

Commission's Refined Methodology for Identifying High-Risk Third Countries

News

Thomas Wahl

By means of the [Staff Working Paper SWD\(2020\) 99 final](#) of 7 May 2020, the Commission presented a refined and more transparent methodological approach by which to identify high-risk third countries with strategic deficiencies in their regime on anti-money laundering and countering terrorist financing. The paper is intended to replace the methodology developed in June 2018. The list of high-risk third countries is important because banks and other financial institutions will be obliged to carry out extra checks (enhanced customer due diligence requirements) for transactions involving these countries.

The Commission's reaction comes in response to Council objections to the list presented by the Commission in February 2019 ([see also eucriM 1/2019, p. 18](#)). The Council expressed concerns over the transparency of the process, the need to incentivise third countries and to respect their right to be heard.

The three main elements of the revised methodology are:

- *Interaction between the EU and Financial Action Task Force (FATF) listing process:* Third countries are also listed by the FATF. The Commission Staff Working Paper sets out the consequences of a listing/delisting by the FATF and the autonomous listing by the EU.
- *Enhanced engagement with third countries:* The Commission describes the process for the EU's autonomous assessment. The Commission will increasingly interact with third countries, encouraging them to effectively address concerns identified on a preliminary basis. This includes fact-finding and information on preliminary findings by the Commission and definition of mitigating measures.
- *Reinforced consultation of Member States experts:* Member State experts will be consulted at every stage of the process regarding assessments of third countries' regimes, the definition of mitigating measures, third countries' implementation of EU benchmarks, etc. This consultation will include specific Member States' competent authorities (law enforcement, intelligence services, Financial Intelligence Units).

The European Parliament and the Council will have access to all relevant information at the different stages (subject to appropriate handling requirements). The Commission will also ensure appropriate reporting to the EP and the Council.

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