

Brussels, 14 June 2007

Customs/New rules to combat money laundering and terrorist financing: persons entering or leaving the EU have to declare cash movements

As from 15 June 2007, travellers entering or leaving the EU are required to make a declaration to customs authorities if they are carrying €10,000 or more in cash (or its equivalent in other currencies or easily convertible assets such as non crossed cheques). This legislation aims to introduce an EU-wide common approach to controlling cash movements into and out of the EU. It complements the EU's Money Laundering Directive which has already introduced a monitoring of transactions made through credit and financial institutions.

"The new rules will make it more difficult for terrorists to enter or leave the Community with the cash required to finance their illegal actions while at the same time it will not put disproportionate administrative formalities on the majority of travellers and traders given that the €10,000 threshold is high enough" said Taxation and Customs Commissioner László Kovács. "A single uncomplicated system of this type will also be fairer to legitimate travellers who will no longer be faced with control measures that vary depending on where they enter or leave the Community."

Under the new rules customs authorities are empowered to undertake controls on people and their luggage and detain cash that has not been declared.

They are required to initiate proceedings against people who fail to declare cash of an amount of €10,000 or more. As for penalties resulting from such proceedings it is up to Member States to ensure that they are proportionate to the offence, so as to have a deterrent effect.

Member States must record information obtained through declaration or through control and make it available to the authorities competent for fighting against money laundering and financing of terrorism. Where there is evidence that cash is being carried for the purpose of money laundering or terrorist financing, Member States may exchange information.

Background

The new Regulation takes into account the 2002 Commission report on cash movements into and out of the EU. This report notes that from September 1999 to February 2000, EU customs authorities co-operated to examine cross-border cash movements for sums greater than €10,000. This exercise revealed a considerable amount of cash plus other assets such as cheques, securities, gems and precious metals moving in and out of the EU - a total of €1.6 billion of which €1.35 billion was cash. Though it is not possible to gauge the exact scale of money laundering via cash movements, the volume of cash being transported is such that it presents a potential risk to EU and national interests. Bringing cash into the EU to convert into another currency is a classic money laundering scenario.

As there was a risk that the application of the monitoring system introduced by the EU's Money Laundering Directive (Directive 91/308/EEC which was subsequently replaced by Directive 2005/60/EC) would lead to an increase in cross-border cash movements for illicit purposes, the Commission proposed in June 2002 (see [IP/02/955](#)) to extend the controls to cover cash movements.

The new rules also take into account the Special Recommendation IX adopted on 22 October 2004 in Paris by the Financial Action Task Force on Money Laundering (FATF is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing). Special Recommendation IX calls on governments to put measures into place to detect physical cross-border cash movements.

At present, not all Member States monitor cash movements across their national frontiers and in those that do, these national rules vary greatly. This lack of an EU wide-arrangement undermines the effectiveness of controls and leaves open loopholes for criminals to exploit. The new legislation harmonizes therefore the rules at Community level to ensure an equivalent level of control on movements of cash crossing the borders of the Community while it does not prevent them for taking further national measures as for instance intra-community controls.

For further information, see:

<http://ec.europa.eu/eucashcontrols>

For access to declaration forms:

http://ec.europa.eu/taxation_customs/customs/customs_controls/cash_controls/declaration_form/index_en.htm