



EU policy towards high risk third countries

DRM Training – AML/CFT

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Role of DG FISMA - Anti-Money Laundering and Counter Terrorist Financing

- Objective: Prevention of money laundering and terrorist financing in the financial system
- Legislation on AML/CFT for financial and non-financial sectors
- Enforcement of EU rules

Financial Action Task Force (FATF)

- Global standard-setter for measures to combat money laundering and terrorist financing
- Intergovernmental body with 39 members and the participation of over 180 countries through a global network of FATF-style regional bodies (« FSRBs ») (e.g. MONEYVAL, EAG, MENAFATF)
- European Commission = Founding member of FATF
- February 2023: FATF Plenary suspended the membership of Russia

Financial Action Task Force (FATF)

- FATF reviews countries' compliance with AML/CFT standards ("mutual evaluations") on technical compliance (40 recommendations) and on effectiveness (11 immediate outcomes)
- FATF adopts 3 times a year lists (at each FATF Plenary) of countries having strategic deficiencies (International Cooperation review Group « ICRG » process) based on mutual evaluations:
 - FATF Public Statement ("FATF black list") – call for measures
 - Jurisdictions under increased monitoring ("FATF grey list") for countries having strategic deficiencies that agreed to implement an action plan.
- Commission actively participates in the ICRG and its 4 geographical Joint Groups

EU legal framework

- Anti-Money Laundering Directive (Article 9)
 - *Objective*: protect integrity of EU financial system
 - *Legal requirement*: identification of third countries having strategic deficiencies in their AML/CFT regimes – based on Delegated Act
- Consequences of a listing by the EU
 - Mandatory Enhanced Due Diligence (EDD)
 - Consequences under the **Financial Regulation (Article 155)**

EU legal framework

➤ Article 155 Financial Regulation:

2. When implementing Union funds, persons and entities shall:

(a) comply with applicable Union law and agreed international and Union standards and, therefore, not support actions that contribute to money laundering, terrorism financing, tax avoidance, tax fraud or tax evasion;

(b) when implementing financial instruments and budgetary guarantees in accordance with Title X, not enter into **new or renewed operations** with entities incorporated or established in jurisdictions listed under the relevant **Union policy on non-cooperative jurisdictions** or that are **identified as high-risk third countries pursuant to Article 9(2) of Directive (EU) 2015/849**, or that do not effectively comply with Union or internationally agreed tax standards on transparency and exchange of information.

Entities may **derogate from point (b) of the first subparagraph only if the action is physically implemented in one of those jurisdictions**, and does not present any indication that the relevant operation falls under any of the categories listed in point (a) of the first subparagraph.

EU lists of high risk third countries

[High risk third countries and the International context content of anti-money laundering and countering the financing of terrorism \(europa.eu\)](#)

- 1st list adopted on 14 July 2016 (Regulation 2016/1675)
- First methodology adopted in June 2018
- Rejection of the first EU autonomous list in 2019
- Divergent views of the EP and Council
- Refined methodology adopted in May 2020 (SWD(2020)99)
 - More synergies with the FATF
 - Increased engagement with third countries

Alignment with FATF lists

- Listing by the FATF:
 - Any country listed by the FATF is listed by the EU
 - Exceptions for EEA countries and candidate countries
- De-listing by the FATF:
 - The Commission will assess whether the FATF Action Plans for a delisting are sufficiently comprehensive.
 - Only where need be, specific EU requirements (“Benchmarks”) would “top up” the existing FATF Action Plan (exceptional situations)
- Engagement with third countries at all stages – in close cooperation with EEAS (+ other services)

Autonomous assessment

Staged approach:

- Step 1: scoping exercise – criteria:
 1. Countries identified by the COM, EEAS or Europol as having a systemic impact on the integrity of the EU financial system
 2. International offshore financial centers
 3. Economic relevance considering magnitude of the financial centers and the economic ties with the EU
- Step 2: prioritisation
 1. Identified by Europol/EEAS as being exposed to ML/TF
 2. Synergies with the tax list
 3. Countries identified as high risk in 2019

Autonomous assessment

Staged approach:

- Step 3: Assessment, 8 building blocks assessed
 1. criminalisation of ML/TF
 2. Customer Due Diligence (CDD), reporting Suspicious Transactions Reports (STR) and record keeping in the financial sector (FIs),
 3. CDD, reporting STR and record keeping in non-financial sector (DNFBPs)
 4. Beneficial ownership,
 5. sanctions,
 6. powers of authorities,
 7. international cooperation,
 8. targeted financial sanctions

Autonomous assessment

Step 4: Engagement process with third countries before the conclusion of a listing:

- Consult the countries on preliminary findings of the Commission
- Drafting country-specific EU Benchmarks to address concerns
- Seek third country commitment to implement EU Benchmarks
- Deadline of 12 months given to third countries to address concerns

Autonomous assessment

Step 5: Reaching a conclusion for listing a third country

- If the country does not implement the EU Benchmarks
- If the country is not cooperative
- If there is an overriding level of risk that needs to be mitigated while there is no ability for the country to implement EU Benchmarks

Countries listed by the EU

- Current list (as of May 2024): Afghanistan, Barbados*, Burkina Faso, Cameroon, Democratic People's Republic of Korea (DPRK), Democratic Republic of Congo (DRC), Gibraltar*, Haiti, Iran, Jamaica, Mali, Mozambique, Myanmar, Nigeria, Panama*, the Philippines, Senegal, South Africa, South Sudan, Syria, Tanzania, Trinidad and Tobago, Uganda*, UAE*, Vanuatu, Vietnam, and Yemen.
- Countries last delisted by the EU (12 December 2023): Cayman Islands and Jordan.

* Countries/jurisdictions that were supposed to be de-listed by the last DA that was adopted by the EC in March 2024 (while Kenya and Namibia were supposed to be added to the list). However, the DA was rejected by the EP.

Next countries for FATF post observation period reports (i.e. possibility of listing by FATF plenary)

- Monaco, Venezuela (June 2024)
- Lebanon, Algeria, Côte d'Ivoire, and Angola (October 2024)
- Laos and Nepal (February 2025)
- Bolivia and British Virgin Islands (June 2025)

Technical assistance

- Provided by the Global Facility managed by FPI
- Demand driven process
- Third country to contact the EU delegation



Questions? Comments?

