

Group Briefing

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MLD4: Earlier transposition?

KEY CONTACTS

For further information please speak to your usual Arthur Cox contact or:



ROBERT CAIN
PARTNER
+353 1 618 1146
robert.cain@arthurcox.com



ORLA O'CONNOR
PARTNER
+353 1 618 0521
orla.oconnor@arthurcox.com

On 5 June 2015, the Fourth Money Laundering Directive (**MLD4**) was published in the Official Journal (see our previous [Client Briefing](#) for further information). Member States were given until 26 June 2017 to transpose MLD4 into national law.

On 5 July 2016, the European Commission adopted a [proposal](#) to amend MLD4. Key aspects of that proposal were as follows:

» **Earlier transposition**

The transposition deadline for MLD4 will be brought forward, by almost 7 months, to 1 January 2017.

» **Beneficial ownership**

In light of the *Panama Papers* scandal, the Commission intends to improve the transparency of information on beneficial ownership.

It proposes that public access be granted to information on the beneficial ownership of companies and trusts engaged in business activities. Information on other trusts will be available to those with a legitimate interest. The threshold for the information being publicly available remains >25% ownership of a company, save in the case of companies that present a real risk of being used for money laundering and tax evasion, in which case the

threshold is reduced to 10%.

» **Virtual currency exchanges**

Virtual currency exchange platforms and custodian wallet providers will be brought into scope in light of the Commission's concerns that dealings in virtual currencies involve a higher level of anonymity. Those exchanges will now have to apply customer due diligence (**CDD**) when exchanging virtual currencies for real currencies, and report suspicious transactions.

» **Anonymous pre-paid cards**

The use of anonymous prepaid cards will be minimised by:

- reducing the threshold for non-reloadable pre-paid payment instruments to which CDD obligations apply from €250 to €150;
- ensuring that cards issued outside the EU may only be used in the EU when they are regarded as compliant with requirements equivalent to the EU's requirements; and

• expanding CDD requirements, while recognising that these cards provide a useful social purpose and can be beneficial for those who are financially excluded, or economically vulnerable.

» ***Financial Intelligence Units and Competent Authorities***

Further powers will be given to Financial Intelligence Units (FIUs) to request information from obliged entities and to have direct access to information held by them.

Member States will be required to set up automated centralised mechanisms to enable FIUs and competent authorities to quickly identify account-holders (there is some flexibility around what type of centralised mechanism each Member State may use).

Steps will also be taken to promote the interconnection of national registers to assist cooperation between Member States.

» ***High-risk third countries***

The Commission intends to harmonise the approach taken by Member States to in relation to enhanced CDD measures for high-risk third countries. As part of its proposal, the Commission will publish a delegated regulation listing those countries in the Official Journal, and expects to update that list three times per year to reflect international developments. On 14 July 2016, it published the draft of that [Delegated Regulation](#) and accompanying [Annex](#).

NEXT STEPS

The Commission's proposal has now been forwarded to the European Parliament and the EU Council for consideration. Firms that were already working towards a June 2017 transposition deadline for MLD4 should now start considering how an earlier transposition date will affect that work.

arthurcox.com

Dublin

+353 1 618 0000
dublin@arthurcox.com

Belfast

+44 28 9023 0007
belfast@arthurcox.com

London

+44 207 832 0200
london@arthurcox.com

New York

+1 212 782 3294
newyork@arthurcox.com

Silicon Valley

+1 650 943 2330
siliconvalley@arthurcox.com