European Commission - Press release

Commission strengthens transparency rules to tackle terrorism financing, tax avoidance and money laundering

Strasbourg, 5 July 2016

The Commission has today adopted a proposal to further reinforce EU rules on anti-money laundering to counter terrorist financing and increase transparency about who really owns companies and trusts.

The **Juncker** Commission has made the fight against tax avoidance, money laundering and terrorism financing one of its priorities. The changes proposed today will tackle new means of terrorist financing, increase transparency to combat money laundering and help strengthen the fight against tax avoidance.

This Commission proposal is the first initiative to implement the Action Plan for strengthening the fight against terrorist financingof February 2016 and is also part of a broader drive to boost tax transparency and tackle tax abuse. This is why we are, in parallel, also presenting a Communication that responds to the recent Panama Papers revelations.

First Vice-President Frans **Timmermans** said *"Today's proposals will help national authorities to track down people who hide their finances in order to commit crimes such as terrorism. Member States will be able to get and share vital information about who really owns companies or trusts, who is dealing in online currencies, and who is using pre-paid cards. Making public the information on who is behind companies and trusts should also be a strong deterrent for potential tax-evaders."*

Věra **Jourová**, the EU's Commissioner for Justice, Consumers and Gender Equality said:

"Today, we are putting forward stricter transparency rules to cut terrorist financing and step up our fight against money laundering and tax avoidance. The update of the Fourth Anti-Money Laundering Directive will prevent any loopholes in Europe for terrorists, criminals or anyone trying to play with taxation rules to finance their activities. Better cooperation to fight these issues will make the difference."

The adoption of the Fourth Anti-Money Laundering Package in May 2015 marked a significant step towards improving effectiveness of the EU's efforts to combat the laundering of money from criminal activities and to counter the financing of terrorist activities. It sets high standards to prevent money laundering, such as the requirement for Member States to put in place national registers of beneficial owners of companies and some trusts. Member States have committed to implement the package more swiftly than initially planned, at the latest at the end of 2016.

Countering terrorism financing

As announced in the Action Plan for strengthening the fight against terrorist financing, the Commission is proposing changes to prevent the financial system from being used for funding terrorist activities:

- **Enhancing the powers of EU Financial Intelligence Units and facilitating their cooperation:** the scope of information accessible by the Financial Intelligence Units will be widened, and they will have access to information in centralised bank and payment account registers and central data retrieval systems, which Member States will have to establish to identify holders of bank and payment accounts;
- **Tackling terrorist financing risks linked to virtual currencies:** to prevent misuse of virtual currencies for money laundering and terrorist financing purposes, the Commission proposes to bring virtual currency exchange platforms and custodian wallet providers under the scope of the Anti-Money Laundering Directive. These entities will have to apply customer due diligence controls when exchanging virtual for real currencies, ending the anonymity associated with such exchanges;
- **Tackling risks linked to anonymous pre-paid instruments (e.g. pre-paid cards):** the Commission also proposes to minimise the use of anonymous payments through pre-paid cards, by lowering thresholds for identificationfrom €250 to €150 and widening customer verification requirements. Proportionality has been taken into account, with particular regard paid to the use of these cards by financially vulnerable citizens;

- **Stronger checks on risky third countries:** As mandated by the Fourth Anti-Money laundering directive, the Commission proposes to harmonise the list of checks applicable to countries with deficiencies in their anti-money laundering and countering terrorist financing regimes. Banks will have to carry out additional checks ('due diligence measures') on financial flows from these countries. The list of countries, mirroring the FATF list, will, for procedural reasons, be formally adopted on 14 July.

Stricter transparency rules to prevent tax avoidance and money laundering

Today's proposal will reinforce the measures introduced by the Fourth Anti-Money Laundering with the following changes:

- **Fullpublic access to the beneficial ownership registers:** Member States will make public certain information of the beneficial ownership registers on companies and business-related trusts. Information on all other trusts will be included in the national registers and available to parties who can show a legitimate interest. The beneficial ownerswho have 10% ownership in certain companies that present a risk of being used for money laundering and tax evasion will be included in the registries. The threshold remains at 25% for all other companies.
- **Interconnection of the registers**: theproposal provides for the direct interconnection of the registers to facilitate cooperation between Member States.
- **Extending the information available to authorities**: The Commission has proposed that existing, as well as new, accounts should be subject to due diligence controls. This will prevent accounts that are potentially used for illicit activities from escaping detection. Passive companies and trusts, such as those highlighted in the Panama Papers, will also be subject to greater scrutiny and tighter rules.

Background:

The Fourth Anti-Money Laundering Directive was adopted on 20 May 2015.The European Commission, in its Action Plan against terrorist financing, called on Member States to bring forward the date for effective transposition of the Directive by the end of 2016.

The amendments put forward today to address both terrorist financing and transparency issues, are targeted and proportionate to bring some urgent changes to the existing framework. The Commission encourages Member States to take into account the targeted amendments proposed today in the transposition of the Fourth Anti-Money Laundering Directive.

The proposed update of the legal rules will be adopted by the European Parliament and the Council of Ministers under the ordinary legislative procedure.

As regards the EU list of high-risk third countries with strategic deficiencies in their Anti-Money Laundering/Counter Financing of Terrorism regimes, the Commission was mandated by the Fourth Anti-Money laundering directive to adopt such a list three times a year. The Commission will take into account the work done at international level by the Financial Action Task Force.The EU will continue to engage across all relevant policy areas with the concerned jurisdictions, including through development cooperation, the ultimate goal being their compliance and removal from the list. The list is a delegated act which will also be presented to the Council and the European Parliament under the usual procedure.

Both initiatives are part of the implementation of the Action Plan for strengthening the fight against terrorist financing which the Commission adopted on 2 February 2016.

More information:

Amendment of the Fourth Anti-Money Laundering Directive

Q&A

Factsheet

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