

Action Plan and Public Consultation on EU Policies to Prevent Money Laundering and Financing Terrorism

EU – June 17, 2020

On May 5, 2020, the European Commission published (i) the Communication of the Action Plan (AP) for a comprehensive EU policy on the prevention of money laundering and financing terrorism (AML/CFT); (ii) the Delegated Regulation updating the countries identified as high risk countries for AML/CFT; and (iii) the methodology for the identification of high risk third countries for AML/CFT.

The EU is strengthening its AML/CFT policies by tightening and adapting existing policies to the dangers, risks and weaknesses faced by the community, setting in the AP the objective of implementing a comprehensive policy to improve the financial system and protect EU entities and interests.

Along with the adoption of this document, the commission published a [public consultation](#) to involve citizens, businesses, public and private institutions, universities, service providers and any operator interested in participating in the development of comprehensive policies on AML/CFT in the EU. **The consultation will be open until July 29 and can be accessed electronically [here](#).**

Communication on the AP

The Commission establishes a Member States (MS) joint action plan based on six pillars.

Ensuring Effective Implementation of the Current EU Framework on AML/CFT

The main priority is for MS to rigorously and effectively adopt AML/CFT-related standards. The AP seeks to ensure that AML/CFT standards are effectively transposed into national regulations and that MS maintain active surveillance.

In addition, the commission calls on the European Banking Authority to lead, coordinate and monitor the efforts of all financial service providers.

Establishing a single EU Regulatory Text on AML/CFT

In order to limit the divergences in interpretation and application of the rules, the commission will propose a harmonized standard with minimum requirements for AML/CFT in 2021.

Monitoring of AML/CFT at EU Level

The need for an integrated supervisory system at EU level to ensure consistent and high quality implementation requires a European supervisor with the ability to review policies, procedures and internal controls, as well as effective implementation along with the review of transaction and customer documentation. Its functions may be strengthened by joint action with national supervisors of MS on a risk basis.

Establishment of a Coordination and Support Mechanism for Financial Intelligence Units

The commission notes the need to establish a Financial Intelligence Unit with the capacity to coordinate the efforts of the different MS.

Strengthening the International Dimension

The commission approved, on behalf of the EU, the new mandate of the Financial Action Task Force (FATF), and is ready to play a leading role in strengthening global standards and related integration at the EU level. In doing so, the commission will identify countries that pose a specific threat to the EU financial system using a method that relies on the FATF listing process, enhanced dialogue with third countries and close consultation with MS experts.

Delegated Regulation Updating the Countries Identified as High Risk Countries for AML/CFT

The commission, taking into account the information gathered by the entities and in accordance with international standards, updated the lists of countries that pose a risk to the EU financial system by establishing:

Inclusions:

Bahamas, Barbados, Botswana, Cambodia, Ghana, Jamaica, Mauritius, Mongolia, Myanmar/Burma, Nicaragua, Panama and Zimbabwe as countries with strategic deficiencies in terms of AML/CFT regulation, implying a significant risk to the union's financial system. As regards to operations, transactions or customers from these countries, EU financial institutions will be obliged to apply enhanced due diligence measures.

Removals:

Bosnia-Herzegovina, Guyana, Tunisia, Ethiopia, Lao People's Democratic Republic and Sri Lanka.

Methodology for the Identification of High Risk Third Countries

The commission, in fulfilling its mandate to protect the EU internal market, has developed a methodology to identify high-risk third countries by ensuring a fair and transparent process. This mechanism is based on:

The EU-FATF Interaction

All those third countries listed by the FATF will be included in the EU list in the same way. In the event of a delisting by the FATF, the commission reserves the right to assess the requirements in order to verify whether they are sufficient to proceed with the delisting.

Independent Evaluation by the EU

The commission shall evaluate the level of risk and vulnerability of a country by assessing:

- (i) The criminalization of activities involving money laundering or financing terrorism
- (ii) The imposition of dissuasive, effective and proportionate sanctions, including targeted financial sanctions
- (iii) The due diligence measures imposed in the financial and non-financial sector
- (iv) The powers and procedures of the competent authorities
- (v) The availability and exchange of information, as well as the practice of international cooperation.

Consultation with MS Experts and Reporting

The commission will consult MS experts at any stage of the procedure for the evaluation of third countries' AML/CFT regime and will keep the European Parliament and the Council informed about the process and the preparation of delegated regulations.

Click [here](#) to access the official communication.

For a Spanish language version of this newsletter, see [here](#).

Contacts

Please feel free to contact one of the trade practitioners listed or you can reach our team collectively at InternationalTradeCompliance@squirepb.com.

US

George Grammas

Partner, Washington DC/London

T +1 202 626 6234

T +44 20 7655 1301

E george.grammas@squirepb.com

Daniel E. Waltz

Partner, Washington DC

T +1 202 457 5651

E daniel.waltz@squirepb.com

Karen R. Harbaugh

Partner, Washington DC

T +1 202 457 6485

E karen.harbaugh@squirepb.com

EU

Robert MacLean

Partner, Brussels/London

T +32 2 627 7619

T +44 20 7655 1651

E robert.maclean@squirepb.com

José María Viñals

Partner, Brussels/Madrid

T +32 2 627 1111

T +34 91 426 4840

E josemaria.vinals@squirepb.com

Wojciech Maciejewski

Associate, Brussels

T +32 2 627 7612

E wojciech.maciejewski@squirepb.com

UK

Matthew Kirk

International Affairs Advisor, London

T +44 20 7655 1389

E matthew.kirk@squirepb.com

International Trade Practice co-leaders: Frank Samolis (partner, Washington DC) and George Grammas

Subscribe to [The Trade Practitioner](#) blog for updates and alerts on topics including export controls, sanctions, investment security, trade policy and trade negotiations, among others; for access to our proprietary database of publicly known Committee on Foreign Investment in the United States (CFIUS) filings; and to be notified of bespoke training opportunities and events.