures in the recovery plans

Anti-money laundering measures have featured in **12 recovery plans** – those of Bulgaria, Estonia, Ireland, Greece, Croatia, Latvia, Luxembourg, Malta, the Netherlands, Slovakia, Finland and Sweden. With the exception of Croatia and Greece, which did not receive recommendations from the Council on this matter, all the AML-related measures in the plans address the CSRs from the 2019 and 2020 European Semester. Denmark, on the other hand, has made some progress addressing the CSRs on the lack of effectiveness of the AML framework, according to the Commission's [assessment](#) of the Danish NRRP, even if the plan did not cover these aspects. AML-related reforms dominate over investment measures in the plans; there are **18 reform** and **four investment measures** across the analysed NRRPs that directly address AML concerns, which are discussed in detail below.

Under component 10 of its recovery plan, on 'business environment', **Bulgaria** envisaged a [reform](#) to strengthen its AML framework in three steps (milestones), to be completed by Q1 2023. The first step consisted of adopting the action plan to mitigate the money laundering and terrorist financing risks identified in the 2019 national risk assessment report. This milestone was included in the country's [first](#) payment request to the Commission, for which the RRF non-repayable [resources](#) were disbursed in December 2022 following the positive assessment of the Commission and the Council. The second milestone refers to updating and adopting the national risk assessment of money laundering and terrorist financing, including sectoral risk assessments of non-profit organisations, of virtual assets and of citizenship investment schemes. This milestone is linked to the second payment request (grants), which was initially [planned](#) for the first quarter of 2023 but is still pending submission to the Commission. The final milestone is about enhancing the capacity and capabilities of supervisors to mitigate money-laundering risks and increase the implementation of the AML framework by obliged entities. In particular, it envisages adoption of a supervisory strategy, a performance reporting procedure and amendments to the supervisory procedures manual by each supervisory authority, adoption of the guidance on the approach to politically exposed persons, and specification of the entry into force of all AML-related amendments. The milestone is expected to be included in the third payment request (grants) scheduled for Q3 2023.

The **Estonian** NRRP, particularly component 3 on 'digital state', brings about a [reform](#) endowed with financial resources worth [€200 000](#) that will establish a centre for strategic analysis for money laundering and terrorist financing. The reform should be finalised by the end of 2024 after completion of its only milestone, which envisages amendments to and entry into force of the [Money Laundering and Terrorist Financing Prevention Act](#) and to the statutes of the relevant national databases. The milestone also includes revisions to the terms and conditions of financial intelligence unit data exchange contracts and their signature by the contracting parties. The reform milestone will be included in the fifth payment request to the Commission, indicatively [scheduled](#) for Q2 2025. In addition, and linked to this measure, an [investment](#) of [€3.7 million](#) is envisaged to develop new real-time analytical software for the centre for strategic analysis; this investment also has only one milestone. The IT solution, which is expected to detect and prevent money-laundering practices in real time, should be finalised and delivered to the financial intelligence unit by mid-2026. This milestone is envisaged for the [seventh](#) (last) payment request to the Commission in Q3 2026.

The third component of the **Irish** NRRP focuses on social and economic recovery and job creation and includes a [reform](#) measure aimed at enhancing the country's AML framework. The reform comes with [three milestones and one target](#) and is set for completion by mid-2023. The only target looked at increasing the number of inspections (onsite or remote) of trust and company service providers (TCSPs) to at least 120, and capacity building in the AML compliance unit, including specialist skills in forensic accounting. The milestones refer to the review of the regulatory enforcement toolkit under the [Money Laundering and Terrorist Financing Act](#), and the publication of a sectoral risk assessment on AML and CFT of TCSPs. The key implementation steps were [included](#) in Ireland's first payment request, submitted to the Commission on [7 September 2023](#), and are being assessed. The remaining milestone on the entry into force of legislation operationalising recommendations towards financial sanctions is expected to be included in the country's second payment request.

The **Greek** recovery plan envisaged a [reform](#) that aims to enhance the AML/CFT framework. The measure is expected to be finalised by mid-2023 following completion of the only milestone linked to the reform. The milestone, to be included in the country's fourth payment request to the Commission, is supposed to see the launch of the platform for statistical data collection held by national competent authorities, improve the special registry for beneficial ownership information and make interconnections with registries of other EU Member States through a centralised EU platform. In addition, the planned reform on the [acceleration](#) of justice administration will contribute to the strengthening of the AML framework, as it will focus, inter alia, on the creation of a judicial police force to support the investigations of complex crimes such as money laundering.

The **Croatian** NRRP has a [standalone component](#) with four reform measures dedicated to the strengthening of the AML framework. All the reforms are aligned with the Croatian action plan for participating in the exchange rate mechanism II ([ERM II](#)) and with the government's programme setting out the obligations linked to the euro area accession.<sup>7</sup> The four [reforms](#) include establishing a framework for regular training for all responsible institutions and authorities implementing AML measures, enhancing cooperation between the AML office and the supervisory authorities, completing the implementation of the action plan to reduce AML/CFT risks, and enhancing the supervision of money laundering and terrorist financing activities based on the risk assessment of the Croatian financial sector. These measures will be finalised following the completion of four milestones and two targets. An example of a fulfilled milestone (one out of three included in the country's [first](#) payment request for non-repayable support)<sup>8</sup> is the updated cooperation agreement signed between the AML office and the supervisory authorities on exchange of information and cooperation. An example of a featured target in the NRRP – the most distant one, due in December 2025 – is the increase by 25 % in on-site supervisory activities based on the identified AML/CFT risks.

Component 6 on 'rule of law' in **Latvia's** NRRP includes one reform and two linked investment measures addressing money-laundering concerns. The [reform](#) aims to modernise the processes relative to the identification of money laundering, investigation of economic crimes and judicial proceedings, and improve the efficiency of the system for reporting of suspicious transactions. The two [investments](#) aim to establish the AML innovation hub to improve the identification of money laundering ([€1.5 million](#)), and strengthen the capacity of law enforcement officials to investigate economic crime ([€1.1 million](#)). The latter investment comes with an additional reform element that consists of adopting an action plan for strengthening the fight against economic crime, in line with the priorities of the national prevention of money laundering, terrorist financing and proliferation plan. The measures come with three milestones and three targets, most of them to be completed in 2025. The only milestone on entry into force of amendments to the [Law on the prevention of money laundering and terrorist and proliferation financing](#) was achieved in 2021 and included in the country's [first](#) payment request (grants).<sup>9</sup> An example of a target, scheduled for Q1 2025, is for officials to obtain at least 20 AML specialist certificates certified by law enforcement authorities.

In **Luxembourg**, money-laundering risks are considerable due to high inflows of foreign direct investment and the presence of complex legal structures with foreign sponsors, as stated in the Commission's [assessment](#) of the country's NRRP.<sup>10</sup> Component 3C of the plan on 'promoting a



transparent and fair economy' envisages a [reform](#) that aims to combat money laundering and terrorist financing by strengthening the AML/CFT framework as regards TCSPs and investment services professionals, and improving related risk assessment. The measure comes with eight milestones, six of which had already been included in the country's [first](#) payment request (grants) to the Commission.<sup>11</sup> One example of such a milestone is the updating of the national risk assessment of money laundering and terrorist financing with the aim of calibrating the preventive and mitigating measures, and the allocation of resources to fight money laundering and terrorist financing. Another milestone example, planned for the end of 2023, is the finalisation of the project that will transform the [Luxembourg Business Register](#) as regards its procedures, organisation and capacities (including digital ones) for the AML/CFT risk assessment.

**Malta** aims to strengthen its institutional framework (component 6 of the NRRP) by implementing two AML-related reforms. These seek to reinforce Malta's AML/CFT and targeted financial sanctions (TFS) frameworks, and to boost the powers and capacity of the [Asset Recovery Bureau](#) (ARB) so as to toughen the role of law enforcement authorities fighting money laundering and financial crime. Both reforms are planned to be implemented by the end of 2023, following the achievement of three milestones and two targets. Examples of such key implementation steps are the employment of 45 officers in the ARB (target), and the implementation of actions identified in the Financial Action Task Force [evaluation](#), including through legal measures (milestone). In addition, a broader reform complementing AML efforts aims to create a new, separate prosecution service to which cases of money laundering, among other things, will be transferred from the police.

The **Netherlands'** NRRP (component 6: 'Tackling aggressive tax planning and money laundering') features a [reform](#) measure that aims to reinforce the country's AML framework and battle the misuse of its financial system by criminals. The reform consists of increasing by 20 full-time equivalents the staff of the financial intelligence unit to better detect money-laundering activities, fight fraud and trace financing of crimes (target due at the end of 2024), and enacting a law that introduces a limit on cash payments (milestone due in Q1 2025). The two key implementation steps are expected to be included in the third payment request for non-repayable support to the Commission.

**Slovakia's** NRRP (component 16: 'Fight against corruption and money laundering, security and protection of the population') brings about one reform and one investment measure that [focus](#) on money laundering. The reform seeks to improve the legal framework for asset freezing, set up of an office to manage such assets and authorise the police to verify their origin, and introduce a central accounts register.<sup>12</sup> The only milestone encompassing these reform elements was successfully fulfilled at the beginning of 2022, following the entry into force of the related legal acts, and it was included in the country's [second](#) payment request (grants) to the Commission.<sup>13</sup> The investment measure worth [€12.1 million](#) consists of developing digital software solutions for financial investigations and for the central accounts register, providing training and equipment to the police, and the reorganisation of the bodies dealing with financial investigations. The implementation of this measure should be finalised in December 2023, after completing one milestone and one target.

Under component P2C3 of its NRRP, on 'digital security', **Finland** planned a [reform](#) that is expected to boost prevention and detection of money-laundering activities by improving collection and exchange of information between the competent authorities and automating data processing and analysis. The reform comes with one milestone to be achieved by Q4 2025 and one target due in Q2 2026. The former envisages the enactment of legislative amendments to the [Trade Register Act](#) and the [Act on the Banking and Payment Account Control System](#), while the latter envisages a degree of automated transmission, receipt and processing of data by the competent authorities of 25 % (compared to 0 % at the start of the project). Finland plans to include the two key implementation steps in its fifth and sixth payment request (non-repayable support) to the Commission respectively.

Finally, **Sweden** envisaged [two reforms](#) focusing on AML in its recovery plan (component 3: 'Better conditions for addressing demographic challenges'). The first reform, to be completed by the end of 2023, looks at developing proposals for legislative amendments for stricter and more effective AML/CFT measures, and assessing the effectiveness of the [Swedish Financial Supervisory Authority](#)

as regards resources, staffing and government control, among other things. The only milestone linked to this reform is the entry into force of legislative amendments on stronger AML/CFT measures. The second reform (and its only milestone) refers to enacting legislation by Q3 2020 on the new bank account and safe deposit box system.<sup>14</sup> This law is expected to give access to data related to the identities of holders of bank accounts and safe deposit boxes to the relevant competent authorities, including the public prosecutor.

## European Parliament

The European Parliament is a strong advocate of combating money laundering and terrorist financing activities and has adopted several resolutions to that effect. In its resolution of [19 September 2019](#) on the state of implementation of the Union's anti-money laundering legislation, Parliament called for quicker transposition of the fifth AML directive by the Member States,<sup>15</sup> and asked the Commission to consider tabling a proposal for an AML regulation to ensure better enforcement and supervision of the AML/CFT framework, among other things. Parliament's resolution of [10 July 2020](#) on a comprehensive Union policy on preventing money laundering and terrorist financing welcomed the Commission's AML/CFT action plan, but also highlighted some concerns regarding the implementation of the AML directive, shortcomings in the EU's supervision, and the need for better cooperation between the Member States. Besides this, Parliament also [called for](#) better alignment between prudential and AML supervision in its reports on banking union.

Parliament's involvement is vital for ensuring transparency and democratic scrutiny in the implementation of the NGEU recovery instrument. Based on the provisions of the [RRF Regulation](#) and the [Interinstitutional Agreement](#) (IIA) on cooperation on budgetary matters, Parliament [scrutinises](#) the Commission's work, relying on the provision of information, dialogues and reviews. Its scrutiny role over NGEU spending stems from its competences as one arm of the budgetary authority, and from its involvement in the dialogue on the European Semester. Parliament's lead committees dealing with the RRF and, more broadly, with NGEU are the Committees on Budgets ([BUDG](#)) and on Economic and Monetary Affairs ([ECON](#)). Depending on the topic, other Parliamentary committees – such as the committees on Employment and Social Affairs ([EMPL](#)), Environment, Public Health and Food Safety ([ENVI](#)), Industry, Research and Energy ([ITRE](#)) and Transport and Tourism ([TRAN](#)) – can be involved too. Since March 2021, Parliament has had a [Standing Working Group](#) on RRF scrutiny. This is the main preparatory and follow-up body for Parliament's Recovery and Resilience Dialogues with the Commission. The Committee on Budgetary Control ([CONT](#)) is also responsible for scrutiny of the grant expenditure under the NGEU through the [discharge procedure](#).

## Expert debate

In a [report](#) from the [Bank for International Settlements](#), the authors stressed that money-laundering activities increased as criminals started to exploit lacunae or weaknesses in AML defences in the financial system opened up by the COVID-19 crisis. An EU supervisor, the [European Banking Authority](#), [echoed](#) similar concerns and urged the competent authorities in the Member States to continue to exchange information on money laundering and terrorist financing risks, among other things. Several Member States have presented AML-related measures on information sharing between different bodies within their jurisdiction and between countries in their NRRPs.

[Transparency International warned](#) that EU funds are highly exposed to corruption and fraud, and highlighted the need to do more in protecting the 2021-2027 Multiannual Financial Framework and NGEU recovery instrument. The recommendations referred to the reinforced rules and guidelines addressing fraud and corruption risks, and the need for increased availability and quality of critical data to monitor EU funds, including the accessibility of accurate and verified beneficial ownership information as one of the AML measures.

## EUROPEAN PARLIAMENT SUPPORTING ANALYSIS

Binder E., [Anti-money-laundering package 2021: Strengthening the framework](#), EPRS, European Parliament, March 2021.

D'Alfonso A., [Next Generation EU: A European instrument to counter the impact of the coronavirus pandemic](#), EPRS, European Parliament, July 2020.

Girard V., [Anti-money-laundering package](#), EPRS, European Parliament, December 2021.

Remeur C., [Anti-money-laundering authority \(AMLA\). Countering money laundering and the financing of terrorism](#), EPRS, European Parliament, May 2023.

## ENDNOTES

- <sup>1</sup> [Directive \(EU\) 2018/843](#) of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU.
- <sup>2</sup> Provisions from the fourth and fifth AML Directive are [currently](#) in force.
- <sup>3</sup> [Directive \(EU\) 2019/1153](#) facilitating the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences, and [Directive \(EU\) 2018/1673](#) on combating money laundering by criminal law.
- <sup>4</sup> The action plan was preceded by a [Communication](#) from the Commission to the European Parliament and the Council, Towards better implementation of the EU's anti-money-laundering and countering the financing of terrorism framework, of 24 July 2019.
- <sup>5</sup> On certain aspects, the EU AML/CFT legislation (e.g. the fifth EU AML Directive) even goes beyond the FATF recommendations.
- <sup>6</sup> There are seven European flagships: 1) Power up, 2) Renovate, 3) Recharge and Refuel, 4) Connect, 5) Modernise, 6) Scale-up and 7) Reskill and upskill. These were identified in the [2020 annual sustainable growth strategy](#) that launched the 2021 European Semester.
- <sup>7</sup> Croatia officially adopted the euro on 1 January 2023.
- <sup>8</sup> The Commission made the [first payment](#) to Croatia on 28 June 2022.
- <sup>9</sup> The Commission made the [first payment](#) to Latvia on 7 October 2022.
- <sup>10</sup> For information on foreign direct investment levels, see also Mileusnic M., [Measures tackling aggressive tax planning in the national recovery and resilience plans](#), EPRS, European Parliament, March 2023.
- <sup>11</sup> The Commission made the [first payment](#) to Luxembourg on 16 June 2023.
- <sup>12</sup> Certain parts of the reform have been addressed via the [measure](#) 'Fighting corruption and strengthening the integrity and independence of the judiciary' featured in the NRRP's component 15 on judicial reform.
- <sup>13</sup> The Commission made the [second payment](#) to Slovakia on 22 March 2023.
- <sup>14</sup> The act entered into force on [1 July 2020](#).
- <sup>15</sup> According to the European Anti-fraud Office's [33rd Annual Report](#) all Member States have now reported full transposition of the fifth AML directive.

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