

Good morning,

The threats that we associated with money laundering and terrorist financing are evolving at an astonishing rate. Criminals and terrorists are finding new ways to circumvent the law, avoid detection and evade capture. Furthermore, the ongoing war on terror coupled with the release of the “Panama Papers” has increased both focus and pressure on governments to tackle this growing problem. It is a matter of national and international security and social and political conscience which has led to the 4th Anti-Money Laundering Directive. The 4AMLD includes tougher rules and regulations and a new focus on the ever evolving technologies and methods that facilitate financial crime.

In May 2015, the European Union adopted its Anti-Money Laundering Package which represents a big step in combined international efforts to combat financial crimes such as money laundering and counter financing of terrorist activities. All Member States have committed to implement these actions quickly and where possible, prior to the agreed deadline.

Following this, the European Commission adopted a proposal on July 5th, to modify the current framework and to implement a more stringent set of amendments to combat organised crime, corruption and tax evasion.

Amendments are as follows:

1. **Virtual currency exchange platforms as well as wallet providers will be designated as obliged entities.** A regulatory framework governing the functioning of exchanges means that authorities will be able to increase their visibility on currency transfers. They also become subject to the obligation to implement preventive measures and report suspicious transactions.
2. **Tackle the use of anonymous pre-paid instruments.** The EC also wishes to lower the €250 threshold to €150 when referring to non-reloadable pre-paid payment instruments to which Customer Due Diligence measures apply, in order to widen customer verification procedures. It is hoped that by limiting the anonymous use of prepaid instruments, it will provide a deterrent for use by terrorists and/or other criminals.
3. **Increase the power of Financial Intelligence Units (FIUs) when requesting information from an obliged entity.** The EC intends to reinforce all rules pertaining to facilitating cooperation between FIUs. It is hoped that these new provisions will increase cross-border information sharing in order to help with identifying terrorist networks financial backers.
4. **Automated centralised mechanisms to enable FIUs and competent authorities to identify bank and payment account holders.** The EC has proposed that Member States set up a centralised database or automatic data retrieval system (to perform the same function) enabling FIUs and others to swiftly identify the owners and beneficiaries of bank and payment accounts.

5. **Standardisation of Enhanced Customer Due Diligence measures for high-risk third countries across all Member States.** At present, each Member State adheres to a different list of measures pertaining to Enhanced Customer Due Diligence on high-risk countries. An across the board harmonisation will be implemented to avoid risks associated with criminals targeting particular jurisdictions due to more, or less stringent regulations.
6. **Beneficial Ownership identification and information to be made easily accessible.** The 4AMLD specifies rules on the collection, storage and easy public access to information on the ultimate beneficial owners of companies, trusts and other legal instruments. Any person who controls more than 25% of a company or trust will have their details publicly available on a centralised register. The level of access will ultimately be defined on a country-by-country basis. Some countries are expected to make it completely public and others only to those with a “legitimate interest”. With reference to Data Protection Regulations (DPR), it is expected that AML Regulations will trump them due to the criminal nature of any infringement as opposed to the civil nature of DPR. Plans have been laid out for all national central registers to be interconnected to allow ease and efficiency when trying to identify UBOs.
7. **Earlier transposition.** The requirement for transposition of the anti-money laundering framework into national law for each Member State has been brought forward to 1st January 2017.

To find out how these changes will impact your business, please contact <mailto:James.Scicluna@whpartners.eu>