

EU ANTI-MONEY LAUNDERING (AML) AND COMBATING THE FINANCING OF TERRORISM (CFT) SINGLE RULE BOOK - Q1 2021

[ADOPTED]

> ■■■ ACTION PLAN ON PREVENTING MONEY LAUNDERING AND TERRORIST FINANCING

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CONTENT

On 7 May 2020, the European Commission adopted an action plan for a comprehensive Union policy on preventing money laundering and terrorist financing.

Among other measures, the action plan announced the adoption of a legislative proposal on reinforcing and developing the EU anti-money laundering (AML) and combating the financing of terrorism (CFT) in the first quarter of 2021. Answering a Commission's call for advice on the issue, the European Banking Authority (EBA) supported harmonising the relevant EU legal framework in a (directly applicable) regulation.

In its November 2020 Conclusions, the Economic and Financial Affairs Council (ECOFIN) Council invited the Commission to prioritize work on what is commonly referred to as the EU 'single rulebook', this is a single set of harmonised rules for the financial sector based on a unified regulatory framework. The proposal would replace the minimum rules of the EU AML Directives, currently in force. Obligations imposed on entities required to prevent money laundering ('obliged entities'), transparency of information regarding persons owning or controlling the customers of such entities and the misuse of anonymous instruments (such as crypto-assets) are among the main issues addressed.

The regulation will lead to the establishment of an EU level AML/CFT supervision and the coordination and support mechanism for Financial Intelligence Units (FIUs). It's noted, however, that the clarification and harmonisation of the AML/CFT legal framework does not necessarily need to result in the imposition of additional requirements on obliged entities. It also called on the Commission to present legislative proposals on these three related issues at the same time, in order to allow for simultaneous drafting in view of the links between them.

The Commission presented a package consisting of four legislative proposals to strengthen the EU AML/CFT provisions on 20 July 2021. The package includes a proposal for a regulation on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

The Council in adopting its position set out requirements for crypto-asset service providers (CASPs) to include due diligence measures on transactions of €1000 or more, and for measures to reduce risks in relation to transactions with self-hosted wallets. The Council

also sought due diligence measures for cross-border correspondent relationships for crypto-asset service providers.

The regulation would thus extend the list of obliged entities to include all crypto-asset service providers – as recommended by the Financial Action Task Force (FATF) – and streamline beneficial ownership requirements across the EU. It would also restrict transactions in cash, setting at €10 000 a maximum cap for accepting or making payments in cash by persons trading in goods or providing services. Moreover, it would harmonise the EU approach to third countries with strategic deficiencies in their AML/CFT regimes.

In the European Parliament, the proposal has been jointly assigned (under Rule 58) to the Committees on Economic and Monetary Affairs (ECON) and on Civil Liberties, Justice and Home Affairs (LIBE). The Committee on Legal Affairs (JURI), designated as committee for opinion, has decided not to issue one. Eero Heinäluoma (S&D, Finland) and Damien Carême (Greens/EFA, France), from the ECON and LIBE committees respectively, have been appointed as co-rapporteurs.

On 16 March 2022, the co-rapporteurs presented their draft report. The report was adopted by the two committees on 28 March 2023.

On 7 December 2022, the Council agreed its position on the single rulebook. On 19 April 2023, the Committee decision to enter into interinstitutional negotiations was confirmed by plenary (Rule 71). On 18 January 2024 the Council and Parliament reached a provisional agreement on the Regulation as part of the anti-money laundering package. The texts will now be finalised and presented to the Committee of permanent representatives and the European Parliament for approval. Following on from this, on the 14 February 2024 the European Parliament, the Council and the European Commission, reached an agreement on a final compromise text.

On 24 April 2024, the European Parliament adopted by (479 votes to 61, 32 abstentions) a legislative resolution on the proposal. On 30 May 2024, the Council approved the Parliament position, thus adopting the regulation. On 31 May the final act was signed, the procedure has been completed and was published in the Official Journal on 19 June 2024.

References:

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- Council of the EU, [Initial positions of the three Institutions prior to commencement of trilogues](#), Version for Trilogue on 11 May, 2023
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- [EBA calls on the EU Commission to establish a single rulebook on fighting money laundering and terrorist financing](#), press release, European Banking Authority, September 2020
- European Commission, [Beating financial crime: Commission overhauls anti-money laundering and countering the financing of terrorism rules](#), press release, 20 July 2021
- European Commission, [Proposal for a regulation on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing](#), (SWD(2021) 191 final)

Further reading:

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- EPRS, [Anti-money-laundering package](#), Initial Appraisal of EC impact assessment, December 2021
- EPRS, [Anti-money-laundering package 2021: Strengthening the framework](#), Implementation Appraisal, March 2021
- European Parliament, [MEPs launched work on Anti-Money Laundering package with expert discussion](#), press release, March 2022

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