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COVER NOTE

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

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To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

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Subject: ANNEX State of play of implementing the Action Plan for strengthening the
fight against terrorist financing to the Communication from the Commission
to the European Parliament, the European Council and the Council Eighth
progress report towards an effective and genuine Security Union

Delegations will find attached document COM(2017) 354 final - ANNEX 2.

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ANNEX 2

ANNEX

**State of play of implementing the Action Plan for strengthening the fight against
terrorist financing**

to the

**Communication from the Commission to the European Parliament, the European
Council and the Council**

Eighth progress report towards an effective and genuine Security Union

STATE OF PLAY OF IMPLEMENTING THE ACTION PLAN FOR STRENGTHENING THE FIGHT AGAINST TERRORIST FINANCING
(COM(2016) 50 final of 2.2.2016)

Objectives and Actions	Timing	Description/State of play
<p align="center">Preventing the movement of funds and identifying terrorist funding</p> <p align="center"><i>Tackling the abuse of the financial system for terrorist financing purposes</i></p>		
<p>Bring forward the date for effective transposition and entry into force of the 4th Anti-Money Laundering Directive.</p>	<p>At the latest by 4th quarter 2016</p>	<ul style="list-style-type: none"> - 01/01/2017 in the proposal for amendments to the 4th Anti-Money Laundering Directive. - Superseded by ongoing negotiations (trilogues) to amend the 4th Anti-Money Laundering Directive – see below.
<p>Adopt a list of high-risk third countries with strategic deficiencies in their anti-money laundering/countering terrorism financing regimes.</p>	<p>At the latest by 2nd quarter 2016</p>	<ul style="list-style-type: none"> - Delegated act with a EU list taking into account the Financial Action Task Force lists adopted on 14/07/2016, entered into force in September 2016. - Further amendments to the delegated act rejected by the European Parliament. - The Commission intends to step up its proactive engagement and coordination within Financial Action Task Force to influence its listing process of high risk third countries upstream. - The Commission will also develop a new methodology for an EU assessment which does not only rely on external information sources. A roadmap which sets out the main steps towards such a new methodology, staged with detailed plans for the next 18 months and outlook into the following period, has been prepared. - The EU should also proactively engage with "low capacity" countries to help them improve their situation in terms of prevention of money laundering/ terrorist financing.
<p>Publish a report on a supranational assessment of money laundering and terrorism financing risks and recommendations to Member States on measures suitable to address those risks.</p>	<p>2nd quarter 2017</p>	<ul style="list-style-type: none"> - Work ongoing. - Scheduled for adoption late June 2017.

<p>Propose amendments to the following points of the 4th Anti Money Laundering Directive:</p> <ul style="list-style-type: none"> - Enhanced due diligence measures/countermeasures with regards to high risk third countries; - Virtual currency exchange platforms; - Prepaid instruments; - Centralised bank and payment account registers or electronic data retrieval systems; - The access of Financial Intelligence Units to, and exchange of information. 	<p>At the latest by 2nd quarter 2016 - Done</p>	<ul style="list-style-type: none"> - Proposal adopted by the Commission on 05/07/16. - Currently in advanced trilogue stage.
<p>Improving the efficiency of the EU's transposition of UN freezing measures, including by enhanced information between EU and UN.</p>	<p>At the latest by 2nd quarter 2016</p>	<ul style="list-style-type: none"> - Work ongoing: Commission services have reduced the time needed to transpose new UN Islamic State/AI Qaida-related listings into EU legislation from 5 to 3 days on average – partly as a result of enhanced information-sharing by the UN Islamic State/AI Qaida sanctions committee. - Commission services are exploring what could be done to bring the transposition time to 2 days. - General Secretariat of the Council was tasked to set up a database to monitor the entry bans in SIS based upon the UN sanctions. It will be available by 2017-2018.
<p>Reinforcing the capacity of Member States, the Commission, the European External Action Service (EEAS) and economic operators to share information on challenges to implementation of restrictive measures, including to exchange information on new UN listings, via the Financial Sanctions Database.</p>	<p>At the latest by 2nd quarter 2016</p>	<ul style="list-style-type: none"> - Work ongoing: The Commission is developing a new application of the Financial Sanctions Database that would enable it to transmit information on new UN listings before transposition into EU legislation (to be up and running by September); - Commission services are exploring whether the Financial Sanctions Database could also be used to transmit information on Member States' national listings.
<p>Explore the possibility of a self-standing legislative instrument to allow for a broader consultation of bank and payment account registers for other investigations and by other authorities, beyond the scope of the 4th Anti-Money Laundering Directive.</p>	<p>At the latest by 2nd quarter 2016</p>	<ul style="list-style-type: none"> - Work ongoing. - Consultations took place with (i) the authorities managing the existing bank registers, (ii) the authorities that might have access to bank registers for purposes other than money laundering (law enforcement, Asset Recovery Offices, tax authorities, anti-corruption authorities) and the banking sector.

Reinforcing the cooperation between Financial Intelligence Units through appropriate measures.	At the latest by 2nd quarter 2017	<ul style="list-style-type: none"> - Work ongoing. - Scheduled for late June 2017.
Other initiatives to complement the existing legal framework		
<i>Harmonizing money laundering criminal offenses and sanctions</i>		
Legislative proposal harmonising money laundering criminal offences and sanctions.	At the latest by 4 th quarter 2016;	<ul style="list-style-type: none"> - Commission issued a proposal on 21 December 2016. - Council reached a general approach on 8 June 2017. - European Parliament designated rapporteur; report to be issued by September 2017.
<i>Tackling illicit cash movements</i>		
The Commission will work with the European Central Bank (ECB), Europol and other relevant parties on the use of high denomination notes, in particular the EUR 500 note, which is a problem reported by law enforcement authorities.	Done	<ul style="list-style-type: none"> - Done. No further action needed. - The Governing Council of the ECB took the decision on 04/05/16 to gradually phase out the EUR 500 note.
Legislative proposal against illicit cash movements.	At the latest by 4 th quarter 2016	<ul style="list-style-type: none"> - Commission proposal issued on 21.12.2016. - In Council (Customs Union Group): second reading is on-going based on a Presidency compromise text. - In the European Parliament, assignment to the competent committee expected mid-June.
Explore the relevance of potential upper limits to cash payments.	State of play presented at the ECOFIN of June 2016	<ul style="list-style-type: none"> - An open public consultation was carried out between 1 March and 31 May. - Results are currently being analysed.
<i>Completing the EU framework to track and freeze terrorist assets</i>		
An EU regime for the freezing of assets of terrorists under Article 75 of the Treaty on the Functioning of the EU.	Conclude an assessment at the latest by 4 th quarter 2016;	<ul style="list-style-type: none"> - Commission appraisal issued in the 3rd progress report towards an effective and genuine Security Union (COM(2016)831 of 21.12.2016): no further action to be taken at this time.
Strengthening the mutual recognition of criminal assets' freezing and confiscation orders.	At the latest by 4 th quarter 2016	<ul style="list-style-type: none"> - Commission proposal issued on 21 December 2016. - Negotiations ongoing in Council in view of a general approach. - The European Parliament designated rapporteur.

A possible European system which would complement the existing EU-US Terrorist Finance Tracking Program agreement by tracing transactions excluded under the mentioned agreement.	Conclude an assessment at the latest by 4 th quarter 2016	<ul style="list-style-type: none"> - Appraisal issued in the 3rd progress report towards an effective and genuine Security Union (COM(2016) 831 of 21.12.2016). - Work on-going.
Targeting the sources of funding		
Legislative proposal reinforcing customs' powers and cooperation and addressing terrorism financing related to trade in goods.	Advanced to 1 st quarter 2017 (COM(2016) 230 final)	<ul style="list-style-type: none"> - Work on-going.
Legislative proposal against illicit trade in cultural goods.	At the latest by 2 nd quarter 2017	<ul style="list-style-type: none"> - Preparation on-going. - Envisaged adoption for summer 2017.
EU Action Plan on Illegal Wildlife Trafficking.	At the latest by 1st quarter 2016	<ul style="list-style-type: none"> - Action Plan adopted on 26/02/2016. - Council Conclusions adopted on 20/06/2016. - Implementation work ongoing.
Selected aspects linked to the external dimension		
Strengthen support to third countries in complying with UNSCRs legal requirements and Financial Action Task Force recommendations.	Ongoing	<ul style="list-style-type: none"> - Work ongoing.
Support countries in the Middle East and North Africa (MENA) and South East Asia regions to monitor, disrupt and deny the financing of terrorism.	At the latest by 4th quarter 2016	<ul style="list-style-type: none"> - Work ongoing.