

European Commission issues action plan for preventing money laundering and terrorist financing

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On 7 May 2020, the European Commission (EC) issued an Action Plan for a comprehensive EU-wide policy on preventing money laundering and terrorist financing as part of a wide-ranging AML-CFT policy tailored to meet the issues and specific risks that the EU currently faces and any new threats that the EU could confront in the future.

Six pillars of the plan

The plan outlines how the EC intends to build its proposed policy, focusing on the following six objectives:

- ensuring the effective implementation of the existing EU AML-CFT framework;
- establishing an EU single rulebook on AML-CFT;
- introducing EU level AML-CFT supervision;
- establishing a support and cooperation mechanism for financial intelligence units;
- enforcing EU-level criminal law provisions and information exchange; and
- strengthening the international dimension of the EU's AML-CFT framework.

As a cornerstone for its new policy, the EC plans to step up reforms made for the prudential supervision of credit institutions since it has argued for the need for an EU-wide harmonised rulebook and an EU-level supranational supervisor.

Background

The EC recognises that over the past thirty years the EU has developed a solid regulatory framework for preventing and counteracting terrorist financing and money laundering. Moreover, the EU is further strengthening its response to the risks associated with this type of criminal activity, including the introduction of the Fifth Anti-Money Laundering Directive, an updated mandate for the EBA, new cash-control provisions and amendments to the Capital Requirements Directive.

There has been a widespread consensus, however, that the existing framework should be improved in order for the EU to step up its AML-CFT response. According to the EC, there is a need for "better implementation of existing rules, a more detailed and harmonised rulebook, high-quality and consistent supervision, interconnection of centralised bank account registries and a stronger mechanism to coordinate and support the work of the Financial Intelligence Units".

The role of the European Banking Authority

The European Banking Authority (EBA) welcomed the introduction of this plan and has expressed its readiness to support it. The EBA sees common rules and a single supervisor as necessary to ensure consistent outcomes across the EU. Moreover, the EBA is widely seen as the body best able to encompass the role of an EU-wide supervisor of the implementation and interpretation of EU AML-CFT rules by member states. This is further supported by recent changes in the EBA's mandate, which now specifically includes competences to contribute to the "preventing the use of the financial system for the purposes of money laundering and terrorist financing".

Next steps

The EC has launched a public consultation on the plan where responses can be submitted until 29 July 2020.

For further information on the legal impact of this plan, call or email your usual CMS contact or local CMS experts Dimitar Zwiatkow and Ivan Gergov.

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