

Commission Delegated Regulation amending the list of high risk jurisdictions for 4MLD

Delegated Regulation (EU) 2016/1675 identifies those third countries that have strategic deficiencies in anti-money laundering and countering the financing of terrorism (AML / CFT) regimes that pose significant threats to the financial system of the EU.

The European Commission published a revised methodology for identifying high-risk third countries on 7 May 2020.

The list was created after analyzing 54-priority jurisdictions using the EU's criteria as set in directive (EU) 2015/849 as amended by Directive (EU) 2018/843, which was prepared by the Commission.

The countries were reviewed based on the following criteria:

- Those that have a systemic impact on the integrity of the EU financial system;
- Those identified by the International Monetary Fund as international offshore financial centers; and
- Those with economic relevance and strong economic ties with the European Union.

The objective of identifying high risk-third countries on AML/CFT is to protect the integrity of the Union financial system and internal market through the application of enhanced due diligence (EDD) measures by obliged entities when they have a business relationship involving high-risk third countries.

Article 1:

In the Annex to Delegated Regulation (EU) 2016/1675, in the table under point "1. High-risk third countries which have provided a written high-level political commitment to address the identified deficiencies and have developed an action plan with FATF", the following lines are deleted: Bosnia-Herzegovina, Guyana, Lao People's Democratic Republic, Ethiopia, Sri Lanka and Tunisia.

Article 2:

In the Annex to Delegated Regulation (EU) 2016/1675, the table under point "1. High-risk third countries which have provided a written high-level political commitment to address the identified deficiencies and have developed an action plan with FATF" is replaced by the following: Afghanistan, Bahamas, Barbados, Botswana, Cambodia, Ghana, Iraq, Jamaica, Mauritius, Mongolia, Myanmar/Burma, Nicaragua, Pakistan, Panama, Syria, Trinidad and Tobago, Uganda, Vanuatu, Yemen, Zimbabwe.

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union. However, the new list of jurisdictions in Article 2 does not come into force until 1 October 2020.

The new list will likely impact multiple anti-financial crime controls including customer due diligence; customer risk assessment; business wide risk assessment; policies and procedures; and training. Given the UK will still be in the Brexit transition period on this date, the UK will be obliged to comply alongside the EU Member States.