

Action Plan on Preventing Money Laundering: Six Pillars

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News

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EU action against money laundering and terrorist financing must be ambitious and multifaceted. This is the main line of argumentation in the Commission Action Plan for a comprehensive Union policy on preventing money laundering and terrorist financing ([Communication C\(2020\) 2800 final](#)). The Action Plan was tabled on 7 May 2020.

The Action Plan is based on six pillars. Each is aimed at bolstering the EU's defences when fighting money laundering and terrorist financing. The pillars should also strengthen the EU's global role in this area. The future system will be mainly based on a harmonised rulebook and an EU-level supervisor who is to ensure high-quality and consistent supervision of AML/CFT measures across the Single Market. This will be coupled with reinforcing the effectiveness of the Financial Intelligence Units (FIUs) through an EU-coordinated mechanism and by interconnecting the national centralised bank account registries. In detail, the six pillars are as follows:

- *Ensuring the effective implementation of the existing EU AML/CFT framework:* Next to the Commission's additional efforts to closely monitor implementation of the current EU rules, in particular the fourth and fifth AML Directives, the Commission will propose country-specific recommendations on AML/CFT during the second quarter of 2020; in addition, the European Banking Authority is encouraged to make full use of its strengthened powers as regards AML/CFT.
- *Establishing a single EU rulebook on AML/CFT:* The Action Plan outlines the Commission's ideas on how AML/CFT legislation can be further developed at the EU level. New measures should increasingly address implications of technological innovation and developments in international standards; administrative freezing by FIUs could be facilitated. Nevertheless, the Commission mainly envisages turning certain parts of the current AML Directives into directly applicable provisions set out in a Regulation. This would avoid the persistent problem of diverging interpretation and application of the rules. It has been proposed that, at a minimum, provisions laying down the list of obliged entities, customer due diligence requirements, internal controls, reporting obligations as well as the provisions on beneficial ownership registers and central bank account mechanisms should be integrated into the Regulation. The more harmonized set of rules will be proposed in the first quarter of 2021.
- *Bringing about EU level AML/CFT supervision:* In the first quarter of 2021, the Commission also plans to table proposals for the establishment of an EU-level AML/CFT supervisor, based on a thorough impact assessment of options regarding its functions, scope, and structure. The Commission believes that it is imperative to have an integrated AML/CFT supervisory system in place at the EU level. The system will supplement the national one. The EU-level AML/CFT supervisory system would address supervisory fragmentation, ensure harmonized application of AML/CFT rules in the EU and their

effective enforcement, offer support for on-the-spot supervisory activities, and ensure a constant flow of information regarding ongoing measures and significant identified shortcomings. The Action Plan outlines the functions of this EU supervisor. The task may either be granted to an existing EU agency (e.g., European Banking Authority) or to a new, dedicated body.

- *Establishing a support and cooperation mechanism for FIUs:* Although FIUs play an essential role in identifying money laundering and terrorist financing transactions and activities, past evaluations have identified weaknesses in the application of the rules and FIUs' cooperation. The network of national FIUs should work with an EU centre in the future. The Commission plans an EU coordination and support mechanism at the EU level, which will remedy the current weaknesses. The mechanism is intended, *inter alia*, to identify suspicious transactions with a cross-border dimension, carry out joint analysis of cross-border cases, and identify trends and factors relevant to assessing the risks of money laundering. Respective legislative proposals will be tabled in the first quarter of 2021. In the second half of 2020, the Commission will take over the management of the FIU.net from Europol.
- *Enforcing Union-level criminal law provisions and information exchange:* The Commission is considering options on how the information exchange among all competent authorities (FIUs, supervisors, police and judicial and customs and tax authorities) can be enhanced and promoted. An essential element for data sharing will be the enhancement of the role of public-private partnerships (PPPs) as much as possible. The Commission will issue guidance on PPPs in the first quarter of 2021.
- *Strengthening the international dimension of the EU AML/CFT framework:* The EU needs to play a stronger role in setting international AML/CFT standards, in particular at the FATF. EU representatives should voice coordinated positions at the FATF: in the longer term, the Commission could get the mandate to represent the EU in the FATF and speak with one voice. FATF evaluations should increasingly take into account the EU's AML/CFT rules. The EU will adjust its approach to high-risk third countries. A new methodology on the assessment of high-risk third countries is to be published along with this Action Plan.

The Action Plan comes in response to conclusions by the European Parliament and the Council calling for new initiatives to reinforce EU actions at the EU level. The European Parliament and Council took their view following the "AML/CFT package" of July 2019. The package included the Commission Communication "Towards better implementation of the EU's AML/CFT framework and accompanying reports", in which the Commission set out the measures needed to ensure a comprehensive EU policy on preventing money laundering and countering the financing of terrorism (see [eucrim 2/2019](#), pp. 94-96).

To ensure inclusive discussions on the development of these policies, the Commission started a [public consultation](#) on the Action Plan. Stakeholders are invited to provide their feedback by 29 July 2020.

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