

EU strikes latest blow to terrorist funds

Kieran Beer



The Bracken column is named after Brendan Bracken, the founding editor of The Banker in 1926 and chairman of the modern-day Financial Times from 1945 to 1958. This column reflects his enormous contribution to the open discussion and understanding of international finance and banking. It focuses on providing views and perspectives on how to improve the global financial system.

THE GLOBALISATION OF STANDARDS FOR ANTI-MONEY LAUNDERING and countering the financing of terrorism is a frequent topic of debate as governments respond to cross-border terror attacks and financial crime. And it has been amazing to witness over the past 10 or 11 years how AML (anti-money laundering) and CFT (countering financial terrorism) efforts have moved from being the preoccupation of a few to a priority for all but a handful of high-risk nations.

The European Commission (EC) took a huge step in February 2016 towards committing member-states to tougher AML and CFT regimes, at the same time breaking down national borders to compliance. The EC proposed speeding up the adoption of the Fourth Anti-Money Laundering Directive (4AMLD) and previewed a slew of amendments to the directive that over time could dramatically change how member-states fight financial crime, including the financing of terrorism.

The 4AMLD, which requires the creation of central databases of corporate ownership, increased scrutiny of domestic politicians and enhanced reporting of suspicious financial activity, was supposed to be adopted into law by individual member states by June 2017. The EC wants to push that deadline forward to year-end 2016.

The EC also put forward deadlines for amending the 4AMLD to require countries to harmonise their enhanced due diligence rules for high-risk nations, establish controls for virtual currency platforms and prepaid products and streamline data-sharing among EU financial intelligence units.

But under the EC's proposals, the EU would not merely adopt a more rigorous global AML and CFT standard. Member-states would also champion a standard for the world by creating a blacklist of countries deemed to have weak AML and CFT laws and practices.

A VALUED ROLE

The advance of something approaching a global standard is not a mystery: it is a direct response to the rising threat of terrorism. The common approach being promulgated by Paris-based international watchdog the Financial Action Task Force, and now the EC, is based on the hope that terror groups can be thwarted by cutting off the funding they need to plan and execute attacks.

Published reports suggest that greater sharing of intelligence, including financial data, between European law enforcement and financial intelligence units might

have tipped off authorities to the plans for the November 2015 terror attacks in Paris. While that may never be proven, it is clear that pieces of information existed prior to the attacks about the perpetrators that were never assembled into a complete picture across institutional and national barriers.

It is not surprising that French officials, in the wake of the senseless massacre and the Charlie Hebdo killings earlier in the year, have been a major force behind the new sense of urgency and expanded provisions of the EC.

Not that any of this is easy.

IMPLEMENTATION RUSH

The plans to hasten implementation of 4AMLD could prove difficult. Member-states had trouble implementing the directive's predecessor, the Third Anti-Money Laundering Directive. There is a great deal of disparity between the financial infrastructure of each EU country and their financial institutions.

And the data sharing envisioned by the EC proposals would require much of banks and other financial institutions. At a time when many banks are cutting personnel across a number of lines of business, many will need to hire both experienced compliance professionals and entry-level staffers who must be trained. It is implicit in the globalisation of AML and CFT standards that compliance continues to grow in numbers and importance as a profession.

But the costs promise a pay off: the law enforcement officials who regularly attend conferences organised by the Association for Certified Anti-Money Laundering Specialists as speakers and delegates routinely make it clear how important the information they receive from financial institutions is. It is among the more gratifying aspects of conferences for compliance professionals to be thanked as partners with law enforcement, even as they are asked to do still more to help prevent terror and financial crime. **TB**

KIERAN BEER IS CHIEF ANALYST AT THE ASSOCIATION FOR CERTIFIED ANTI-MONEY LAUNDERING SPECIALISTS, WWW.ACAMS.ORG.



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