

## Strasbourg round-up: Anti money laundering

Written by Judith Sargentini, Krišjānis Kariņš, Nils Torvalds and Antonio López-Istúriz White on 13 March 2014 in Special Report  
Special Report

Judith Sargentini, Krišjanis Karinš, Nils Torvalds and Antonio López-Istúriz White explain why a new directive to prevent money laundering and terrorist financing is so important



### **Judith Sargentini is parliament's co-rapporteur on prevention of the use of the financial system for the purpose of money laundering and terrorist financing**

This week the European parliament has voted on the 4th anti-money laundering directive. One of the issues that was put to a vote was the proposal for a public ultimate beneficial ownership (UBO) register. It was adopted with a very large majority, which means a big victory for transparency.

The common denominator of money laundering committed by criminal organisations, corrupt politicians and by tax evading and avoiding multinational companies is the use of anonymous shell companies and opaque company structures to hide their identity. The proposed UBO register will shed light on these opaque company structures and the ownership of shell companies. The identity of the

ultimate beneficial owner - the natural person ultimately owning or benefitting - of a company, trust or other legal structure will be registered.

Recently a story on the son of ousted Ukrainian president Viktor Yanukovich received great media coverage in my home country the Netherlands. The son of Yanukovich used shell companies in the Netherlands to funnel money out of Ukraine. The Netherlands actively facilitates the use of shell companies and the accompanying secrecy. In this way it allows for corruption and money laundering to flourish. With the introduction of the UBO register the secrecy around shell companies and hidden company structures will be history and corrupt leaders and their accomplices will be revealed.

Making ultimate beneficial ownership information available to the general public will pressure companies to play by the rules. Public scrutiny is a powerful tool. When the information is accessible to all citizens, they can make deliberate choices not to support or to buy from companies that do not have trustworthy company structures. The ability to access the beneficial ownership information will be especially valuable for investigative journalists and civil society. Their research can reveal information on beneficial ownership by corrupt leaders, tax avoiding and evading companies and criminals that otherwise would stay unnoticed.

Besides that, the public availability of the information means that it is also accessible by third countries outside the European Union. This can prove very useful for developing countries. Massive amounts of money in these countries disappear due to the use of anonymous shell companies by corrupt politicians and multinational companies. It is estimated that African states in 2010 lost a bigger sum of money through illicit financial flows out of Africa than that which came in in the form of development aid.

After the elections of the European parliament in May we will start negotiations with the council of ministers to find agreement on the UBO register. The United Kingdom and France support the proposal for a public UBO register, but there are also member states being less enthusiastic about the plan. I hope that David Cameron and François Hollande can convince them of the need for a public UBO register as a necessary element in our effort to curb money laundering and tax crimes.

### **Krišjanis Karinš is parliaments co-rapporteur on prevention of the use of the financial system for the purpose of money laundering and terrorist financing (taken from press release)**

For years, criminals in Europe have used the anonymity of offshore companies and accounts to obscure their financial dealings. Creating an EU-wide register of beneficial ownership will help to lift the veil of secrecy of offshore accounts and greatly aid the fight against money laundering and blatant tax evasion.

The European parliament has taken a tough stance against secrecy that aids criminals in hiding their proceeds. History repeatedly shows that criminals, corrupt politicians and dictators have legalised their illicit proceeds in the European Union. We should put an end to this. Today is a good day for law-abiding citizens, but a lousy day for criminals.

Peter Simon is parliaments S&D group shadow rapporteur on prevention of the use of the financial system for the purpose of money laundering and terrorist financing

Worldwide, money laundering is estimated by the UN to be worth €1.1 trillion every year. So more

than €1 trillion of potential tax revenue is lost to tax fraud, tax evasion, tax avoidance and aggressive tax planning every year in the EU alone. Especially in times of economic crisis, this calls for action. In order to combat money laundering, but also tax avoidance and tax fraud, we need to make sure that there is no place for anonymity regarding beneficial owners of companies, trusts and foundations. Identification of the true beneficiary behind complex company structures and non-transparent shell companies is a key component in this fight. The beneficial owners should no longer be allowed to seek refuge behind anonymity. That is why we asked for publicly accessible central company registers with information regarding the identity of beneficial owners. This transparency and flow of information should, however, not be brought to a halt at national borders. Public registers of the member states need to be linked in the EU. The interconnection may facilitate and contribute to the work of investigators. However, the most sophisticated laws will only have an impact if they are implemented and applied correctly. This is why we ask the commission to have a closer look at how the directive is actually implemented in the individual member states. However, in my opinion, the European parliament could have done even more to combat money laundering. Enhanced due diligence measures continue to be limited to politically exposed people instead of being applied to all exposed decision makers in public administration, industry, religious institutions or professional sports. This point needs to be stressed in the future once more.

### **Nils Torvalds is parliament's ALDE group shadow rapporteur on prevention of the use of the financial system for the purpose of money laundering and terrorist financing**

The aim of the fourth anti-money laundering directive is clearly a good one. In an increasingly borderless world, and a borderless European Union, neither money nor crime knows any borders. Clear and harmonised rules are needed to be able to fight money laundering and terrorist financing.

On many points, we can be satisfied with the outcome of the parliament's vote and the parliament's position on this issue. This is a step forward in the fight against money laundering and tax evasion, and a clear and strong signal for increased transparency.

However, there is still a long way to go, and room for improvements before we can say that we have a well-functioning, effective and proportionate new directive in place that follows a proper risk-based approach throughout.

Especially our small and local actors face major administrative and financial burdens if the current wording remains.

Coming from Finland, the issue of slot machines is important. In Finland, a significant amount of the winnings from single slot machines are used to support salutary businesses and projects. Under the current proposal, mandatory ID-checking would be required for all gambling sectors, also small and local individual slot machines with no, or very limited, risks for money laundering. These services can apply for exemptions, but any exemption would have to be granted by the European commission. This goes against the subsidiarity principle and leads to unnecessary bureaucracy, and is neither proportionate nor taking into account a risk-based approach.

### **Antonio López-Istúriz White is parliament's legal affairs committee opinion rapporteur on prevention of the use of the financial system for the purpose of money laundering and terrorist financing**

Yesterday I supported in the European parliament in the approval of new measures to be taken at EU

level to fight against money laundering. This activity is normally used to commit acts of terrorism.

I was opinion rapporteur in this new legislation and I stressed that it should take into account the tragic experience of terrorist attacks like those who took place in my country, Spain.

I defended parliament proposals, such as financial professionals having the duty to ensure that the services they provide to organisations or ensuring companies are not used for money laundering or tax evasion. I called for a better transparency and I remarked that investors should be entitled to know who the real owners of the companies are and wherefore they are investing the money. I also advocated for a better legal protection for employees who report suspicious practices of money laundering within their companies to their superiors.

Finally, I explained that the main objective of these measures, adopted today by a large majority of 643 votes, with 30 against and 12 abstentions, is to fight against terrorism from its roots and to prevent their illegal financing tools.

Some of the most important aspects of this new legislation include improving the rules of procedure clarity and consistency of the member states by creating an identification mechanism. Increasing transparency of all kind of fund transfer, domestic or cross-border, in order to facilitate tracking criminal and terrorists funds and strengthen cooperation between national financial intelligence units. Improving commercial register functioning in all member states, because in order to prevent the financing of terrorism is absolutely essential to identify the beneficial owner. The system also upgrades the sanctions system and, finally, the package upholds the requirements of data protection.

I could not end this note without reminding the 192 victims of the terrorist attack of March 11, 2004 in Madrid and expressing my solidarity to their families and hundreds of injured and those people affected by this tragedy.

## **About the author**

**Judith Sargentini is parliament's co-rapporteur on prevention of the use of the financial system for the purpose of money laundering and terrorist financing**

**Krišjanis Karinš is parliaments co-rapporteur on prevention of the use of the financial system for the purpose of money laundering and terrorist financing (taken from press release)**

**Nils Torvalds is parliament's ALDE group shadow rapporteur on prevention of the use of the financial system for the purpose of money laundering and terrorist financing**

**Antonio López-Istúriz White is parliament's legal affairs committee opinion rapporteur on prevention of the use of the financial system for the purpose of money laundering and terrorist financing**

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