

Up to 5% of global GDP is laundered annually: CEPS Think Tank proposes new recommendations for EU private and public sectors

Brussels, 22 January 2021

Event: “Combating money laundering in the EU: time to get serious”, 28 January at 10h30-11h30. Register [here](#).

Between 2 and 5% of global GDP is [thought to be laundered](#) every year, whereas only 1.1% is recovered. Anti-money laundering encompasses combating tax avoidance, the financing of terrorism, human (and human organ) trafficking, state-sponsored and corporate bribery, and the proceeds from drug-trafficking and other illegal activities.

Banks and other ‘obliged entities’ complete thousands of suspicious transactions reports on a daily basis yet only a handful are followed up on by financial intelligence units (FIUs). This could be due to lack of capability, capacity or even political direction. Meanwhile, the breadth and means to launder money have also increased, facilitated by technological progress. Unfortunately, the current anti-money laundering regulations have brought little success.

CEPS is publishing a new report: [Anti-money laundering in the EU: time to get serious](#), which sets out key recommendations for a new approach to the fight against money laundering, notably:

- Allow firms to develop and use **risk-based systems** to improve effectiveness. The **private sector is at the forefront** of detecting cases and transmitting information to the authorities, at huge cost and under threat of multimillion euro fines. A framework is needed for secure information exchange between the public and private sectors, respecting distinct mandates, data protection, free competition and professional secrecy.
- **Address the regulatory framework first** rather than the supervisory dimension; member states now support the idea of creating a single EU-wide AML supervisory agency. A radically new approach is needed, based on the EU’s principles of proportionality accompanied by a thorough benefit/cost analysis of the AML rules thus far. This could guide the way to a more measured and effective risk-based approach.
- At the supervisory level, member states need to put their own house in order and **streamline AML supervisory structures**. AML supervision requires the cooperation of a multitude of supervisory entities, financial and non-financial supervisors, FIUs and law enforcement officials. In the EU context, this means more than 100 different entities cooperating and sharing information.
- A real **bottleneck in AML effectiveness lies with the FIUs**, which are designated to process both cash transaction reports (CTRs) and suspicious activity reports (SARs). The FIUs are organised, resourced and staffed very differently across member states. Increasing cooperation between FIUs is more urgent than establishing a single supervisory agency. But this raises the issue of EU competence, however. In addition, a single template for suspicious transaction reports (STRs) among FIUs is needed.
- **Registries of ultimate beneficial owners (UBOs)** must be much better enforced and **Legal Entity Identifiers (LEIs)** more widely used to facilitate identification.

Karel Lannoo, CEPS CEO and Rapporteur of the CEPS Task Force, said:

“A more effective common approach in combating money laundering is needed. There are several billions going under the radar every year. It's time for Europe to take serious steps against money laundering and this requires actions at all levels of governance. The private sector and banks also have an enormous role to play. There is no easy or single solution!”

Eero Heinäluoma, MEP and Chair of the CEPS Task Force, added:

“By laundering money, criminals gain a foothold in our societies, oust honest entrepreneurs and evade tax liabilities. We need a change in attitudes of indifference and better tools for the authorities to stop this. The new CEPS report shows the seriousness and scale of the problem, but also that a change is possible. Instead of directives, there is a need for binding legislation and its uniform implementation throughout the EU.

Reform of the system is necessary, as the extensive monitoring work currently being carried out consumes resources yet leads to very modest results. It is also time to talk about the responsibilities of corporate auditing, which plays an enormous role in the fight against money laundering.”

This report is the result of a CEPS task force, chaired by Eero Heinäluoma, MEP and former Finnish Minister of Finance. It was attended by a diverse group of participants from private and public sectors. Karel Lannoo, CEPS and Richard Parlour, a specialised lawyer, were rapporteurs.

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