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Major flaws in European anti-money laundering regimes exposed by new Transparency International EU report

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The current EU anti-money laundering regime does not prevent corrupt money from flowing through Europe's financial centres according to a new report by Transparency International EU. Despite the political rhetoric and public outcry following the Panama Papers and Russian Laundromat revelations there are still major problems when it comes to both anti-money laundering rules and their enforcement by European countries.

EU Member States have firmly ruled out public access to the identities of those who control and own shell companies, otherwise known as beneficial owners, in the current negotiations around reforming EU anti-money laundering legislation. These companies and other corporate vehicles were implicated in the money laundering scandals exposed by the Panama Papers.

The report examines both the legislation in place in six European countries and the enforcement of those rules. It also looks at money laundering hotspots such as the gambling, virtual currencies and real estate sectors, which all can be used by the corrupt, tax evaders and terrorist networks to channel and hide illicit wealth.

"*We've had the scandals, we've had the talk, now it's time for action,*" said Laure Brillaud, Policy Officer for Anti-Money Laundering at Transparency International EU. "*Not only do we need better enforcement but we also need better rules,*" continued Brillaud. *"It seems Member States are already suffering from amnesia one year after the Panama Papers. By denying the public access to the identities of who owns shell companies EU Member States are allowing a shadow world of ownership and control to flourish,*" said Brillaud.

Transparency International EU is calling for full public access for all companies and trusts operating or doing business on EU territory even when they are not based in the EU, in order to crack down on the use of extraterritorial secrecy jurisdictions such as Panama or the Bahamas. The report also expresses concerns about "nominees" whom can be misused as frontmen by corrupt individuals as shown by the Panama Papers. It recommends strengthening regulations by requiring nominees to be licensed and to disclose the identity of the person who appointed them.

The study finds significant problems with professional bodies not doing their jobs on reporting suspicious activities to public authorities. Particularly with non-financial professions such as lawyers and notaries where reporting has been negligible. The report also sheds light on the

deficiencies of the corporate service provider sector which appears to be involved in a number of Panama Papers cases.

The European Commission has taken steps in the wake of the Panama Papers to address some of these issues in the draft revisions to the 4th anti-money laundering directive. Amendments proposed by the European Parliament go further to address these problems, such as by including commercial and private trusts on beneficial ownership registries. It is now up to the EU Council to take an active role in fighting money laundering by taking on board these revisions and cracking down on corrupt cash, according to Transparency International EU.

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