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MEPs vote to improve anti-money laundering standards for crypto-asset transfers

Money laundering

MEPs from the Economic and Monetary Affairs, and Civil Liberties, Justice and Home Affairs Committees have just voted to extend and improve the current rules regarding the personally identifiable information of conventional transfers to crypto-assets. This regulation is part of the new Anti-Money laundering package, and aligned with the international standards set by the Financial Action Task Force (FATF). Unlike wire transfers there is currently no framework to ensure the traceability of transfers of crypto-assets, which poses money laundering risks. Inter-institutional negotiations are expected to start in the coming weeks and will likely conclude under the French Council Presidency.

Ernest Urtasun MEP, Greens/EFA Member and co-Rapporteur on the file in the Economic and Monetary Affairs Committee, comments:

“With this legislation we will close the loopholes that can allow criminals and the corrupt to abuse crypto-assets in order to launder money. Crypto transfers will be subject to the same rules as financial institutions, inline with international best practices.

“The war in Ukraine has laid bare the role of oligarchs and the flow of dirty money across Europe in supporting the regime of Vladimir Putin. It is essential we close down all avenues for money laundering. Crypto-asset service providers will have the obligation to obtain and hold on to beneficial information.

“Exchanges and other service providers will be obliged to identify and report suspicious transactions and freeze them if necessary. This legislation will mandate national authorities and the EBA to maintain a public register of high-risk providers. Providers of crypto-assets transfers shall refrain from executing or facilitating transfers with links to money laundering, terrorist financing and other illegal activities, including those based on the EU’s list of tax havens.

“It is essential that all financial institutions, including crypto-asset service providers, do their part in the fight against money laundering and financial secrecy, while ensuring that ordinary users can continue to benefit from these services safely with additional measures to support data protection.

“MEPs have voted to improve the data protection provisions in this regulation, adding the adequate

safeguards for protecting confidentiality of personal data as a risk factor, and defining the limits of data retention. MEPs are working on the side of citizens and against oligarchs and corrupt individuals to ensure that the crypto space cannot be abused to support money laundering and criminality.”

Background:

Key elements of the adopted draft report include:

The text also includes specific enhanced due diligence obligations on counterparty crypto-asset providers and in relation to high-risk crypto transfers;

Clear prohibition to interact with entities providing crypto-asset services, which are not registered or have no substantial management presence in any jurisdiction, or with entities that operate in the EU without authorisation (non-compliant providers)

Introduction of an EBA public register (to be taken up by AMLA) to help compliance. This will include a list of (a) non-compliant providers (b) high-risk providers of crypto-asset services (such as those located in countries in the EU blacklist of AML/CFT or EU blacklist of tax havens), (c) high risk crypto services, like privacy wallets, mixers and tumblers allowing for full anonymization without a legitimate reason, or (d) crypto-asset wallets identified as high-risk and as having links with criminal activities;

Verification of ownership/identity of un-hosted wallets.

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