European Commission

ANTI-MONEY LAUNDERING: EU LIST OF HIGH-RISK THIRD COUNTRIES

Fact sheet | February 2019

Věra Jourová
Commissioner for Justice, Consumers and Gender Equality

Directorate-General for Justice and Consumers

Why does the Commission list these third countries?

The Commission is required by Directive (EU) 2018/843 (5th Anti-Money Laundering Directive) to identify "high-risk third countries" having strategic deficiencies in their anti-money laundering/counter-terrorism financing regimes. The Anti-Money Laundering Directive was revised in order to provide a broader set of criteria in view of an autonomous assessment by the Commission of third countries.
The objective of the listing is to protect the EU financial system from risks of money laundering and terrorist financing coming from third countries. As set in the new Anti-Money Laundering Directive, banks and other gatekeepers will have to be more vigilant and carry out extra checks when carrying out transactions involving high-risk third countries identified by the Commission.

How does it work?

In June 2018, the Commission released a new methodology to identify high-risk third countries for the purposes of its autonomous assessment. This methodology sets out the criteria, milestones and follow-up actions, to make sure countries are assessed in an objective, fair and transparent way.

1 PRIORITY SETTING

Pre-assessment to determine the countries to be assessed and identify the level of priority of their assessment, in addition to countries already listed by the Financial Action Task Force

2 ASSESSING

Assessment of the anti-money laundering and counter-terrorism financing measures, starting with countries of the highest priority

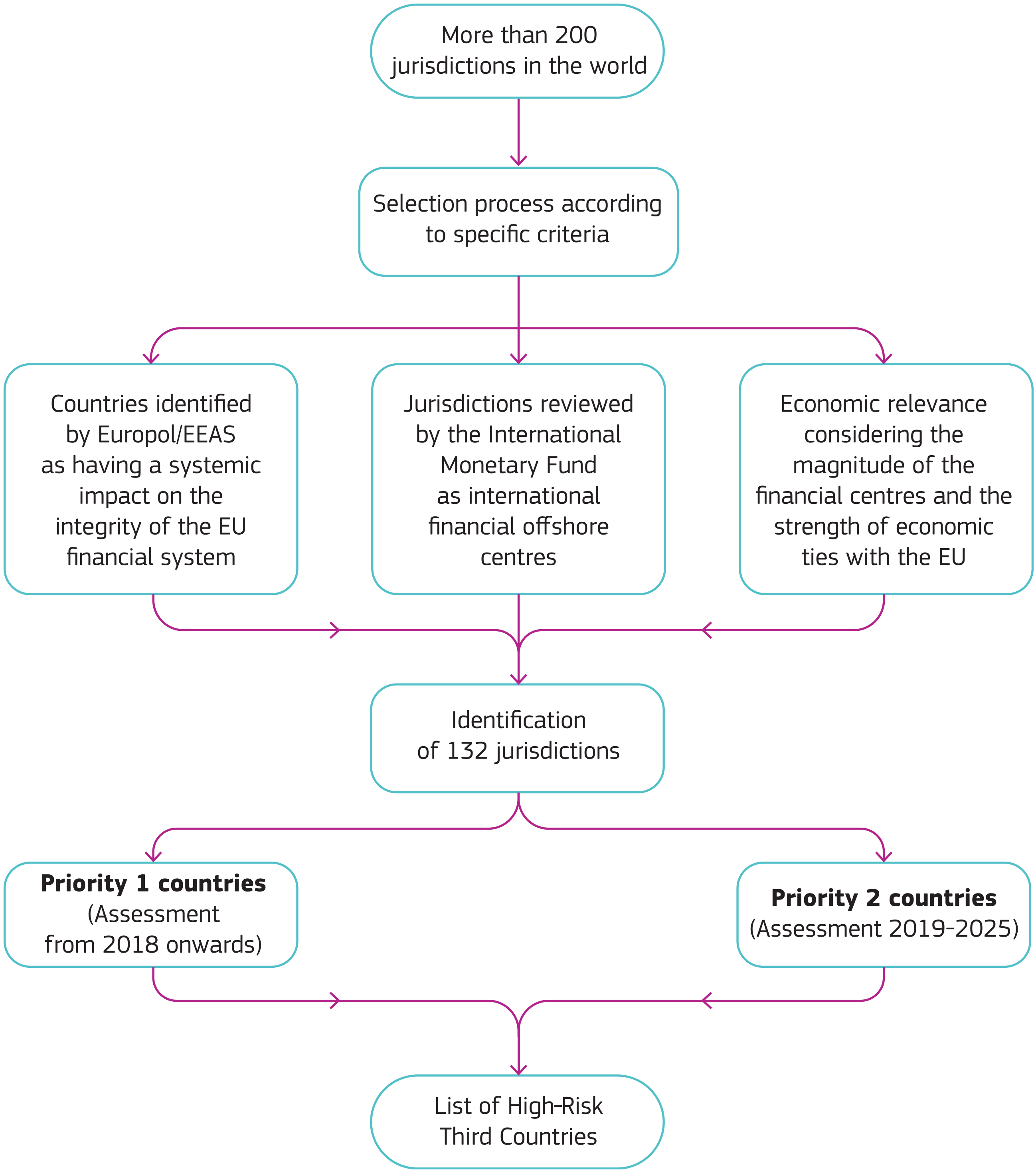
3 LISTING

Listing high-risk third countries that show strategic deficiencies in their anti-money laundering and counter-terrorism financing regimes

4 FOLLOW-UP

Monitor progress of listed countries, continue monitoring already reviewed countries, and assess additional countries.

Planning and Scoping



How many third countries were identified for assessment?

The Commission identified 132 jurisdictions to assess their potential strategic deficiencies (scoping). The assessment started in 2018 and will end in 2025. Some countries were assessed as "priority 1", others as "priority 2".

How did the Commission determine the level of priority?

In addition to countries listed by Financial Action Task Force, the Commission considered as ''priority 1'' those countries which fulfil **at least one** of the following criteria:

1. Countries exposed to a high level of threat identified by Europol / European External Action Service
2. Countries on the EU list of non-cooperative tax jurisdictions
3. Countries de-listed by Financial Action Task Force between July 2016 and November 2018 (but still listed on the former EU list)
4. Countries identified by Europol where recent mutual evaluation reports are available

Other third countries identified in the scoping but which did not fulfil the above criteria were considered as "priority 2" countries.

How many countries were assessed as "priority 1" in 2018?

The Commission selected 54 countries as «priority 1». They were assessed by the end of 2018.
As a result, some of them were included in the list adopted in February 2019. Those that were not listed will remain under the Commission's continuous monitoring and be will re-assessed in case new information becomes available (for instance in a new Financial Action Task Force report). The Commission stands ready to work with those that are listed, with a view to have them eventually de-listed.

What about "priority 2" countries?

Priority 2 countries will be assessed between 2019 and 2025.

What are the listing criteria?

All countries that are on the list show strategic deficiencies in the area of anti-money laundering or counter terrorism financing measures. There are various types of deficiencies that the Commission has to assess:

- Insufficient criminal sanctions in place in case of money laundering or terrorist financing
- Insufficient application of customer due diligence requirements by financial institutions or non-financial intermediaries
- Low level of reporting of suspicious transactions by intermediaries
- Insufficient powers of competent authorities and low levels of sanctions in case of breaches
- Insufficient international cooperation with Member States
- Lack of transparency on the real owners of companies and trusts («the beneficial owners»)
- Insufficient implementation of targeted financial sanctions based on United Nations resolutions

In conclusion, the Commission took into account both the legal framework in place, but also how effectively it is applied to mitigate the money laundering and terrorist financing risks faced by the countries.