

Session 2: The basics of an effective EU AML regime



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Thank you Chairman.

I would like to use my 8 minutes to make 4 points on how to make the AML regime effective from the viewpoint of the European accountancy profession. But before that, I would like to commend the European Commission for its approach to AML.

I was going to say that I believe we should not have any Commission bashing today because the Proposal is good and balanced – and, it comes after a robust and open consultation where stakeholders have been fairly listened to.

However, we already heard a little bit of that and the Commission has become used to being criticised for going too far or not far enough, moving too quickly or too slowly, not listening or listening to everybody – and interestingly such criticism often comes from the same people.

Now, as everything, this good Proposal can still be improved and with this in mind, I would like to draw your attention to my 4 points.

## 1. First of all, we need to **set the right context**:

Fighting financial crime and terrorist financing is essential both from an economic and a social viewpoint.

The best possible AML regime cannot do that in a vacuum. Therefore, a holistic approach should be applied in policymaking. A robust corporate governance framework is necessary.

Corporate governance is instrumental to ensure sound decision-making, integrity and effective risk management across the business.

An important element of corporate governance is financial information. Financial crime and money laundering thrive on lack of transparency. Therefore, high-quality financial reporting is essential.

Additionally, an independent external check enhances the reliability of financial information. The audit, and often the sole prospect of having an auditor look into a company, is a strong deterrent; in practice when they go shopping for corporate vehicles, wrongdoers opt for companies that are not subject to an audit.

The accountancy profession is committed to fighting money laundering. But it does so in many more ways than just complying with AML requirements. We aim at bringing transparency, integrity and trust in the economy. And honestly I believe this is an equally instrumental contribution.

## 2. My second recommendation is simple: **make it easy**

Carrying out an effective Customer Due Diligence, identifying Beneficial Owners and Politically Exposed Persons is much about information. This information should be accessible in an easy and cost effective manner.

The solution of requiring companies to hold Beneficial Ownership information is practical.

But Member States also sit on a lot of information, for instance in business registers, but the reality is that these registers are not always – let's say "state of the art" – in all Member States. When they have the necessary information, governments should provide effective and free access to obliged entities across the single market.

Existing commercial databases provide a solution, but when it comes to professional services, we should remember that the vast majority of service providers are small: they should not be punished by additional costs for doing the right thing.

We, as professionals, take our part of the responsibility. Governments have a responsibility too and must reduce administrative burdens and keep transfers of costs to the private sector to a minimum.

## 3. [Make it safe] Much of the attention in the Directive is focused on the stage "before" reporting: there is a life after reporting – or there should be one: I mean that **reporting should be safe**

If you duly report a suspicion of money laundering and, as a result, you get fired, you get sued for damages or you get your neck broken, the system will not work.

Those who report money laundering protect the public interest: they deserve to be protected. They should be assured that they will not face retaliation and that they can count on public solidarity and protection.

Member States' governments should have an obligation to provide legal certainty and resolve conflicts of obligations in their respective legal systems.

More importantly, they should have an obligation to ensure the confidentiality and safety of those who report.

There is an article in the Directive [art. 37] – but it is rather vague and may not be sufficient to achieve this important goal: The Commission will have to ensure that this article is effectively transposed and applied.

#### 4. My fourth and last point is that we need to **set the right focus**

I will be short on this one because I am confident that during the whole of today everybody will repeat and repeat support for the risk based approach adopted by the European Commission.

But I need to make the point as a RBA is crucial to the effectiveness of the AML regime.

It just makes sense to concentrate resources and efforts on matters where the risk is higher.

It is also good to get people to think about what they do, about their client and about particular risks and not only comply with requirements and tick boxes.

But we should not forget that this is (or should be) true for all involved:

- Those who report, the "obliged entities"
- Those who supervise, like law enforcement bodies
- And those who legislate in the Member States.

Fighting financial crime and money laundering is a shared responsibility and a collective obligation.

In the current fiscal, economic and social climate, the toll taken by financial crime and money laundering on our sluggish economies is even less acceptable. We all have to cooperate to eradicate it.

I am proud to say that the 700.000 professional accountants I represent here are committed to this important goal.

Thank you.