



Q&A

MAIREAD MCGUINNESS

Commissioner for Financial services,
Financial Stability and Capital Markets Union,
European Commission

**Taking action
in financial services**

Before the summer break, the Commission published two major initiatives in financial services, on sustainable finance and on anti-money laundering.

Both step up our ambition in these areas in significant ways.

Climate change and environmental degradation are defining global challenges of our time. With the European Green Deal, the EU made ambitious commitments, in particular to become the first climate-neutral continent by 2050. The scale of investment needed to achieve these goals is beyond the capacity of the public sector alone. More sustainable private financing is required. Sustainable finance is key to achieving our climate and environmental objectives.

We have a number of tools already in place that enable the financing of sustainable activities, notably the EU Taxonomy. But we need a new framework that addresses the steps along the journey of the transition to climate neutrality and environmental sustainability.

That is why in July the Commission published the Strategy for financing the transition to a sustainable economy.

This strategy identifies four main areas where more action is needed. We want to help the transition to climate neutrality, be inclusive, support the resilience of the financial system, and encourage global action.

First, the strategy provides tools to enable companies to finance their transition plans and to reach climate and environmental goals, whatever their starting point.

For example, the Commission will consider options for extending the Taxonomy to cover activities with an intermediate level of environmental performance.

Secondly, the transition to climate neutrality needs to be inclusive, bringing everyone with us. We should pay particular attention to consumers, retail investors and SMEs. Our renewed strategy therefore provides opportunities for these groups to have greater access to sustainable finance. So we will explore the merits of green loans and green mortgages.

Third, the financial sector needs to be more resilient to sustainability risks. These risks will have adverse impacts on financial stability. So the Commission will take action to ensure relevant ESG factors are included in credit ratings and propose amendments to the prudential framework for banks and insurers. Furthermore, we will strengthen our cooperation with other institutions, such as the European Central Bank, to monitor and mitigate the systemic sustainability risks that affect long-term financial stability.

Fourth and finally, we need more ambition at the global level. We want all international partners to deepen cooperation on sustainable finance, in particular so that approaches can converge. Global efforts are key for tackling the financial stability implications of climate and environmental risks. We will seek an ambitious consensus in the international forums that deal with sustainable finance – including the International Platform on Sustainable Finance, which the EU co-chairs. We will also support low and middle-income countries increase their access to sustainable finance.

This action is ambitious, helping us scale up sustainable finance for everyone to participate in the climate transition. And given the extent of floods, forest fires and high temperatures this summer, we know that action to address climate change is urgently required and on a global scale.

The second area where the Commission has stepped up our ambition is on tackling money laundering.

We are all too well aware of financial scandals where criminals were able to launder money via mainstream financial institutions. These incidents hinder our fight against crime and terrorist activity – and they undermine trust in the financial system.

The EU already has some of the toughest anti-money laundering rules in the world. But we know those rules have not always been fully implemented or enforced.

In July, the Commission adopted an AML package setting out our vision for a system that will tackle money laundering with consistent rules, supervision and enforcement.

The flagship of the reforms is a new EU body: the AML Authority or AMLA. This authority will directly supervise the highest risk financial institutions that operate in a large number of EU countries and bodies that demonstrate major deficiencies in their approach to money laundering. AMLA will also coordinate all national supervisors.

We want to make sure that supervision is consistent across the EU - so no matter where the location, the supervision of the rules is consistent and clear.

Another key element of the AML package is a single rulebook for anti-money laundering.

Today, we rely on directives to implement anti-money laundering rules, which are then transposed into 27 national legislative frameworks. This has led to far too much divergence and inconsistency.

In future we will have a single rulebook to ensure consistency across the EU - while making sure that we continue to enforce the rules that are already in place.

The same rules will have to be applied throughout the EU directly by financial institutions, including customer due diligence - the rules needed for a full picture of the customer.

Transparency on beneficial ownership will also be strengthened so that there is clarity about who really owns or controls a company or trust.

We are also setting out in much greater detail how national frameworks should work, ensuring more harmonisation while respecting national structures. We want, in particular, to improve how financial intelligence units and national supervisors work, setting out clear standards and powers for all authorities, including a reinforced sanctioning regime, and enabling their smooth cooperation.

We are also proposing an upper limit of €10,000 euros for cash transactions.

Cash remains the preferred method for criminals to launder money. They can easily hide the illegal and illicit origins of their money by buying property or high-value goods like diamonds. A cash limit makes that much harder to do.

Two-thirds of Member States already have limits on cash transactions. Those with cash limits below €10,000 can, of course, keep those in place.

But we have decided that a limit of €10,000 across the EU is appropriate. We respect the vital role of cash, including for financial inclusion. And we recognise that cash will and must remain as legal tender.

Cash will still be king - but it will also be clean.

While large cash transactions are one of the oldest ways to launder money, crypto-currency is one of the newest.

So we need to adapt our AML rules. Currently, AML rules only apply to part of the crypto sector.

Our proposed measures extend the framework to the entire crypto sector. All crypto asset service providers will have to apply AML requirements. Crypto-asset transfers will be made fully traceable, just as other money transfers already are, bringing the EU in line with international standards.

Money laundering is a global phenomenon, and the EU works closely with other countries and with the Financial Action Task Force (FATF) - the global money laundering and terrorist financing watchdog.

We are updating our approach for high-risk countries outside the EU. We will stay in line with FATF - in fact we will continue to mirror their approach to a great extent. But the consequences of listing will be tailored to each specific country in accordance to the threat it poses to the EU financial system.

We will have an EU grey list for cooperative countries outside the EU which have deficiencies in their AML regimes. In these cases, the Commission will decide which enhanced due diligence procedures apply.

And we will have a black-list for non-cooperative countries. These countries will face not only the full set of enhanced due diligence measures, but also countermeasures decided by the Commission.

In addition to mirroring the FATF lists, the Commission will autonomously be able to list countries outside the EU and decide whether to include them on the grey or the blacklist.

With this new AML package, the Commission is going after dirty money and fighting financial crime.

Sustainable finance is vital for our future. Tackling money laundering is essential for the health of our financial system and to stop criminals in their tracks.

These two initiatives mark a step-change in our ambition on both fronts.