



**ACCOUNTANCY
EUROPE.**

PREVENTING MONEY LAUNDERING AND TERRORIST FINANCING

Clarifying EU rules for SME accountants

Infopack

FACTS.





**PROFESSIONAL MATTERS
JUNE 2018**

WHY IS THIS IMPORTANT FOR SME ACCOUNTANTS?





In June 2018¹, the EU updated its anti-money laundering (AML) and countering the financing of terrorism (CFT) rules to improve its response to financial crime. Obligations regarding AML/CFT impact on every aspect of your professional practice as they apply to external auditors, accountants and tax advisors when carrying out professional activities.

This paper aims to provide a brief overview of the main AML/CFT rules on EU level that apply to SME accountants. Money laundering and terrorist financing and assisting such activities are a crime in all 28 Member States. You can find more about what this means for you in our information paper *The 5th Anti-Money Laundering Directive* (June 2018)².

Comply with these AML/CFT requirements:

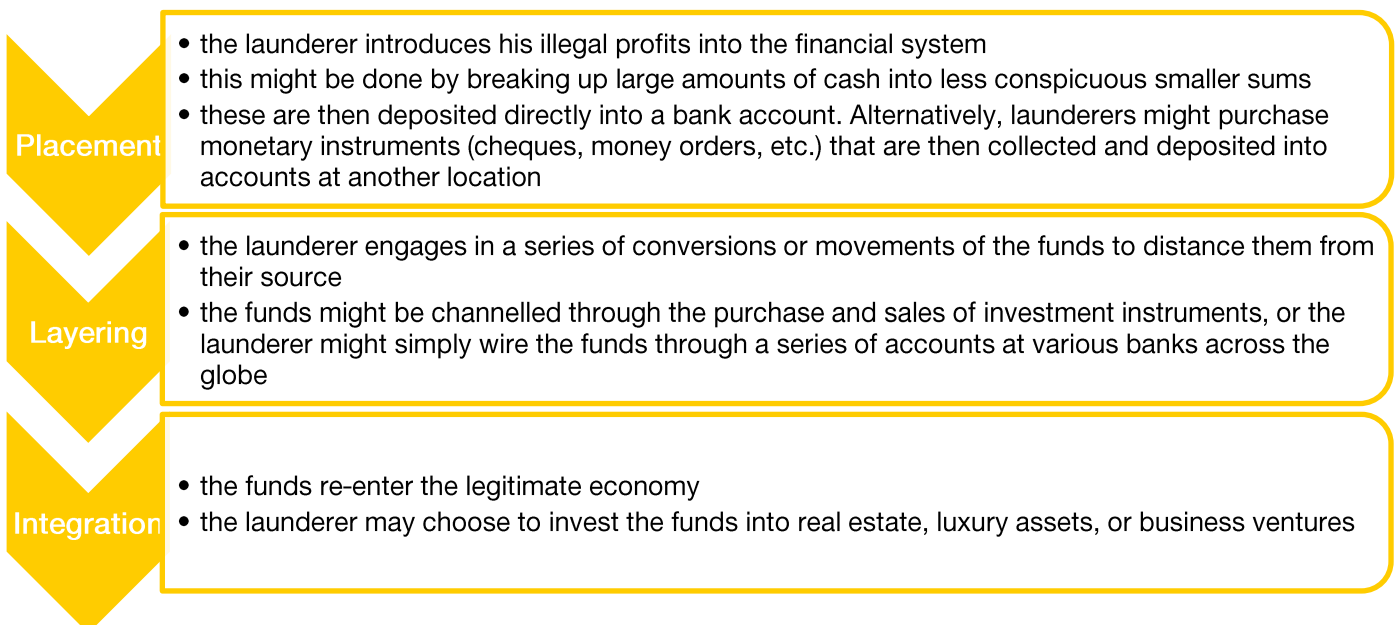
-  client due diligence measures
-  reporting suspicious activities
-  record keeping
-  internal controls

Otherwise, you can face the following sanctions:

-  withdrawal of your authorisation to practice
-  publications in the press that you breached these requirements
-  heavy financial sanctions for your practice
-  sanctions for your practice's management

WHAT IS MONEY LAUNDERING AND TERRORIST FINANCING?

The goal of many criminal acts is to generate a profit for the individual or group that carries out the crime. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. The three stages of money laundering – placement, layering and integration – are depicted below.³



The techniques used for money laundering are similar to those used to hide the sources of terrorist financing. Terrorist financing is the provision or collection of funds with the intention or in the knowledge that they are to be used for terrorist activities. Unlike with money laundering, funds used to support terrorism may be legal, criminal, or both.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32018L0843&from=EN>

² <https://www.accountancyeurope.eu/publications/the-5th-anti-money-laundering-directive/>

³ Financial Action Task Force (FATF) <http://www.fatf-gafi.org/pages/faq/moneylaundering/>

WHAT DO I HAVE TO DO?

Under the current European requirements, you must comply with the following obligations:

- identify your money laundering and terrorist financing risks
- develop appropriate procedures to mitigate those risks
- carry out customer due diligence (CDD)
- report suspicious client activities to the authorities, without disclosing this to your client. There is no reporting obligation when you are ascertaining clients' legal position or when defending or representing them in judicial proceedings
- keep records of your CDD and suspicious activity reports. Depending on your national legislation, you must keep these records for 5-10 years after the end of the business relationship with your client. After this period, the records need to be deleted
- raise awareness about these obligations among your staff

WHEN AM I PARTICULARLY AT RISK?

The European Commission considers the money laundering and terrorist financing threat related to services from accountants, auditors and tax advisors as very significant.⁴ Mitigating this risk should feature strongly in your firm's ongoing risk assessment procedures.

You should take extra caution and exercise particular diligence when providing the following services⁵:

- giving financial and tax advice
- creating corporate vehicles or other complex legal arrangements
- buying or selling of property
- performing financial transactions

WHERE DO I FIND MORE INFORMATION?

Your professional institute and the respective national finance intelligence unit (FIU) have further resources available. They will be able to guide you on the specific requirements applicable in your jurisdiction.

You can find further information in:

- Accountancy Europe's factsheet *The 5th Anti-Money Laundering Directive* (June 2018)⁶
- Accountancy Europe's information paper *Auditor's role in fighting financial crime* (December 2017)⁷
- the European Union *Supranational Risk Assessment Report*⁸ in particular *Annex Part 2*
- The EU's list of Financial Intelligence Units points of contact⁹

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⁵ Financial Action Task Force on Money-laundering *Report on Money-laundering Typologies 2000/2001* http://www.fatf-gafi.org/FATDocs_en.htm#Trends

⁶ <https://www.accountancyeurope.eu/publications/the-5th-anti-money-laundering-directive/>

⁷ <https://www.accountancyeurope.eu/publications/fighting-financial-crime/>

⁸ http://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=81272

⁹ <https://www.europol.europa.eu/about-europol/financial-intelligence-units-fiunet/eu-fius-points-of-contact>



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