

# Transparency International EU

The global coalition against corruption

## The case for an EU anti-money laundering agency is clear: will the EU take action?

Alessandro · Wednesday, December 4th, 2019

*By Laure Brillaud and Maíra Martini*

Recent money laundering scandals have shown how indispensable European banks and other intermediaries have been in helping – either knowingly or negligently – design and run dodgy schemes. This casts serious doubts on Europe’s willingness to meaningfully fight grand corruption and organised crime, which have devastating impacts for people living in other parts of the world.

The EU has come a long way in terms of fighting money laundering and currently has possibly the most advanced anti-money laundering rules in the world. But when it comes to anti-money laundering supervision, the current EU framework leaves a vacuum.

Transparency International has [previously called](#) on the EU to get its house in order and tackle money laundering through European banks. With several EU countries [endorsing the proposal](#) for a dedicated EU supervisory body, it is clear that any future action will fall short unless the EU is equipped with powers to supervise both financial institutions and national supervisory bodies, and the powers to sanction them.

The EU’s finance and economics ministers will [meet on December 5](#) to discuss the anti-money laundering priority agenda for the future. It is a perfect opportunity for the EU to ensure that the past scandals do not repeat themselves through equipping the EU with anti-money laundering supervisory powers.

### Money laundering hotspot

While the EU has achieved financial integration, it has not achieved the same level of integration in terms of anti-money laundering supervision over its financial system. This creates weaknesses that can become hotspots for money laundering, easily exploited by criminal and corrupt individuals.

Take the recent example of the **Anglo Austrian Bank**, previously known as Meinl. Back in 2010, the Brazilian construction company Odebrecht needed a bank willing to move dirty money to pay off politicians in 12 countries spanning Latin America and Africa. It found a solution in an overseas branch of the Meinl bank. Company executives bought 51 per cent of the shares of the branch and for seven years used it to pay bribes and buy influence, without competent authorities ever raising concerns. Only about two weeks ago, the European Central Bank (ECB) revoked the bank’s license over repeated anti-money laundering control failings. It remains to be seen whether

or not there will be real consequences, as the bank's appeal has resulted in a [temporary suspension of ECB's decision](#), pending a court ruling.

That same week, a [leaked ECB report](#) about Malta's **Bank of Valletta** revealed that the bank failed for years to detect or address risks involving thousands of transactions by high-risk foreign customers, potentially allowing dirty money to be laundered through the bank.

### **Ill-equipped to deal with transnational issues**

Hearing about these cases in the same week, one may think that **ECB** – and by extension the EU – effectively deals with Europe's money laundering problem. But this is far from the truth.

The ECB is the only EU body with the power to sanction banks but it cannot do so on anti-money laundering grounds. It [does not have the mandate](#) to deal with money laundering, and does so sporadically only in cases where money laundering failings reported by other authorities provide grounds for license withdrawal.

Moreover, the withdrawal of a license is the only sanction available to the ECB and can be applied only in extreme cases. To effectively fight money laundering, such sanctions should be complemented with a wider range of measures to avoid waiting until it is – in a way – already too late to detect and stop the transactions.

The governance structure of the **European Banking Authority (EBA)** has also proven inadequate to effectively cover EU-level anti-money laundering supervisory needs. The EBA's main decision-making body is its board of supervisors, composed of the banking authorities of the 28 EU Member States. To see the conflict this can create, we can look at the recent decision by the board to bury an [EBA report](#) pointing to a possible breach of law by Member States in the Danske Bank case.

Currently, no EU body appears appropriate or fit to take on future anti-money laundering supervisory responsibilities. There is already a recognition among EU leaders that the current model is inadequate. The European Commission published a [proposal](#) this summer complemented more recently by a joint statement by 6 EU countries – France, Germany, Italy, Latvia, the Netherlands and Spain – stressing the need for an EU body with anti-money laundering supervisory powers.

### **Powers needed to supervise**

It is vital that the supervisory powers of a new body are not limited to coordination and exchange of information. This body must be given direct powers to independently and proactively investigate and sanction individual institutions that fail to comply with anti-money laundering obligations.

It should also be granted powers to supervise and sanction Member States for failing to comply with their anti-money laundering supervisory duties. This would not clear Member States of their responsibilities, and the EU body should not be a substitute for supervisory national authorities but complement Member States' supervisory actions in high-risk cross-border cases and in cases where national authorities are weak.

In the future, the EU should consider expanding the scope to non-financial intermediaries. This would ensure that no grey zone is left for criminals or the corrupt to carry out their dirty business

in the EU.

A strong EU anti-money laundering framework will require better integration and analysis of intelligence data collected by Financial Intelligence Units. Considering the cross-border nature of most high-risk financial transactions, having a body that can access and map intelligence data from different countries could help in the detection of suspicious activities.

A first step towards an effective EU-level supervision would be to harmonise frameworks and standards across the EU, providing a common baseline against which to evaluate enforcement and effectiveness. Transparency International calls on the EU to use this opportunity to close remaining loopholes in legislation. This includes increasing beneficial ownership transparency on trusts and expanding the scope of anti-money laundering legislation to [golden visa schemes](#).

### **Decision time**

With scandals piling up, from the Panama Papers to recent cases involving banks such as the ABLV, Danske Bank, Swedbank, Pilatus and Deutsche Bank, anti-money laundering should remain a priority for both the EU and European Commission in their next mandate. Recent political events in Malta have also demonstrated how systemic corruption and money laundering can undermine the rule of law and democracy exposing the EU as a whole. The EU cannot remain silent.

Member States have now a chance to show leadership and determination to tackle the issue at the EU level when they meet on December 5 in Brussels to discuss and agree on the future anti-money laundering strategic priorities for the EU.

This entry was posted on Wednesday, December 4th, 2019 at 1:26 pm