

Cost Benefit Analysis of Transparency Requirements in the Company/Corporate Field and Banking Sector Relevant for the Fight Against Money Laundering and Other Financial Crime



Contract Nr.
DG.JLS/D2/2005/01

Ernesto U. Savona
Mario A. Maggioni
Barbara Vettori
Jacopo Ponticelli
Michele Riccardi
Francesca Andrian
Chiara Ciurletti

 **TRANSCRIME**



UNIVERSITÀ DEGLI STUDI
DI TRENTO



UNIVERSITÀ CATTOLICA
DEL SACRO CUORE

**COST BENEFIT ANALYSIS OF TRANSPARENCY
REQUIREMENTS IN THE COMPANY/CORPORATE FIELD
AND BANKING SECTOR RELEVANT FOR THE FIGHT
AGAINST MONEY LAUNDERING AND OTHER FINANCIAL
CRIME**



A study financed by the European Commission – DG JLS
(Contract no. DG.JLS/D2/2005/01 30-CE-0073549/00-93)

FINAL REPORT

27 February 2007

TABLE OF CONTENTS

1. FOREWORD	1
2. ACKNOWLEDGEMENTS	3
3. EXECUTIVE SUMMARY	13
4. INTRODUCTION	29
5. OBJECTIVES OF THE STUDY	37

PART 1

**FINDINGS FROM OBJECTIVE 1 (TO ANALYSE THE COST-BENEFITS FROM THE
INTRODUCTION AT THE EU LEVEL OF AN UP-FRONT AND ONGOING DISCLOSURE
SYSTEM IN THE COMPANY/CORPORATE FIELD)**

6. PRESENTING THE TWO MODELS, THE RELATIVE MATRIXES AND COST-BENEFIT ITEMS	41
6.1 Two Alternative Beneficial Ownership Disclosure Systems	41
6.1.1 <i>Intermediary based system of disclosure envisaged by the Third Directive (Model 0)</i>	44
6.1.2 <i>The new upfront and ongoing disclosure system (Model 1)</i>	48
6.2 Expressing the Two Beneficial Ownership Disclosure Systems in Comparable Terms: Model 0 and Model 1	52
6.3 Matrixes of Cost and Benefit Items for Model 0 and Model 1	54
6.3.1 <i>Introduction</i>	54
6.4 Government: costs and benefit items	63
6.4.1 <i>Main Assumptions concerning the area of incidence</i>	63
6.4.2 <i>Cost Items for Model 0</i>	64
6.4.3 <i>Benefit Items for Model 0</i>	65
6.4.4 <i>Cost Items for Model 1</i>	65
6.4.5 <i>Benefit Items for Model 1</i>	66
6.5 LEA: costs and benefit items	67
6.5.1 <i>Main Assumptions for the area of incidence</i>	67
6.5.2 <i>Cost Items for Model 0</i>	69
6.5.3 <i>Benefit Items for Model 0</i>	71
6.5.4 <i>Cost Items for Model 1</i>	71
6.5.5 <i>Benefit Items for Model 1</i>	72
6.6 Intermediaries: costs and benefit items	73
6.6.1 <i>Main Assumptions for the area of incidence</i>	73
6.6.2 <i>Cost Items for Model 0</i>	75
6.6.3 <i>Benefit Item for Model 0</i>	84

	6.6.4 Cost Items for Model 1	86
	6.6.5 Benefit Items for Model 1	87
6.7	Individuals: costs and benefit items	89
	6.7.1 Main Assumptions for the area of incidence	89
	6.7.2 Cost Items for Model 0	89
	6.7.3 Benefit Items for Model 0	89
	6.7.4 Cost Items for Model 1	90
	6.7.5 Benefit Items for Model 1	90
6.8	Businesses: costs and benefit items	91
	6.8.1 Main Assumptions for the area of incidence	91
	6.8.2 Cost Items for Model 0	91
	6.8.3 Benefit Items for Model 0	92
	6.8.4 Cost Items for Model 1	92
	6.8.5 Benefit Items for Model 1	93
6.9	Wider cost and benefit: costs and benefit items	94
	6.9.1 Main Assumptions for the area of incidence	94
	6.9.2 Cost Items for Model 0	94
	6.9.3 Benefit Items for Model 0	95
	6.9.4 Cost Items for Model 1	96
	6.9.5 Benefit Items for Model 1	96
6.10	European Union and Member States: cost and benefit items	97
	6.10.1 Main assumptions for the area of incidence	97
	6.10.2 Cost Items for Model 0	97
	6.10.3 Benefit Items for Model 0	98
	6.10.4 Cost Items for Model 1	98
	6.10.5 Benefit Items for Model 1	98
6.11	Human rights: costs and benefit items	99
	6.11.1 Main Assumptions for the area of incidence	99
	6.11.2 Cost Items for Model 0	100
	6.11.3 Benefit Items for Model 0	100
	6.11.4 Cost Items for Model 1	100
	6.11.5 Benefit Items for Model 1	101
7.	VARIABLES USED IN THE COST-BENEFIT ANALYSIS	103
7.1	Ordinary Variables and Sensitive Variables used in the Cost Benefit Analysis ..	103
	7.1.1 Ordinary variables	103
	7.1.2 Sensitive variables	106

8. COST BENEFIT ANALYSIS DATA SOURCES	111
8.1 Data on the 27 EU Member States gathered to perform the CBA	111
8.1.1 Data Sources used	111
8.1.2 The role of national referents	112
8.1.3 Data gathered	114
8.2 Beyond the information gap	116
8.2.1 Accountants information gap	116
8.2.2 Company/Corporate information gap	119
9. CURRENT STATE OF DISCLOSURE OF BENEFICIAL OWNERSHIP AND COUNTRY PROFILES	123
9.1 Current State of Disclosure of the Beneficial Ownership in the EU	124
9.1.1 Beneficial Ownership disclosure and Anti Money Laundering (AML)	124
9.1.2 Current state of Availability of BO Information	126
9.2 Country Profiles	130
9.2.1 Austria	131
9.2.2 Belgium	133
9.2.3 Bulgaria	136
9.2.4 Cyprus	138
9.2.5 Czech Republic	140
9.2.6 Denmark	142
9.2.7 Estonia	144
9.2.8 Finland	146
9.2.9 France	148
9.2.10 Germany	151
9.2.11 Greece	154
9.2.12 Hungary	156
9.2.13 Ireland	158
9.2.14 Italy	160
9.2.15 Latvia	163
9.2.16 Lithuania	165
9.2.17 Luxembourg	167
9.2.18 Malta	169
9.2.19 Netherlands	171
9.2.20 Poland	173
9.2.21 Portugal	175
9.2.22 Romania	177
9.2.23 Slovakia	179

9.2.24	Slovenia	181
9.2.25	Spain	183
9.2.26	Sweden	185
9.2.27	United Kingdom	187
10.	MAIN FINDINGS OF THE CBA	191
10.1	Introduction to the Main Findings of the CBA	191
10.2	European Union: costs and benefits of Model 0	192
10.3	European Union: costs and benefits of Model 1	195
10.4	Government: Main Findings	197
10.5	Law Enforcement Agency: Main Findings	201
10.6	Intermediaries: Main Findings	206
10.6.1	BO disclosure costs	207
10.6.2	BO disclosure duplication costs	209
10.6.3	Banks structural costs	210
10.6.4	Banks other costs	212
10.6.5	Banks' clientele loss cost	213
10.6.6	Accountants structural and other costs	216
10.6.7	Accountants clientele loss cost	217
10.6.8	Banking and Accounting sectors' clientele gain	218
10.6.9	Banks and Accountants reputational benefits	219
10.6.10	Banks clientele information benefits – Financial stabilisation	220
10.6.11	Intermediaries information benefits – Services quality	221
10.7	Individuals: Main Findings	223
10.8	Businesses: Main Findings	224
10.9	Wider costs and benefits: Main Findings	225
10.10	EU and Member States: Main Findings	228
10.11	Human Rights and data protection: Main Findings	230
10.12	Monetary Cost and Benefit Items Per Area of Incidence for the European Union	232
10.13	Main Findings of the Cost Benefit Analysis at aggregate EU level	233
11.	SENSITIVITY ANALYSIS	235
11.1	Introduction to the Sensitivity Analysis	235
11.2	Sensitivity Analysis on the number of Model 0 Beneficial Owners per single PPUC	237
11.3	Sensitivity Analysis on the Risk Based Approach	239
11.4	Sensitivity Analysis on the BO disclosure identification time	241

11.5	Sensitivity Analysis on Model 0 duplication costs	244
12.	CONCLUSIONS AND POLICY IMPLICATIONS	247

PART 2

FINDINGS FROM OBJECTIVE 2 (TO HIGHLIGHT: A) THE EU MEASURES THAT MAY BE APPROPRIATE IN ADDRESSING THOSE WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING/TERRORIST FINANCING ARRANGEMENTS, ESPECIALLY PROFESSIONAL SERVICE PROVIDERS, TO CONTRIBUTE TO A MORE EFFECTIVE DETERRENCE OR (IF NOT) SUITABLE PUNISHMENT, AND B) ANY ISSUES AND APPROACHES LIKELY TO HELP IMPROVE THE REGULATION OF CHARITIES, TRUSTS, ASSOCIATIONS AND FOUNDATIONS WITH REGARD TO AML AND CFT)

13.	SUPRANATIONAL STANDARDS AIMED AT DETERRING AND/OR PUNISHING PROFESSIONAL SERVICE PROVIDERS WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING/TERRORIST FINANCING ARRANGEMENTS	255
13.1	Introduction	255
13.2	International standards	257
	13.2.1 UN	257
	13.2.2 FATF	258
13.3	European standards	267
	13.3.1 Council of Europe	267
	13.3.2 EU	268
13.4	Synoptic table	274
14.	NATIONAL MEASURES AIMED AT DETERRING AND/OR PUNISHING PROFESSIONAL SERVICE PROVIDERS WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING/TERRORIST FINANCING ARRANGEMENTS	279
14.1	Introduction	279
14.2	Current MS regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements, and obstacles and best practices in its implementation	280
	14.2.1 Regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements	281
	14.2.2 Obstacles and best practices in the implementation of the current MS regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements	305
	14.2.3 Recommendations to the EU Commission	313
14.3	Current MS self-regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements, and obstacles and best practices in its implementation	319

14.3.1	<i>Self-regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements</i>	319
14.3.2	<i>Obstacles and best practices in the implementation of the current MS self-regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements</i>	324
14.3.3	<i>Recommendations to the EU Commission</i>	325
15.	REGULATION OF TRUSTS IN THE EU MEMBER STATES AND RISKS OF MONEY LAUNDERING/TERRORIST FINANCING	329
15.1	Defining trusts and understanding their diffusion in the European Union	330
15.1.1	<i>Definition of trust</i>	330
15.1.2	<i>Diffusion of the trust in the European Union: the Hague Convention (1st July 1985)</i>	331
15.2	Regulation of trusts and risks of money laundering/terrorist financing	332
15.2.1	<i>Reasons for the exploitation of trusts by criminals for money laundering/terrorist financing purposes</i>	333
15.2.2	<i>Identification of risk indicators regarding aspects of trusts regulation which may facilitate the exploitation of trusts for money laundering/terrorist financing purposes</i>	334
15.2.3	<i>Assessing the risk that trusts may be exploited for money laundering/terrorist financing purposes in EU Member States</i>	336
15.2.4	<i>Summing up the findings from the assessment of the risk that trusts may be exploited for money laundering/terrorist financing purposes in UK, Ireland, Malta and Cyprus</i>	344
15.3	Issues and suggestions to improve the regulation of trusts	345
16.	REGULATION OF FOUNDATIONS, ASSOCIATIONS AND CHARITIES IN THE EU MEMBER STATES AND RISKS OF MONEY LAUNDERING/TERRORIST FINANCING	351
16.1	Defining foundations, associations and charities and understanding their historical development in the European Union	352
16.1.1	<i>Definition of foundation, association and charity</i>	353
16.1.2	<i>The historical development of foundations, associations and charities in the European Union</i>	357
16.2	Regulation of foundations, associations and charities and risks of money laundering/terrorist financing	359
16.2.1	<i>Reasons for the exploitation of foundations, associations and charities by criminals for money laundering/terrorist financing purposes</i>	359
16.2.2	<i>Identification of risk indicators concerning the regulation of foundations, associations and charities which may facilitate the exploitation of these entities for money laundering/terrorist financing purposes</i>	362
16.2.3	<i>Assessing the risk that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes in EU Member States</i>	369

16.3	Issues and suggestions to improve the regulation of foundations, associations and charities	388
	<i>16.3.1 Recommendations common to foundations, associations and charities</i>	<i>389</i>
	<i>16.3.2 Recommendations specific to foundations, associations, charities</i>	<i>396</i>
17.	BIBLIOGRAPHY	399
	ANNEX A. MODEL 0 AND MODEL 1 MATRIXES PER TRANSPARENCY REQUIREMENT	415
	ANNEX B. VARIABLES AND DATA SOURCES	427
	ANNEX C. COST AND BENEFIT ITEMS INDICATORS AND FORMULAS	437
	ANNEX D. COST BENEFIT TABLES FOR THE 27 EU MSS	447
	ANNEX E. THE QUESTIONNAIRES	583

GLOSSARY

AML	Anti Money Laundering
BO	Beneficial Owner / Beneficial Ownership
CBA	Cost Benefit Analysis
CDD	Customer Due Diligence
CI	Credit Institutions
CRO	Companies Registry Office
CTF	Combating Terrorist Financing
EIA	National Industrial and Employers Association
FIU	Financial Intelligence Unit
ICT	Information and Communication Technology
LEA	Law Enforcement Agency
ML	Money Laundering
NAA	National Accountants' Association
NBA	National Bankers' Association
PPUC	Private and Public Unlisted Companies
RBA	Risk Based Approach
RO	Registered Owner
SME	Small and Medium size Enterprises
SRO	Self-Regulatory Organization
STR	Suspicious Transaction Report
TOR	Terms of Reference

1.

FOREWORD

This Final Report presents the results of the Study “Cost Benefit Analysis of Transparency Requirements in the Company/Corporate Field and Banking Sector relevant to the fight against Money Laundering and other Financial Crime”. The Study was carried out by Transcrime, Joint Research Centre on Transnational Crime, Università di Trento/Università Cattolica del Sacro Cuore di Milano (Italy). It was funded by the European Commission, DG JLS (contract no. DG.JLS/D2/2005/01 30-CE-0073549/00-93).

The Study was directed by Ernesto U. Savona, Professor of Criminology at the Faculty of Sociology of the Università Cattolica del Sacro Cuore, Milan, and Director of Transcrime, with the assistance of Mario Maggioni, Professor of Political Economy at the Faculty of Political Sciences of the Università Cattolica del Sacro Cuore, Milan, as Co-director. They were assisted by a Steering Group comprising of Francesco Denozza, Professor of Commercial Law, Faculty of Law, University of Milan, Alessandra Stabilini, Researcher of Commercial Law, Faculty of Law, University of Milan, and Giovanni Marseguerra, Professor of Economics at the Università Cattolica del Sacro Cuore, Milan.

The Research was co-ordinated by Dr. Barbara Vettori, Researcher in Criminology at the Università Cattolica del Sacro Cuore, Milan, and Research Coordinator at Transcrime (Milan office).

The following people were involved in the Study: Jacopo Ponticelli and Michele Riccardi, researchers at Transcrime, and Francesca Andrian and Chiara Ciurletti, research assistants at Transcrime.

This Report was supervised by Ernesto U. Savona, Mario Maggioni and Barbara Vettori. It was written by (in alphabetical order): Francesca Andrian, Chiara Ciurletti, Jacopo Ponticelli, Michele Riccardi and Barbara Vettori.¹

¹ The various sections of this report can be attributed to their authors as follows:

Jacopo Ponticelli, sections 6.1, 6.2, 6.4, 6.5, 6.7, 6.11, chapter 7, sections 9.1, 10.1, 10.2, 10.4, 10.5, 10.7, 10.8, 10.11, 10.13, 11.1, 11.2, 11.3.

Michele Riccardi, sections 6.3, 6.6, 6.8, 6.9, 6.10, chapter 8, sections 9.2, 10.3, 10.6, 10.9, 10.10, 10.12, 11.4, 11.5 and chapter 12.

Francesca Andrian wrote a draft of chapters 13 and 14, and it was revised by Barbara Vettori.

Chiara Ciurletti wrote a draft of chapters 15 to 16, and it was revised by Barbara Vettori.

Adrian Belton, James Gobbet, David Holmes and Lawrence Smith were responsible for language editing tasks.

The content of this report is the sole responsibility of its authors and, in no way, represents the views of the European Commission or its services.

Barbara Vettori, chapters 1, 4, 5.

2.

ACKNOWLEDGEMENTS

We are indebted to Fabio Marini, Acting Head of Unit D2 for the Fight against economic, financial and cyber crime, DG Justice, Freedom and Security of the European Commission, and Sebastiano Tiné, Principal Administrator of the same Unit, who took part in the Project's meetings and provided valuable help and support throughout the duration of the Study.

We would also like to express our gratitude to Dora Balazs, DG Justice, Freedom and Security of the European Commission, Paolo Costanzo and Mariano Fernandez-Salas, experts, DG Internal Market and Services of the European Commission, for their input to the Study.

We would like to express our gratitude to the following experts from the EU member states who acted as national referent in the Study for their country:

For Austria:

- J. Mahr, Head of A-FIU, Ministry of the Interior A-FIU, Wien.

For Belgium:

- P. de Koster, Deputy Director, CTIF-CFI, Bruxelles.

For Bulgaria:

- V. Kirov, Director General, Financial Intelligence Agency, Sofia.

For Cyprus:

- M. Kyrmizi, Counsel of the Republic, MOKAS, Nicosia.

For Czech Republic:

- J. Neuzil, Financial Analytical Unit of the Ministry of Finance, Prague.

For Denmark:

- U. Hoeg, Deputy Director, The Public Prosecutor for Serious Economic Crime, Copenhagen.

For Estonia:

- R. Vahtra, Head of Estonian FIU, Central Criminal Police, Tallinn.

For Hungary:

- E. Dózsa, Liutnant Senior Investigator, National Bureau of Investigation Economic Crimes Department Anti-Money Laundering Unit, Budapest.

For Ireland:

- E. Corcoran, Detective Superintendent (Deputy Head of F.I.U.), An Garda Síochána (National Police Force), Dublin.

For Italy:

- N. Mainieri, Ufficio Italiano dei Cambi, Rome.

For Latvia:

- D. Veidemane, Transactions Operations Analyst, Latvian FIU, Riga.

For Lithuania:

- V. Peckaitis, Head of Second Subdivision, Money Laundering Prevention Division, Financial Crime Investigation Service, Ministry of Interior, Vilnius.

For Luxembourg:

- J.P. Frising, Procureur d'Etat adjoint, Cellule de Renseignement Financier (FIU-LUX), Luxembourg.

For Malta:

- F. Caruana, Director, FIAU, Valletta.

For Portugal:

- M. Rocha, Inspector, Ministry of Justice\Criminal Police, Lisbon.

For Romania:

- N. Popa, Financial Analyst, International Relations Directorate, National Office for Prevention and Combating Money Laundering, Bucharest.

For Slovakia:

- I. Šnír, Senior Police Officer of the Bureau of the Financial Police, Bratislava.

For Slovenia:

- A. Cargo, Head of Prevention and Supervision Section within the FIU, Ministry of Finance – Office for Money Laundering Prevention, Ljubljana.

For Sweden:

- T. Kangasvieri, Head of the FIU, National Criminal Police, Stockholm.

We are very grateful to the following experts from the EU member states who contributed to the Study either by responding to the questionnaires prepared to gather relevant information or by providing the research team with useful inputs and suggestions at different stages of development of the Study:

For Austria:

- E. Lechner, AML–Officer, Bank Winter & Co. AG, Wien.
- P.–P. Prebil, Compliance Officer, Raiffeisen Zentralbank Österreich Ag, Wien.
- F. Rudorfer, Austrian Federal Economic Chamber Bank Insurance Division, Wien.

For Belgium:

- J.–C. Delepière, Director, CTIF–CFI, Brussels.
- D. Hamblenne, Strategic analyst, Federal Police (OCDEFO–CDGEFID), Brussels.
- K. Willems, Secretary, CTIF–CFI, Brussels.

For Bulgaria:

- V.D. Bojidar, Chairman Executive President, Bulgarian Industrial Association, Sofia.

For Cyprus:

- C. Christofides, Assistant Director General, Cyprus Employers and Industrialists Federation (OEB), Nicosia.
- E. Frixou, Officer, Association of Cyprus Commercial Banks, Nicosia.
- C. Nicolaou, Examiner, Department of Registrar of Companies and Official Receiver, Nicosia.
- T. Philippou, General Manager, The Institute of Certified Public Accountants of Cyprus, Nicosia.
- E. Rossidou–Papakyriacou, Director, MOKAS, Nicosia.

For Czech Republic:

- T. Bábová, Financial Analytical Unit of the Ministry of Finance, Prague.
- A. Bártová, Financial Analytical Unit of the Ministry of Finance, Prague.
- H. Brychova and L. Pauker, lawyers, The Czech Banking Association, Prague.
- K. Korynta, Director, Financial Analytical Unit of the Ministry of Finance, Prague.
- E. Kubínová, Police commissar, Anti-money laundering department, Prague.
- A. Mrkvickova, Chairman, Chamber of Certified Accountants, Prague.
- M. Němcová, lawyer, EU coordination unit, Ministry of Justice, Prague.

For Denmark:

- H. Carmel, International Consultant, FRR, Hvidovre.
- T. Frydensberg, Director, Hvidvasksekretariatet (Danish FIU), Copenhagen.
- M. Holme Andersen, Head of Section, The Danish Commerce and Companies Agency, Copenhagen.
- C. Rose, Legal advisor, Danish Confederation of Industries, Copenhagen.
- J. Zeruneith, Legal Consultant, Danish Bankers' Association, Copenhagen.

For Estonia:

- P. Meelind, Head of data processing and info service department, Tallinn.
- K. Taliham, Managing Director, Estonian Banking Association, Tallinn.
- T. Vapper, Chairman of the Management Board, Estonian Board of Auditors, Tallinn.

For Finland:

- T. Mäkinen and E. Yli-Koski, National Board of Patents and Registration of Finland, Trade Register, Helsinki.

For France:

- A. Bac, legal director, Fédération Bancaire Française, Paris.
- M. Guyon Godet, legal adviser, Fédération Bancaire Française, Paris.

For Germany:

- P. Gunia, Head of International Affairs, German Chamber of Public Accountants, Berlin.

- L. Koehling, Advisor, Association of German Banks, Berlin.
- E. Wollburg, Head of Professional Policy, German Chamber of Public Accountants, Berlin.

For Greece:

- C. VI. Gortsos, Hellenic Bank Association, Athens.
- V. Salapatas, Network Administration, Athens Chamber of Commerce and Industry (ACCI), Athens.
- P. Vasilis, Special Advisor Hellenic Bank Association, Athens.

For Hungary:

- Z. Bereczki, Director, National Bureau of Investigation, Economic Crimes Department – Anti–Money Laundering Unit, Budapest, Budapest.
- N. Horvath, International Relations, Chamber of Hungarian Auditors, Budapest.
- P. Osváth, legal counsel, Hungarian Banking Association, Budapest.
- I. Vágó, presidential Judge, Company’s Registry Office, Budapest.

For Italy:

- B. Bianchi, Director, Ufficio Italiano dei Cambi, Rome.
- C. Di Gesù, Capo Ufficio Analisi, Nucleo Speciale Polizia Valutaria Guardia di Finanza, Rome.
- R. Righetti, Head of the Anti–Money Laundering Unit, Ufficio Italiano dei Cambi, Rome.
- R. Susanna, Funzionario Relazioni Esterne, Infocamere, Rome.
- T. Tafani, Legal Department, ABI – Italian Banking Association, Rome.
- V. Ucci, Researcher, Consiglio Nazionale Dottori Commercialisti, Rome.

For Latvia:

- V. Burkans, Director, Latvian FIU, Riga.
- M. Dzelme, Adviser on Economic and Financial Affairs, Latvian Confederation of Employers, Riga.
- I. Panasova, Deputy Chief State Notary, The Register of Enterprises of the Republic of Latvia, Riga.
- R. Šneidere, Member of the Board, Association of Accountants of Latvia Republic, Riga.
- U. Upenieks, Deputy Chairman, Anti–money Laundering Committee, Association of Latvian Commercial Banks, Riga.

For Lithuania:

- R. Boreika, Financial Crime Investigation Service under the Ministry of Interior (Lithuanian FIU), Vilnius.
- V. Satkus, Audit quality control specialist, Lithuanian Chamber of Auditors, Vilnius.
- A. Budrys, Vice-president, Association of Lithuanian Banks, Vilnius.

For Luxembourg:

- Association des Banques et des Banquiers (ABBL), Luxembourg.
- Y. Gonner, Managing Director, Registre de commerce et des sociétés, Luxembourg.
- P. Kohnen, Head of the Anti-Money Laundering Unit, Police Grand-Ducale, Luxembourg.
- P. Laplume, General Secretary, Institut des réviseurs d'entreprises, Luxembourg.

For Malta:

- J. Bonello, Secretary General, Malta Bankers' Association, Attard.

For Poland:

- A. Koweszko, Director Operation Risk Management Department ING Bank Slaski Poland (representative of the Polish Banks Association), Katowice.

For Portugal:

- J.M.C. Moucheira and S.M.G. Cebola, Registry Officers, Directorate General of Registry and Notary Civil Service (DGRN), Ministry of Justice, Lisbon.
- J. Patrício Paul, Legal Adviser, Portuguese Association of Banks (Associação Portuguesa De Bancos), Lisbon.
- S. Pedrosa, Director, Unidade de Informacao Financeira (FIU), Lisbon.

For Romania:

- C. Pelcaru, Chief of Service, General Inspectorate of Romanian Police, Bucharest.
- A.L. Popa, Director, National Office for Prevention and Combating Money Laundering, Bucharest.

For Slovakia:

- J. Gregus, Director, Slovak FIU, Bratislava.
- J. Holička, Expert SKAU for IFRS, Slovak Chamber of Auditors, Bratislava.
- B. Masár, Executive Director, The Federation of Employers' Associations, Bratislava.
- J. Vittek & J. Janosik, Anti-fraud and AML Committee of the Slovak BA, Slovak Banking Association, Bratislava.

For Slovenia:

- S. Bem, Officer Money Laundry Prevention, The Bank Association of Slovenia, Ljubljana.
- B. Kuhar, Senior Criminal Police Inspector, Ministry of Interior, Criminal Police Directorate, Ljubljana.
- A. Plaustejner, Director, Office for Money Laundering Prevention (Slovenian FIU), Ljubljana.
- I. Roštan, Head of Economic Outlook and Policy Department, Chamber of Commerce and Industry of Slovenia, Ljubljana.
- T. Sbrizaj, Head of the Slovenian Business Register Department, Agency of Republic of Slovenia for Public Legal Records and Related Services, Ljubljana.
- M. Skitek, Senior Technical Adviser, The Slovenian Institute of Auditors, Ljubljana.
- A. Kožar, Director, Real Estate Association, Chamber of Commerce and Industry of Slovenia, Ljubljana.

For Spain:

- I. Palacio Diaz-Faes, Director, SEPBLAC, Madrid.
- Á. Pinilla, Head of International Cooperation Department, SEPBLAC, Madrid.

For Sweden:

- A. Ericson, Manager Security, Swedish Bankers' Association, Stockholm.
- P. Nordström, Chief Legal Officer, Swedish Companies Registration Office, Stockholm.

For UK:

- N. Butler, International Relations Manager, Companies House, Cardiff.
- D. Swanney, Policy Director – Money Laundering, British Bankers' Association, London.

We are also very grateful to the following experts from the EU Member States who have been responding to and transmitting the questionnaires after closure of data analysis. We were unable to consider these questionnaires, but as Transcrime we intend to do so in updated versions of the Study:

- M. Busilas, Director of Economics and Finance Department, Lithuanian Confederation of Industrialists, Vilnius, Lithuania.
- E. Ghiulea, General Director, National Trade Register Office, Bucharest, Romania.
- R. Madaleno, Director, Associação Industrial Portuguesa – Confederação Empresarial, Lisbon, Portugal.
- S. Nenov, S. Naydenova, H. Mavrudiev, Members of the Managing Board, Institute of Certified Public Accountants in Bulgaria, Sofia, Bulgaria.
- Ordem dos Revisores Oficiais de Contas, Lisbon, Portugal.
- A. Popescu, Manager of Employers' Activity, UGIR-1903 (Romanian Industrial and Employers' Association), Bucharest, Romania.
- I. Tarailiene, Deputy Head, Department of Register of Legal Entities, State Enterprise Center of Registers, Vilnius, Lithuania.
- L.E. Teodorescu, Compliance Manager Bancpost S.A. and Member (Vice-President) of the Compliance Commission of the Romanian Banking Association, Bucharest, Romania.
- D. Vulcan, General Director, Body of Expert and Licensed Accountants of Romania, Bucharest, Romania.

We thankfully acknowledge the cooperation of the following European experts and representatives of the areas of incidence of this Study:

- S. Anciberro, Legal Adviser, FBE.
- J. Alvarez-Luna, Head of Group I of the Laundering Section – Economic and Financial Crime Squad, National Police, Madrid.
- S. Boscolo Bragadin, EBR Product Manager, Rome.
- V. Giannella, Project Director for the BRITE project.
- S. Hintzen, Federation of German Industries (BDI), Berlin.
- A. Pascali and M. Zancan, KPMG, Legal Office, Milan.

We thankfully acknowledge the cooperation of the following EU experts who were consulted by the research team either to finalise the cost benefit matrices developed in the Study and the related indicators, or to finalise the elements to be taken into account in the sensitivity analysis and in carrying out this analysis:

- S. Annovazzi, Studio Legale Galgano.
- J. Kaetzler, CMS Hasche Sigle.
- S. Krieger-Faust, HVB-HypoVereinsbank.

- V. Ucci, Consiglio Nazionale Dottori Commercialisti.

We are indebted to the Italian CEPOL National Unit, who provided the research team with access to the members of the Cepol network as possible experts and/or as a starting point to identify possible experts who could cooperate in the Study.

3.

EXECUTIVE SUMMARY

This Final Report presents the results of the Study “Cost Benefit Analysis of Transparency Requirements in the Company/Corporate Field and Banking Sector relevant to the fight against Money Laundering and other Financial Crime”. The Study was carried out by Transcrime, Joint Research Centre on Transnational Crime, Università di Trento/Università Cattolica del Sacro Cuore di Milano (Italy). It was funded by the European Commission, DG JLS (contract no. DG.JLS/D2/2005/01 30-CE-0073549/00-93).

This Study –covering the 25 EU MSs and the 2 new MSs, Bulgaria and Romania – had two objectives, and the main findings are presented below.

FINDINGS FROM OBJECTIVE 1 (TO ANALYSE THE COST-BENEFIT FROM THE INTRODUCTION AT THE EU LEVEL OF AN UP-FRONT AND ONGOING DISCLOSURE SYSTEM IN THE COMPANY/CORPORATE FIELD)

This Study is based on the assumption that a **beneficial ownership (BO) disclosure system is an information flow**. Thus different beneficial ownership (BO) disclosure systems have been evaluated in the study according to the effectiveness and efficiency of their information flows.

Disclosure refers to the activity of ‘making something known’. Beneficial ownership disclosure means firstly making the information of a company Beneficial Owner available outside the company. Thus the process implies collecting, verifying, analysing and elaborating this information and then communicating it. In this sense, beneficial ownership information disclosure is not only a key measure in the fight against money laundering (ML) but also a key issue in corporate transparency and market efficiency.

Objective 1 of the Study was the comparison of two beneficial ownership (BO) disclosure systems in terms of the costs and benefits that may arise from their implementation in the 27 EU countries. The two systems have been defined as Model 0 and Model 1.

Model 0 is an intermediary-based BO disclosure system embodied in the Third EU Anti Money Laundering Directive (Directive 2005/60/EC, hereafter only ‘Third Directive’). This disclosure system foresees a primary reliance on **financial and business intermediaries** in order to obtain company beneficial ownership and control information using a risk based approach.

On the other hand, **Model 1** is a new upfront and ongoing BO disclosure system where the duty to disclose beneficial ownership of public and private unlisted companies is placed on the **same beneficial owner**, who should notify the company of his ownership details. The company should collect this information and file it in a Central National Registry available on-line to law enforcement agencies and to the wider public.

The two Models imply different definitions of beneficial ownership expressed in terms of percentage of shares held of the issued capital of a private and public unlisted company. As for Model 0 this threshold is fixed at 25% while

in Model 1, shareholders holding more than 10% of the shares are considered as the company's beneficial owners.

The Cost Benefit Analysis (CBA) carried out to compare costs and benefits from the two BO disclosure systems implied three activities:

- first, to **develop a CBA model**, i.e. the mechanism of calculation that processes the relevant variables (input) to obtain the value of costs and benefits (output) arising from Model 0 and Model 1.
- second, to **analyse the results** emerged from the CBA for Model 0 and Model 1 highlighting the main findings emerging for each EU country and at aggregate EU level
- third, to identify the **possible implications** arising from the results of the CBA.

I. Developing a CBA model

The CBA model used in the analysis has been built using a four step procedure.

1) **Identification of relevant cost and benefit items for Model 0 and Model 1, per area of incidence.** Each Model has been associated with a set of items describing costs and benefits that were likely to impact on eight different areas of incidence: Government, Law Enforcement Agencies, Intermediaries, Individuals, Businesses, Wider costs and benefits, EU and Member States and Human Rights. The items have been identified with the help of a group of European experts, representative of the different areas of incidence on which the implementation of the two Models is likely to impact.

2) **Gathering, checking and integrating data and information.** An original and extensive **data set** has been gathered through a set of questionnaires sent to six entities/professional bodies in each Member State and complemented by official data sources (official databases, documents and reports) and others.

3) **Implementing the set of calculation rules.** Algorithms were developed to assess, starting from the data gathered, the monetary value of those cost and benefit items that could be expressed quantitatively.

II. Analysing the Results

The full report contains the whole results of the study analytically organised according to two criteria: countries and areas of incidence. Such a structure allows different readers to extract valuable information by considering both quantitative and qualitative information at the single country and the aggregate EU-27 level.

However, even if it should not be considered exhaustive, a synthetic perspective based on the analysis of the mere quantitative results of the CBA at EU level is here reported.² At aggregate EU-27 level, Model 0 net direct cost³ is estimated at approximately 6,774 million Euro, while net indirect

² See section 10.12 for more details.

³ The term 'net' refers to the difference between total benefit and total costs; as regards the distinction between 'direct' and 'indirect' benefits/costs see section 6.3.

cost is assessed at 10,143 million Euro. As regards Model 1, net direct cost is estimated at 125 million Euro, while Model 1 net indirect cost is assessed at 11,171 million Euro. As a result net direct costs for Model 0 are greater than those for Model 1 (the difference is approximately 6,648 million Euro), while net indirect costs for Model 0 are smaller than those for Model 1 (approximate difference 1028 million Euro).

As regards Model 0 and Model 1 qualitative costs and benefits identified by the CBA, please refer to the description of the results in chapter 10.

Here below are also reported the results of the CBA at aggregate EU level per area of incidence.⁴

1. Government

- As for Model 1, direct costs to Governments are estimated at approx. 30 million Euro per year, twice those arising from Model 0 (approx. 15 million Euro). This difference is mainly due to public expenses for Company Registry improvements necessary to implement the new integrated information sharing system foreseen by Model 1.
- Direct costs for both Models are partly compensated by the increase in the recovery of assets estimated at approx. 14 million Euro per year for Model 0 and approx. 20 million Euro per year for Model 1.
- A decrease in tax revenues due to capital outflow towards non-EU countries constitutes the bulk of indirect costs for EU Governments, and this decrease is estimated at approx. 2.4 billion Euro for Model 0 and at approx. 2.6 billion Euro for Model 1.
- Both Model 0 and Model 1 imply benefits to Governments in terms of increase in fiscal compliance by individuals and businesses and increase in tax revenues due to capital inflow (around 50 million Euro) from outside the EU.

2. LEA (including both FIU and LEA)

- Model 0 seems to have a greater impact in terms of direct costs on the LEA area of incidence. LEA/FIU direct costs related to Model 0 are estimated at 9.2 million Euro, three times higher than under Model 1, 3 million Euro. This difference is mainly due to additional STR analysis cost (6.7 million Euro at EU level), given a 12% increase in the annual number of STRs as the EU average.⁵
- Indirect cost for increase in FIU personnel under Model 0 (73% of the FIUs feel understaffed in order to deal with Model 0 disclosure system) have been estimated at 3 million Euro at EU aggregate level.
- FIUs benefits under Model 0 were identified in time-saving in searching BO information and deterrence of intermediary connivance with money launderers.
- Model 1 direct costs for FIU/LEA worth 3 million Euro mainly derive from additional investigations costs.

⁴ Due to its length, it is impossible to review in this Executive Summary the country level perspective, which is reported in detail in section 9.2.

⁵ See section 10.5 for more details.

3. Intermediaries

- As regards Model 0, most of the costs are borne by intermediaries. The BO disclosure process uses both ICT and employees' labour. As for credit institutions, ICT costs are assessed at 3.5 billion Euro per year (1.12% of EU credit institutions 2005 total expenses).⁶
- Labour costs related to client BO disclosure⁷ are assessed at 260 million Euro (5% of intermediaries direct costs⁸); however, the result could vary depending on the level of risk assessed of the transaction/customer: in a high risk scenario, this is estimated at even 35% of intermediaries' direct costs.⁹
- Costs for internal controls on compliance with Model 0 provisions are assessed at 2.2 billion Euro, employment training costs at 816 million; other costs related to STR sending are negligible.¹⁰
- Duplication costs, resulting from the application of BO disclosure to the same client by different intermediaries, are assessed at 209 million Euro; the result varies depending on the level of risk of the transaction, the number of intermediaries considered and the quantity of information shared between the subjects involved in BO disclosure process.¹¹
- As for the indirect costs in terms of reduction of banks' and accountants' clientele, most of the intermediaries contacted did not express concern.¹²
- No direct costs arising for intermediaries from the introduction of Model 1 have been detected.¹³
- Looking at the benefits, the increase of clientele information due to Model 0 and Model 1 BO disclosure affects positively intermediaries' service quality and efficiency and banks' financial stabilisation (estimated likely reduction of non performing loans at EU aggregate level: 2 billion Euro); reputation benefits have been also detected for intermediaries from Model 0 implementation.¹⁴

⁶ See sections 10.6.3 and 10.6.6 for more details.

⁷ I.e. BO identification costs, BO identity verification costs, BO data analysis costs, BO data record keeping costs.

⁸ As regards specifically credit institutions, it represents 0.17% of EU Credit Institution Staff expenses.

⁹ As for credit institutions, it represents 1% of European CI total expenses; see section 10.6.1 for more details. The high risk scenario is presented in chapter 11 (Sensitivity Analysis).

¹⁰ See sections 10.6.3 and 10.6.6 for details.

¹¹ See section 10.6.2 and section 11.5 for more details.

¹² See section 10.6.5 for details.

¹³ For details see section 6.6.1.

¹⁴ For more details on intermediaries' benefits, see sections 10.6.8, 10.6.9, 10.6.10, 10.6.11.

4. Individuals

- Direct costs under Model 1 relying on individuals worth around 7 million Euro due to filing (5 million Euro) and updating BO information (2 million Euro).¹⁵
- Privacy costs for individuals under Model 1 have been hypothesized, even if not expressed in monetary terms, as extremely high.¹⁶

5. Businesses

- Direct costs for businesses under Model 1 are estimated at 104 million Euro and are mainly due to keeping records of BO information and filing it at the Central Registry (95 million Euro) along with regular updating (9 million Euro).¹⁷
- Implementation of the Model 0 disclosure system is likely to lead to an improvement in terms of corporate transparency, thus entailing better allocation of resources and improved market efficiency.

6. Wider costs and benefits

- Possible costs of Model 0 in terms of increase in prices and fees of the products and services of intermediaries have been identified. On the contrary, negative effects on banks and accountants market concentration are not likely to occur.¹⁸
- The increase in BO information due to implementation of Model 0 and Model 1 BO disclosure systems is assessed to exert a positive effect in terms of corporate transparency and market efficiency; the result is confirmed both by the business sector and by financial and legal intermediaries.¹⁹
- However some concerns have emerged as to the likely increase in use of less transparent legal forms by businesses and entrepreneurs as a consequence of BO disclosure introduction.²⁰

7. EU and Member States

- Capital outflow from the European banking/financial sector in favour of extra-EU countries has been assessed, as for Model 0, at 10 billion Euro (0.31% of EU Credit institutions total assets); as for Model 1, at 11 billion Euro. However 65% of EU banks contacted disagree with the possibility of capital outflow; also to be noted that approximately 15% of the total capital outflow is expected to remain within EU countries.

¹⁵ See section 10.7.

¹⁶ See section 10.11 for more details.

¹⁷ See section 10.8.

¹⁸ See section 10.9 for details.

¹⁹ 74% of national Bankers' association, 80% of associations of Accountants and 60% of Employers/Industrial associations highlighted the positive relationship among BO disclosure, market transparency and market efficiency; see section 10.9 for details.

²⁰ See section 10.9 for more details.

- An indirect cost related to Model 0 is the erosion of political consensus to EU institutions from those categories charged by the Third Directive with additional reporting duties.

8. Human Rights

- Implementation of Model 0 in national legislations gives rise to an increase in data protection costs, in particular for the category of intermediaries dealing with client data.
- Model 0 and Model 1 both impact individual privacy rights. In particular, as for Model 0, rules on “tipping off” appear in contrast with the right to obtain access to information on the disclosure of personal data to other authorities and the reasons lying behind this disclosure. As for Model 1, this causes concern in terms of both data protection costs and individual privacy rights arising from the public accessibility of the on-line shareholder database as foreseen.²¹

III. Identify possible implications

On the basis of the above findings, a major conclusion was drawn: that there is a need to enhance BO information sharing in the company/corporate field. A wider system of information sharing could substantially reduce the costs of BO disclosure at aggregate level, by abating the duplication costs which can derive from the repetition of the same disclosure task by a number of subjects.

In order to develop an integrated EU system of information sharing on company beneficial ownership and ownership structure, the Study identifies three main areas of intervention – a) increasing the use of ICT in BO information sharing, b) harmonizing company registration duties and c) integrating databases of different nature.

a) Increasing the use of ICT in BO information sharing

The Study highlights how ICT is massively used by subjects burdened by BO disclosure provisions in order to comply with AML regulation; in particular, referring to Model 0 BO disclosure system, the results show that ICT costs represent the greater part of intermediaries BO disclosure costs, indicating the capital-intensive nature of the process. ICT could turn out to be a useful instrument. On the one hand it could boost the process of convergence of languages, protocols and reporting standards amongst European Company Registries and other databases of corporate information; on the other hand, it could extend the use of systems applying technologies such as sequence matching, rule-based systems, data mining and neural networks. for detecting and combating money laundering and terrorist financing.

b) Harmonizing company registration duties

The second area of intervention refers to the harmonization of company registration duties among all 27 EU countries: currently wide differences still persist in the terms under which corporate vehicles must register and what information must be filed in national company registries at the time of registration. Harmonisation of company registration duties would allow

²¹ See section 10.11.

integration of the company information recorded in different registries in a single European database. This will support the effective and efficient exchange of corporate information within the framework of the fight against money laundering.

c) Integrating databases of different nature

The third area of intervention refers to the possibility of strengthening the links between different data sources: company/corporate registries, financial databases and criminal specific databases in order to share company beneficial ownership information in more areas of impact. In this sense, such an integrated system could be useful for public institutions (Governments, LEAs, FIUs) interested in preventing ML crimes and to private sector (Companies, financial and legal intermediaries), interested in minimising from financial risks and capital losses.

FINDINGS FROM OBJECTIVE 2 (TO HIGHLIGHT: A) THE EU MEASURES THAT MAY BE APPROPRIATE IN ADDRESSING THOSE WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING/TERRORIST FINANCING ARRANGEMENTS, ESPECIALLY PROFESSIONAL SERVICE PROVIDERS, TO CONTRIBUTE TO A MORE EFFECTIVE DETERRENCE OR (IF NOT) SUITABLE PUNISHMENT, AND B) ANY ISSUES AND APPROACHES REVEALED IN THE STUDY LIKELY TO HELP IMPROVE THE REGULATION OF CHARITIES, TRUSTS, ASSOCIATIONS AND FOUNDATIONS WITH REGARD TO AML AND CFT)

In addition to the increasing emphasis on the need to improve the transparency of corporate beneficial ownership, special attention has recently been given by the international community to two key topics in the fight against money laundering (ML) and terrorism financing (TF): A) the involvement of professionals in ML/TF schemes, on the one hand, and B) the exploitation of institutions like trusts, foundations, associations and charities for ML/TF purposes, on the other hand.

The Study addressed both of these two topics in its objective 2, which aimed to highlight:

A) the EU measures that may be appropriate in addressing those who aid and abet/facilitate corporate money laundering/terrorist financing arrangements, especially professional service providers, to contribute to a more effective deterrence or (if not) suitable punishment, and

B) any issues and approaches revealed in the study likely to help improve the regulation of charities, trusts, associations and foundations with regard to AML and CFT.

FINDINGS FROM OBJECTIVE 2A (TO HIGHLIGHT: A) THE EU MEASURES THAT MAY BE APPROPRIATE IN ADDRESSING THOSE WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING/TERRORIST FINANCING ARRANGEMENTS, ESPECIALLY PROFESSIONAL SERVICE PROVIDERS, TO CONTRIBUTE TO A MORE EFFECTIVE DETERRENCE OR (IF NOT) SUITABLE PUNISHMENT)

In order to identify the EU measures that may be appropriate in addressing those who aid and abet/facilitate corporate money laundering/terrorist financing arrangements, especially professional service providers, to contribute to a more effective deterrence or (if not) suitable punishment, the activities undertaken included:

- a comparative overview of the counter-measures (both regulation and self-regulation) adopted by EU Member States to avoid the use of professionals for money laundering and terrorist financing purposes, with a view to assessing the degree of compliance of the Member States with the relevant supranational standards,
- the mapping of obstacles and best practices in the implementation of such measures (regulation & self-regulation).

The main findings from the above activities are given below, differentiating between regulation and self regulation.

Current MS regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements: obstacles, best practices and recommendations for further improvement

The analysis of Member States regulations aimed at avoiding the use of professionals for money laundering and terrorist financing purposes shows a satisfactory degree of conformity of EU Member States' domestic legislation with the main relevant supranational standards. Even though the extent of anti-money laundering obligations may vary from country to country, national laws seem to transpose directly the language of the FATF and EU standards and to stick to the wording of the relevant supranational documents enshrining such standards.

Moving from the law in the books to the law in action, the main obstacles and best practices in the implementation of MSs' anti-money laundering regulation for professionals are as follows.

Obstacles in the implementation of the current MS regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

The main obstacles in the implementation of MSs' anti-money laundering regulation for professionals are given below, grouped by area.

Obstacles in the area supervision by competent authorities:

- not all professionals subject to anti-money laundering obligations are, in practice, supervised;
- not all self-regulatory bodies have anti-money laundering supervisory competence;

- self-regulatory bodies are often affected by a lack of resources to monitor compliance with anti-money laundering obligations;
- monitoring is more often incident-related or occasional, rather than systematic.

Obstacles in the area sanctions:

- not all professionals have a designated body to impose sanctions for infringements of anti-money laundering obligations;;
- not all the obligations set forth in anti-money laundering legislation include a sanction, or only a limited range of sanctions is available
- there is sometimes a lack of implementation of the foreseen sanctions.

Obstacles related to the negative attitude of some professionals towards the obligations imposed upon them:

- there is a negative perception, especially by legal professionals, of the reporting obligation, seen as a violation of the relationship of absolute secrecy and confidentiality between the citizen looking for legal advice and the lawyer;
- on a more general level, professionals tend to complain about the imposition upon them of excessive and disproportionate burdens.

Obstacles related to the lack of information available to professionals:

- professionals cannot always count on guidelines regarding the anti-money laundering requirements they should comply with;;
- even when some guidelines exist, these are inadequate;;
- feedback to professionals on cases that they reported to the relevant authorities is generally lacking.

Other obstacles:

- the so called dead loss excuse, that is the fear of losing business by complying with anti-money laundering obligations;
- the difficulty in identifying the beneficial owner, which is due to the fact that sometimes information required for the identification of beneficial owners is less than information required for the identification of direct customers;
- the possibility of disclosure of the identity of the reporting person in legal proceedings, which may negatively affect the confidence in (and therefore the effectiveness of) the reporting system.

Best practices in the implementation of the current MS regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

The main best practices in the implementation of MSs' anti-money laundering regulation for professionals are as follows, grouped per area.

The first set of best practices consists of the issue of model rules and directives providing professionals with guidance on the implementation of anti-money laundering obligations. In particular:

- where they have been issued, guidelines have proved to be a best practice in the implementation of anti-money laundering regulation;
- particularly worthy of mention is the best practice consisting of the establishment of so called red-flag indicators, i.e. indicators of suspicious transactions that should enable professionals to identify and detect them more easily;
- also worthy of mention is the best practice consisting of the preparation by FIUs, self-regulatory bodies or government authorities of up-to-date lists of non-cooperative countries and territories;
- the publication of the text of anti-money laundering legislation on the websites of professional organizations and other regulatory bodies is another commendable practice;
- the publication of divulgative articles in specialized journals and reviews is another best practice;
- another best practice consists of the creation of working groups and the conduct of regular meetings with professional organizations in order to discuss money laundering issues related to the work of the professions represented;
- the conduction of training programmes on a regular basis dealing with anti-money laundering issues is another best practice;
- finally, a best practice in implementation of the regulation is the establishment of advisory services aimed at providing information and clarification on anti-money laundering issues on request: advice can be provided for example by means of helplines available to professionals where specific inquiries can be answered, as within the Danish Bar and Law Society and the Law Society of England and Wales.

Best practices in the area supervision by competent authorities:

- while supervision is generally the area where the greatest obstacles can be found as far as implementation of anti-money laundering obligations is concerned, in some cases these obstacles have been overcome by the best practice consisting of outsourcing the supervisory functions.

Best practices in the area technology:

- IT devices such as the establishment of central databases or the possibility of online STRs are a best practice in the implementation of anti money laundering regulation as they help to speed up and improve the collection and processing of data relevant for the fight against money laundering.

Best practices related to the actors involved in the fight against money laundering:

- the establishment of extensive cooperation and coordination among supervisory authorities, materializing in meetings of technical experts held on a regular basis for the purpose of coordinating the drafting and

issuing of directives to supervised entities and achieving a uniform approach in the implementation of preventive measures;

- close cooperation between public authorities and the private sector, which adds to the development of a positive attitude towards law enforcement;
- setting up of centralized bodies or advisory authorities for the prevention of money laundering, including representatives of both the public authorities and the private sector, as policy-makers on anti-money laundering issues.

Recommendations to the EU Commission to assist the EU Commission in drafting the most appropriate EU regulatory measures at Community level aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements.

The following recommendations have been developed as a direct result of the above analysis and are aimed, in particular, at overcoming the highlighted obstacles in the implementation of national measures and at spreading the identified best practices.

1. Recommendation 1: inviting MSs to reorganize the anti-money laundering supervisory function of professionals
2. Recommendation 2: inviting MSs to refine the sanctions regime for professionals infringing anti-money laundering obligations
3. Recommendation 3: inviting MSs to promote and raise among professionals awareness of their anti-money laundering obligations
4. Recommendation 4: inviting MSs to provide professionals with more sector specific guidance on how to properly implement anti-money laundering obligations
5. Recommendation 5: inviting MSs to strengthen the beneficial owner identification process
6. Recommendation 6: inviting MSs to reduce the vulnerability of professionals reporting suspicious transactions to threats and hostile actions
7. Recommendation 7: inviting MSs to employ technological devices that speed up and improve the collection and processing by professionals of relevant data on money laundering
8. Recommendation 8: inviting MSs to foster a fruitful cooperation between public authorities, charged with the task of fighting money laundering/terrorist financing, and the private sector

Current MS self-regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements: obstacles, best practices and recommendations for further improvement

The analysis of MSs self-regulation, aimed at avoiding the use of professionals for money laundering and terrorist financing purposes, focused on a representative category of professionals, i.e. that of accountants.

The analysis took as starting point a set of standards based on the Code of Ethics for Professional Accountants issued in 2005 by the IFAC (International Federation of Accountants), that have therefore been used as a benchmark for the comparison of the different MSs' self-regulation measures. The analysis of self-regulatory measures (codes of conduct, codes of ethics or the like) adopted by the national associations of accountants in different EU Member States revealed a substantial lack of homogeneity. What emerged is the adoption by professional bodies of two opposite approaches to self-regulation. On the one hand there is the option for a principle-based code of conduct, that is a code which lays down general rules of organization of the profession and which enunciates the fundamental principles that should inspire the behaviour of its members: this is, for example, the approach adopted in Italy, Latvia, Lithuania and Slovakia, where self-regulation has no reference to money laundering/terrorist financing at all. On the other hand there is the option for extensive and detailed codes of conduct, where provisions resemble those of normative instruments and which sometimes make express reference to money laundering/terrorist financing: this approach is typical of the Irish, UK and Cypriot codes of conduct.

Moving from the law in the books to the law in action, the main obstacles and best practices in the implementation of MSs' anti-money laundering self-regulation for accountants are as follows.

Obstacles in the implementation of the current MS self-regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

The main obstacle faced by accountants in the implementation of self-regulatory measures is common to one of the obstacles encountered in the implementation of regulatory measures: that is the lack of information on money laundering/terrorist financing issues.

Best practices in the implementation of the current MS self-regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

The main best practices in the implementation of MSs' anti-money laundering self-regulation measures for accountants are as follows:

- the existence of an external quality control on the professional category, either performed by the State or outsourced to a foreign association;
- close cooperation between the national association of accountants and law enforcement agencies;
- the existence of an ad hoc committee on money laundering;

- a money laundering helpline at the disposal of the professional where consultation requests can be answered;
- the adoption of guidelines by professional organizations and in general the active role undertaken by SROs in assisting professionals in relation to the general application of the preventive measures.

Recommendations to the EU Commission to assist the EU Commission in drafting the most appropriate EU self regulatory measures at Community level aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements.

The following recommendations have been developed as a direct result of the above analysis and are aimed, in particular, at overcoming the highlighted obstacles in the implementation of national self-regulatory measures and at spreading the identified best practices.

Recommendation 1: inviting MSs to require their self-regulatory organisations to make express reference to money laundering/terrorist financing in their codes of ethics

Recommendation 2: inviting MSs self-regulatory organisations to provide professionals with detailed and systematic information on money laundering/terrorist financing issues

Recommendation 3: inviting MSs to foresee an external quality control on the overall activity of the professional association including monitoring of compliance with anti-money laundering self-regulatory standards

Recommendation 4: inviting MSs to promote an intense and continuous cooperation between self-regulatory bodies and public authorities

FINDINGS FROM OBJECTIVE 2B (TO HIGHLIGHT: B) ANY ISSUES AND APPROACHES REVEALED IN THE STUDY LIKELY TO HELP IMPROVE THE REGULATION OF CHARITIES, TRUSTS, ASSOCIATIONS AND FOUNDATIONS WITH REGARD TO AML AND CTF)

In order to highlight any issues and approaches revealed in the study likely to help improve the regulation of charities, trusts, associations and foundations with regard to AML and CTF, the activities undertaken included:

- definition of the four types of entities;
- identification of ML&TF risk indicators in trusts/foundations/associations and charities' legislation;
- comparative analysis of the existence/absence of the identified risk indicators in the legislation of trusts, foundations, associations and charities in the EU Member States.

This comparative analysis highlighted some areas for intervention aimed at improving the regulation of these entities and at reducing the aspects in their regulation that may make them attractive for criminals. The suggestions proposed, and summed up in the recommendations below, focus on those ML/TF risk indicators which are more problematic because they are present in a large part of the EU Member State legislation.

Recommendations to assist the EU Commission in improving the regulation of charities, trusts, associations and foundations with regard to AML and CTF

Recommendations for trusts

Recommendation 1: inviting MSs to introduce legal provisions requiring written constitutions of trusts

Recommendation 2: inviting MSs to introduce legal provisions requiring registration of trust deeds in a public register

Recommendation 3: inviting MSs to introduce legal provisions requiring that the settlor be identified in a public document

Recommendation 4: inviting MSs to introduce legal provisions requiring that the beneficiary/ies be identified in a public document

Recommendation 5: inviting MSs to introduce legal provisions prohibiting the settlor from also being the beneficiary of the same trust

Recommendation 6: inviting MSs to introduce legal provisions prohibiting the beneficiary of a trust from being another trust

Recommendation 7: inviting MSs to introduce legal provisions requiring a public register of trustees

Recommendation 8: inviting MSs to introduce legal provisions requiring creation of an authority to supervise the activity of trustees

Recommendations common to foundations, associations and charities

Recommendation 1: inviting MSs to introduce legal provisions stating in greater detail the tasks of the supervisory authority of foundations, associations and charities in order to enhance its role in preventing the misuse of foundations, associations and charities for money laundering/terrorist financing purposes

Recommendation 2: inviting MSs to provide the staff of the supervisory authority of foundations, associations and charities with annual refresher courses on the risks that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes, and on the relative counter-measures

Recommendation 3: inviting MSs to introduce legal provisions requiring verification of the identity/credentials/good faith of the beneficiary(s)/donor(s)/associate organisation(s)

Recommendation 4: inviting MSs to introduce legal provisions requiring foundations, associations and charities to maintain exclusively registered bank accounts

Recommendation 5: inviting MSs to introduce legal provisions improving checks on money trail in case of cash transfers involving foundations, associations and charities

Recommendation 6: inviting MSs to introduce legal provisions requiring exhaustive checks on donations above a fixed threshold

Recommendation 7: inviting MSs to introduce legal provisions requiring tax authorities to carry out regular and effective tax audits on foundations, associations and charities

Recommendation 8: inviting MSs to introduce legal provisions requiring the authority supervising foundations, associations and charities to co-operate and exchange information with national law enforcement agencies

Recommendation 9: inviting MSs to introduce legal provisions requiring co-operation and information exchange at transnational level between their national law enforcement agencies and authorities supervising foundations, associations and charities on the one hand, and the corresponding entities in the other EU MSs, on the other

Special recommendation for foundations

Recommendation 10: inviting MSs to introduce legal provisions requiring independent auditing of foundations to guarantee the veracity of annual reports

Special recommendation for associations

Recommendation 11: inviting MSs to introduce legal provisions requiring an authority to supervise associations

Special recommendations for charities

Recommendation 12: inviting MSs to introduce legal provisions prohibiting the name of a charity from resembling the name of another charity

Recommendation 13: inviting MSs to introduce legal provisions requiring independent auditing of charities to guarantee the veracity of their annual reports

4.

INTRODUCTION

This Study is the follow up of a study conducted by Transcrime for the DG JLS of the European Commission on “TRANSPARENCY AND MONEY LAUNDERING. Study of the Regulation and its Implementation, in the EU Member States, that Obstruct Anti-Money Laundering International Co-operation (Banking/Financial and Corporate/Company Regulative Fields)”.

The Final Report of the study, delivered to the European Commission on October 2001, includes a recommendation to the Commission (recommendation n. 4) stating that “*[a]ction might be taken in order to assess the trade-off between the increased transparency in the corporate/company regulative field, which would improve anti-money laundering international cooperation, and the costs associated with the reduction of the efficiency and flexibility of the financial system*” (TRANSCRIME, 2001: 147). The recommendation also suggests that this could be reached by making “*[...] a cost-benefit analysis of the rules which, if enacted and harmonised across EU Member States, would increase transparency in the corporate/company regulative field, thus reducing obstacles to anti-money laundering international cooperation. The trade-off between transparency and efficiency should be carefully analysed in corporate governance reforms across European Member States. At the end of this study it will be clear what price Member States and the European Union want to pay in terms of efficiency in order to acquire more transparency or vice versa [...]*” (*Ibidem*). As the recommendation itself stresses, a study on the cost-benefit implications of regulatory changes aimed at enhancing corporate/company and banking transparency within the EU framework is ‘urgently needed to enable EU policy makers to make informed choices’ while fighting money laundering and other forms of financial crime.

On the basis of this recommendation, a scoping study was commissioned by the European Commission to JH & Co and delivered on 28 February 2005 (Howell and van Reenen, 2005). The aim of this scoping study was to create a sharper focus for the Cost Benefit Analysis (CBA) study whilst remaining within a budget limit of 200,000 Euro. The scoping study identified the factor which was the most immediate source of concern in terms of lack of transparency. This factor is the identity of the beneficial owner of private and public unlisted companies.

Why is it so important to focus attention on the enhancement of transparency requirements related to corporate beneficial ownership?

In recent years, the misuse of corporate entities for illicit purposes has been high on the agenda of international, European and national policy makers and law enforcement agencies. Growing concern that these vehicles can be misused for criminal activity such as money laundering, terrorist financing, fraud schemes, corruption, tax related offences and other crime, rapidly spread all over the world, together with the awareness that this misuse may damage the stability and credibility of economic and financial markets, as well as their competition mechanisms.

One of the key factors that made possible the abuse of companies in money laundering and terrorist financing operations was the possibility, still offered by many jurisdictions, of anonymity for the beneficial owners of companies.

As noted by the OECD, *“any jurisdiction that provides mechanisms enabling individuals to successfully hide their identity behind a corporate vehicle while excessively constraining the capacity of authorities to obtain and share information on beneficial ownership and control for regulatory/supervisory and law enforcement purposes is increasing the vulnerability of its corporate vehicles to misuse”* (OECD, 2001: 2).

The lack of transparency in the beneficial ownership of companies does therefore allow criminals to hide behind a corporate shield, with reduced possibility a) for the financial system to apply the ‘know your customer’ principle and, as a result of this, b) for law enforcement agencies to successfully investigate and prosecute these criminals.

On the basis of these considerations, the opacity created by the difficulty of ascertaining the identity of the shareholders and of establishing a connection between a structure and the physical person/s running it, has been recognised as a key issue to be addressed in the fight against international organised crime and in closing down the sources of terrorist funding. Setting various requirements through which corporate transparency is enhanced has therefore become one of the top priorities of a variety of international and European institutions, who addressed the issue in a variety of official documents.

The Financial Action Task Force, in its 40 Recommendations (as updated in 2003) (FATF, 2004), placed particular emphasis on identification of the beneficial owner as one of the measures that should be taken by legal entities to prevent their misuse for money laundering and terrorist financing purposes; where the term ‘beneficial owners’, as clarified by the Glossary to the recommendations, refers to *“[...] the natural person(s) who ultimately owns or controls a customer and/or the person on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement”*. This is because, as the introduction to the 40 revised recommendations specifies, recent years have witnessed an increased use of legal entities to disguise the true ownership by money launderers.

In particular, recommendation n. 33 invites countries to ensure adequate, accurate and timely information on beneficial ownership and control of legal entities, obtainable or accessible in a timely fashion by competent authorities and financial institutions.

The issue was also dealt with by the OECD in a 2001 report commissioned by the Financial Stability Forum (FSF) to explore the issue of developing mechanisms to reduce the vulnerability of corporate vehicles to misuse for illicit purposes (OECD, 2001). The report considers the veil of secrecy of beneficial ownership guaranteed by many jurisdictions as the key factor explaining the misuse of corporate entities – corporations, trusts, foundations and partnerships – for money laundering, bribery and corruption, shielding assets from creditors, tax evasion, insider trading, market fraud and other illicit activities.

The OECD report identifies three main options for obtaining beneficial ownership and control information, inviting governments to ensure the availability of information on ownership and control by adopting one of said options:

Option 1: primarily relying on an up front approach to disclosure to the authorities. Upon formation of the corporate vehicle, there would be mandatory disclosure of beneficial ownership and control information.

This option requires that control and beneficial ownership be disclosed to the authorities upon establishing or incorporating a corporate vehicle. Further, when changes occur, it is mandatory to update this information within a stipulated period. Either the corporate vehicle, the ultimate beneficial owner, or any corporate service provider involved in establishing or managing the corporate vehicle may be obliged to report the control and beneficial ownership information to the authorities. Transparency may be enhanced by making the information collected available to the public.²²

Option 2: primarily relying on intermediaries (such as company formation agents, trust companies, registered agents, lawyers, notaries, trustees, and other professionals) involved in the formation and management of corporate vehicles ('corporate service providers'), obliging them to maintain such information ("Intermediary Option").²³

This option obliges such intermediaries to obtain and retain accurate records on the control and beneficial ownership of the company vehicles that they establish, incorporate, manage or for which fiduciary services are provided.

Option 3: primarily relying on an investigative system, where an appropriate enforcement infrastructure is developed which would enable the authorities to launch investigations into the beneficial ownership and/or control of a corporate vehicle, if an illicit activity is suspected.²⁴

This option enables authorities to seek beneficial ownership and control information on company vehicles, either where illicit activities are suspected, or when the information is required to fulfil their regulatory/supervisory obligations, or when the information is requested by other authorities either domestic or international for regulatory/supervisory or law enforcement purposes.

Also at the EU level there is wide recognition of both the crucial importance of mechanisms to ensure the transparency of the beneficial ownership, and of the need to introduce more specific and detailed provisions relating to this.

The issue is being dealt with in particular under the Directive on the prevention of the use of the financial system for the purpose of money

²² For a complete discussion of this option and of its advantages and disadvantages, see OECD (2001: 77–81).

²³ For a complete discussion of this option and of its advantages and disadvantages, see OECD (2001: 81–83).

²⁴ For a complete discussion of this option and of its advantages and disadvantages, see OECD (2001: 83–86).

laundering and terrorist financing (Third Money Laundering Directive)²⁵ by the European Parliament and by the Council of 26 October 2005, which adopts to this purpose a risk based approach.

Point 9 of the Preamble of this Directive stresses that “*Directive 91/308/EEC, though imposing a customer identification obligation, contained relatively little detail on the relevant procedures. In view of the crucial importance of this aspect of the prevention of money laundering and terrorist financing, it is appropriate, in accordance with the new international standards, to introduce more specific and detailed provisions relating to the identification of the customer and of any beneficial owner and the verification of their identity. To that end a precise definition of ‘beneficial owner’ is essential*”.

To this purpose, article 6 of the Directive defines the beneficial owner as “[...] *the natural person(s) who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction or activity is being conducted*”. For corporate entities, in particular, “*the beneficial owner shall at least include: (i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership or control over a sufficient percentage of the shares or voting rights in that legal entity, including through bearer share holdings, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards; a percentage of 25% plus one share shall be deemed sufficient to meet this criterion; (ii) the natural person(s) who otherwise exercises control over the management of a legal entity*”. For legal entities, such as foundations, and legal arrangements, such as trusts, which administer and distribute funds, according to the Directive, the beneficial owner definition shall at least include “(i) where the future beneficiaries have already been determined, the natural person(s) who is the beneficiary of 25 % or more of the property of a legal arrangement or entity; (ii) where the individuals that benefit from the legal arrangement or entity have yet to be determined, the class of person(s) in whose main interest the legal arrangement or entity is set up or operates; (iii) the natural person(s) who exercises control over 25 % or more of the property of a legal arrangement or entity”.

In particular, the institutions and persons to which the directive should apply (which include credit, as well as a series of intermediaries) are required, in the framework of the Customer Due Diligence procedures, to identify, where applicable, “the beneficial owner and taking risk-based and adequate measures to verify his identity so that the institution or person covered by this Directive is satisfied that it knows who the beneficial owner is, including, as regards legal entities, trusts and similar legal arrangements, taking risk-based and adequate measures to understand the ownership and control structure of the customer” (article 8, par. 1 (b)).

By requiring intermediaries to identify and verify the identity of the beneficial owner the Directive has opted therefore, to express it in terms of the three OECD mechanisms, for the Intermediary Route.

²⁵ See Parliament and Council of the European Commission, Directive 2005/60/EC of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, 26 October 2005, *Official Journal of the European Union*, L 309, 25 November 2005, pp. 15–36.

At present, very few studies have been carried out to understand the ratio of costs/benefits deriving from the introduction of requirements enhancing the transparency of the beneficial ownership.

These studies are as follows. First, a 2002 British study (Her Majesty's Treasury and the Department of Trade and Industry, 2002) performed a Regulatory Impact Analysis (RIA) aimed at understanding the ratio of costs/benefits from the introduction of requirements enhancing the transparency of the beneficial ownership of public and private unlisted companies. This British study, commissioned to Compliance Chain Limited by the Treasury (HMT) and the Department of Trade and Industry (DTI), carried out a cost-benefit analysis of five cumulative options aimed at making the beneficial ownership of unlisted companies more transparent. The five options considered by the study are as follows:

- option 1 foresees a duty on beneficial owners of private companies to identify themselves and their level of interest to the company involved with various degrees of detail and timeliness;
- option 2 extends this duty to require reports to be made on beneficial and legal ownership from private and unlisted companies to Companies House in annual returns;
- option 3 requires changes of legal and beneficial ownership to be submitted to Companies House as they occur;
- option 4 looks at the creation of a searchable database on legal and beneficial ownership;
- option 5 extends option 4 to include directorships and shadow directorships. The option of making such information available to the public (as opposed to just law enforcers) is also set out.

The RIA concludes that "*the option that best meets law enforcement requirements at least cost and with the greatest potential long term benefit is the Option 3 Open register version*" (Her Majesty's Treasury and the Department of Trade and Industry, 2002: 8).

More recently, in 2005, a first Regulatory Impact Assessment estimating the costs and benefits of the various provisions included in the Third Money Laundering Directive, including those regarding the disclosure of beneficial ownership, was performed in the UK to inform the British negotiating position on the Directive (Her Majesty's Treasury, 2005).

Finally, in 2006, research was conducted to reflect on the impact of the anti money laundering regulation on financial operators in Luxembourg, in economic, competitive and ethical terms (Krieger-Faust, 2006). With particular reference to evaluation of the economic impact of the regulation, the Study discussed a variety of types of cost (i.e. transposition costs, recurrent costs, opportunity costs and externalities) and benefits (i.e. benefits for the community and benefits for banks). The Study concluded that the costs that the Luxembourg banking system faces under anti money laundering regulations are not negligible, even if it is difficult to understand whether these costs are justified by overall benefits, as the latter are difficult to assess (Krieger-Faust, 2006: 165).

In addition to the increasing emphasis on the need to improve the transparency of corporate beneficial ownership, special attention has been given recently by the international community to two key topics in the fight against money laundering (ML) and terrorism financing (TF): the involvement of professionals in ML/TF schemes, on the one hand, and the exploitation of institutions like trusts, foundations, associations and charities for ML/TF purposes, on the other hand.

Concerning the first trend, professional service providers turn out to be more and more involved (either knowingly or unwittingly) in ML/TF schemes. The misuse of professionals for criminal purposes is the natural consequence of the evolution in ML/TF patterns: in fact, the provision of severe restraints and strict controls on the activities of credit and financial institutions (on which money launderers originally relied to conceal the proceeds from crime) produced a displacing effect, forcing criminals to find another entry point to the financial system and to exploit new channels and new intermediaries for conducting their business. Criminals had thus to find alternative methods for laundering dirty money, moving from well regulated financial institutions to non-regulated businesses and professions, that is to those areas with a less stringent regulatory regime.

The potential risk of professionals being abused for illicit purposes is remarkable and calls for special consideration: this is why the recent trend in anti-money laundering/counter-terrorist financing (AML/CTF) legislation is to expand existing counter-measures to a significant group of professional service providers, both at the international and at the European level. The increasing number of cases involving professionals has in fact prompted competent authorities to bring professionals under anti-money laundering obligations.

At the international level, the FATF – the leading standard-setter in the field of anti-money laundering/counter-terrorist financing – has recently revised (in 2003) its Forty Recommendations, extending their scope to include professionals and imposing on them the same obligations originally devised for banks and financial institutions. The update of the Recommendations responded essentially to the need to reflect new trends and techniques in money laundering/terrorist financing activities.

At the European level too, concern over the exploitation of professionals to facilitate money laundering schemes has caused EU institutions to turn their attention to this category. The revision of the FATF Recommendations brought about the reform of the EU discipline: the Recommendations, in fact, are the basis on which the core anti-money laundering European legislation was built. The above mentioned Directive on prevention of use of the financial system for money laundering and terrorist financing (of the European Parliament and of the Council of 26 October 2005) incorporated into EU law the 2003 revision of the FATF Recommendations, setting up a new systematic and organic framework. In particular, it extended the scope of anti-money laundering legislation by supplementing and expanding existing obligations for professional service providers.

With reference to the second ML/TF trend, i.e. exploitation of trusts, foundations, associations and charities by criminal groups, we must separate trusts from the other institutions. This because a trust is a particular institution, originating in English common law and today used primarily in

common law jurisdictions, while foundations, associations and charities belong to the wide category of non-profit organisations (hereinafter NPOs²⁶).

The problematic nature of trusts has been remarked on by international institutions such as FATF and OECD. In particular, the FATF, in its Report on Money Laundering Typologies of February 2000–2001, stressed that *“trusts are sometimes used as an element in schemes to facilitate or hide illicit activity, including money laundering. Given private nature of trusts, in some jurisdictions they may be formed with the intention of taking advantage of strict privacy or secrecy rules in order to conceal the identity of the true owner or beneficiary of the trust property. They are also sometimes used to hide assets from legitimate creditors, protect property from seizure under judicial action, or to mask the various links in the money flows associated with money laundering or tax evasion schemes”*.

Concerning foundations, associations and charities, awareness that these entities, and more generally the NPO universe, are likely to be exploited for ML and TF purposes resulted in a variety of initiatives. First, in 2002 the FATF adopted Special Recommendation VIII, which states that *“countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable, and countries should ensure that they cannot be misused [...]”*.

The European Commission too started to take action in this direction. With the Commission Communication to the Council, the European Parliament and the European Economic and Social Committee of 29th November 2005 COM(2005), 620 final recommendations to the MSs, regarding the adoption of a code of conduct for non profit organisations, were formulated in order to promote transparency and accountability best practices.

²⁶ The term non-profit organisations refers to a legal entity or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social, or fraternal purposes. It can take on a variety of forms, depending on the jurisdictions; usually it includes entities like foundations, associations, charities, fundraising committee, community services organisations just to name a few.

5.

OBJECTIVES OF THE STUDY

This Study – which covers the 25 EU MSs and the 2 new MSs, Bulgaria and Romania²⁷ – had the following two objectives:

1. to analyse the cost-benefits from the introduction at the EU level of an up-front and ongoing disclosure system in the company/corporate field (from now on, Model 1) made up of the following five transparency requirements relevant to the fight against money laundering and other financial crime:
 - (i) a statutory duty on the registered owner of a shareholding of 10% or more of the issued capital of a private or public unlisted company to confirm to the company their beneficial ownership of such shares or, if not, details of whom they believe the beneficial owner to be; a statutory duty on beneficial but not registered owners of a shareholding of 10% or more to notify the company of such beneficial ownership;²⁸
 - (ii) a statutory duty on the registered and beneficial owners of 10% or more of the issued capital to notify any changes in details as and when they occur;
 - (iii) a statutory duty on the company to file such data with a central registry within a short (e.g. 14 day) period;
 - (iv) making such information available online to LEAs along with current and historic data on company shareholders and their managers/directors;
 - (v) making such data available to the public;
2. to highlight:
 - (i) the EU measures that may be appropriate in addressing those who aid and abet/facilitate corporate money laundering/terrorist financing arrangements, especially professional service providers, to contribute to a more effective deterrence or (if not) suitable punishment, and
 - (ii) any issues and approaches revealed in the study likely to help improve the regulation of charities, trusts, associations and foundations with regard to AML and CTF.

²⁷ The approved Study covered only the 25 EU MSs. Following a request formulated by the European Commission to Transcrime on the occasion of the kick off meeting of the Study held in Brussels on the 28th of September 2006, it was agreed that the contractor will make any effort to perform the cost benefit analysis on Bulgaria and Romania as well.

²⁸ On the occasion of the kick off meeting of the Study held in Brussels on the 28th of September 2006, it was agreed to slightly change the formulation of transparency requirements (i) and (ii) of MODEL 1. With this new formulation of transparency requirements (i) and (ii):

- each transparency requirement corresponds to a specific duty.
- each transparency requirement falls on both the beneficial and registered owner.

Part 1 (chapters 6 to 12) of this Report presents the results achieved with reference to objective 1 above. Part 2 of this Report presents the results achieved with reference to objective 2 above (chapters 13 to 16).

PART 1

FINDINGS FROM OBJECTIVE 1 (TO ANALYSE THE COST-BENEFITS FROM THE INTRODUCTION AT THE EU LEVEL OF AN UP-FRONT AND ONGOING DISCLOSURE SYSTEM IN THE COMPANY/CORPORATE FIELD)

6.

PRESENTING THE TWO MODELS, THE RELATIVE MATRIXES AND COST-BENEFIT ITEMS

6.1 TWO ALTERNATIVE BENEFICIAL OWNERSHIP DISCLOSURE SYSTEMS

The current debate points out how the most significant feature of the use of corporate vehicles for money laundering purposes is the hiding of the beneficial ownership. Despite the positive role that companies have in the growth of a national economy, it is a matter of fact that company entities may be used for laundering criminal proceeds. When this happens, the first concern of criminals is to conceal their identity behind the 'corporate veil'.

Laundering schemes that conceal criminal funds within the normal activity of an existing business or company have several advantages for the launderer. For example, when using a regulated corporate vehicle, the launderer can transfer funds without triggering the suspicion that might arise in the case of a personal account, especially when the transfer is to or from another jurisdiction, or in a different currency. However, the most important advantage is probably the possibility of concealing links, in terms of ownership or control, between the criminal and the company by means of company ownership structures. These structures make the identification of the real beneficial owner a difficult task. A recent Study published by FATF (2006a) cites three types of ownership which constitute "a special challenge to determining beneficial ownership of a corporate vehicle", even though they may also serve legitimate purposes. They are: ownership through corporate shareholders, ownership through nominee shareholders and ownership through bearer shares.

As a result, "it is essential that the competent authorities be in a position to obtain and share information regarding the identification of companies and their beneficial owner(s) in order to prevent and punish money laundering" (FATF, 2006a: 5). The key issue for national authorities which are responsible for the prevention of the misuse of corporate vehicles for illicit purposes is therefore the availability of information on companies and their beneficial owners. Making this information accessible to the competent authorities implies the implementation of a set of transparency requirements in the company/corporate field. First of all, any regulation dealing with improved dissemination of corporate information for anti-money laundering purposes must ensure the disclosure of company data concerning beneficial owners. This is a crucial step for enhancing the degree of transparency in the corporate field and financial sector. Once disclosed, information about beneficial ownership must be kept up to date and recorded for a certain period of time. This implies ongoing monitoring of company shareholding. Obviously, the competent authorities, in particular, Financial Intelligence Units and Law Enforcement Agencies, must have rapid access to this information when necessary for their anti money laundering investigations. Finally, any regulation should envisage making information on beneficial ownership available to the public in order to facilitate the identification of criminals.

These transparency requirements – namely, the disclosure of information about beneficial ownership, up to date information, record keeping,

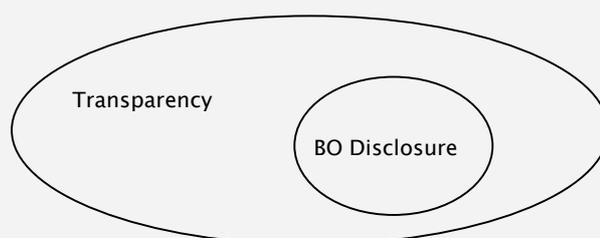
reporting and making information available to the public – have been identified as constituting a basic framework for regulations aimed at combating money laundering in the company/corporate field. Obviously, different regulation models may distribute responsibilities differently. This is quite a delicate point because any new regulation may imply additional duties for some categories, thus triggering additional costs, while, on the other hand reducing obligations, and relative compliance costs, for other categories. This Study focuses on the costs and benefits arising from the implementation of two different systems for the ascertainment of the true beneficial ownership of a corporate entity, or more specifically, of a private or public unlisted company.²⁹ Each of these systems assigns different duties to different sectors in relation to the transparency requirements described above.

²⁹ This means that Objective 1 of the Study (i.e. the Cost Benefit Analysis) doesn't consider other corporate vehicles such as trusts or foundations.

BOX 1: The Disclosure of Companies' Beneficial Ownership

What does really 'disclosure' mean? Which activities have to be considered part of the process of disclosure of the beneficial ownership of a company? Disclosure refers to the activity of "revealing or making something evident/known".³⁰ It does not entail only the activity of collecting information: it foresees also the activity of elaborating, analysing, verifying the information and then communicating it. In this sense, a disclosure process encompasses three stages: collecting inputs, elaborating inputs, producing output. Inputs and output of the process are both information; specifically, Beneficial Ownership information. Thus a disclosure process implies an information flow.

Beneficial ownership disclosure is the first step, and the necessary condition, to achieve 'transparency' in the market. So it is crucial to stress here that the two concepts of 'beneficial ownership disclosure' and 'transparency' do not have just some degree of overlapping, but the latter includes, and involves, the former. Here 'transparency' is intended in its broader meaning, i.e. the situation in which each agent (individual, company or authority) has perfect information (including information about beneficial ownership) about all the other agents acting in the market.³¹ So, transparency depends not only on the availability of beneficial ownership information outside the company (what is described above as 'output'), but also on the level of dissemination of this information and on the mechanisms of information exchange between individuals, companies, authorities and all other agents acting in the market. In other words BO disclosure is a necessary but not sufficient condition for transparency to be achieved and, since this Study focuses on the costs and benefits arising from the implementation of two different beneficial ownership disclosure models, it does not aim at detecting and calculating all the costs and benefit items that should be taken into consideration to assure the 'transparency' of the market as a whole, but only those necessary to assure beneficial ownership disclosure in each model.



As explained above, a disclosure process implies an information flow. Both the models considered in the Study entail this information flow.

In the **intermediary-based BO disclosure system** (Model 0), embodied in the Third EU AML Directive, two different subjects took part in the BO disclosure process: intermediaries and a Financial Intelligence Unit (FIU)/Law Enforcement Agency (LEA). Intermediaries have the duty to "identify, where applicable, the beneficial owner",³² on a risk-sensitive basis,³³ and to "verify his identity" by taking "adequate measures to

³⁰ The Oxford Dictionary (1994).

³¹ In Economic Theory, perfect information is a crucial assumption (among others) for achieving a perfect competition general equilibrium. See, for instance: Arrow and Debreu (1954).

³² Directive 2005/60/EC, art. 8, par. 1 (b).

³³ Directive 2005/60/EC, art. 8, par. 2.

understand the ownership and control structure of the customer”;³⁴ the activity of disclosing BO will be exhausted by collecting BO information in an internal database and by filing BO information to the competent authorities. Intermediaries can use different input sources: client documentation, company registries, media/internet and so forth.³⁵ As regards the output, BO information is filed by intermediaries on request by the same FIU/LEA and/or through the activity of reporting suspicious transactions (STR filing) that have been recognized as at a high risk of being exploited for money laundering purposes.³⁶

As for the new **upfront and ongoing disclosure system** (Model 1), the duty to disclose private and public unlisted companies Beneficial Owner rely on the same BO and on the same companies.³⁷ This information must be communicated to the competent authorities, to the intermediaries, to the market and the wider public by filing in a central public registry. As regards BO information verification and analysis, besides the action of the competent authorities, a role of the Central Registry could be recognized, even if not specified by the Model 1 framework.

6.1.1 Intermediary based system of disclosure envisaged by the Third Directive (Model 0)

The first system of beneficial ownership disclosure is embodied in the Third EU Anti Money Laundering Directive (Directive 2005/60/EC, hereafter only ‘Third Directive’). The diagram presented in the Figure below shows how the flow of information concerning beneficial ownership is made available to the competent anti-money laundering authorities.

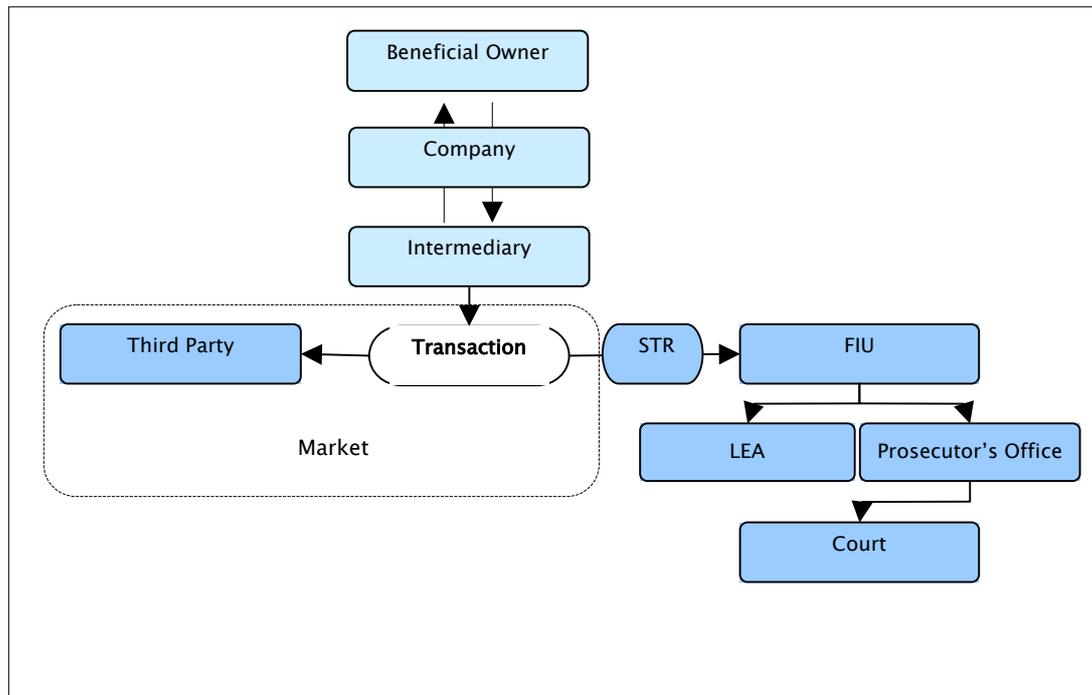
³⁴ Directive 2005/60/EC, art. 8, par. 1 (b).

³⁵ For a detailed list of the data sources that can be used by intermediaries in the BO disclosure process see section 9.1.

³⁶ It is evident that the intermediary-based BO disclosure process implies an active and responsible role for the intermediary, required not to act as a simple receiver/user of BO information provided by other subjects/data sources, but as a collector/investigator of those information and as a responsible detective capable to understand and inform, on the basis of own risk assessment exercises, every time a transaction or customer appear at risk of being exploited for money laundering purposes.

³⁷ See chapter 6, section 6.1 and 6.2 for a description of Model 1.

Figure 6.1: Intermediary disclosure system (Model 0) – information flow



This disclosure system envisages reliance primarily on financial and business intermediaries³⁸ in order to obtain information about the beneficial ownership and control of companies. Intermediaries are in fact required to identify, before establishing a business relationship or conducting a transaction, the natural person(s) who ultimately own(s) or control(s) their customer (when the customer is a private or public unlisted company) and/or the natural person on whose behalf a transaction or activity is being conducted.³⁹ This means that, according to this first system of disclosure, an intermediary has not only the duty to collect all the information already required by law on the corporate entity that has become his client, but also, to verify the identity of the beneficial owner of such a private or public unlisted company. The Third Directive provides a definition of what is meant by the term ‘beneficial owner’:

*“(i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership or control over a sufficient percentage of the shares or voting rights in that legal entity, including through bearer share holdings, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards; a percentage of 25% plus one share shall be deemed sufficient to meet this criterion”.*⁴⁰

³⁸ These are as follows: credit institutions; financial institutions; auditors, external accountants and tax advisors; notaries and other independent legal professionals; trust and company service providers; estate agents; money service businesses, including bureaux de change; dealers and auctioneers in high-value goods; casinos.

³⁹ Directive 2005/60/EC, art. 8, par. 1 (b) and (c).

⁴⁰ Directive 2005/60/EC, art. 3, par. 6.

Therefore, in this first system of beneficial ownership disclosure, the ownership of 25% of the shares of a public or private unlisted company is deemed as a sufficient threshold to be considered the beneficial owner. More specifically, 25% shareholding is the only objective criteria provided by the regulation that can be used in order to identify the beneficial owner of a given company.

One of the most important innovations of the beneficial ownership disclosure system embodied in the Third Directive is the introduction of a risk-based approach.⁴¹ According to this approach, financial and business intermediaries covered by the Directive can apply different kinds of customer due diligence “on a risk-sensitive basis”⁴² depending on the type and the level of risk assessed of customer, business relationship, product or transaction.

BOX 2: The Risk Based Approach (RBA)

With the introduction of the Third European Directive on Anti-Money Laundering (Directive 2005/60/EC) for the first time intermediaries apply, in identifying their clientele, a risk-based approach: “risk-based and adequate measures”⁴³ must be taken both in verifying the identity of their clients’ beneficial ownership, and in understanding the customer’s ownership and control structure.⁴⁴

Depending on “the type of customer, business relationship, product or transaction”,⁴⁵ each transaction/customer is assigned by intermediaries with an assessment of the risk of being exploited for ML purposes; on the basis of this risk-sensitiveness,⁴⁶ different kinds of customer due diligence are applied: in the case of low risk of money laundering,⁴⁷ a simplified customer due diligence can be applied; on the other hand, in situations entailing a high risk of money laundering,⁴⁸ enhanced customer due diligence is required.

The introduction of the RBA, if on the one hand it could give the money launderers some opportunities to avoid a strict customer due diligence, on the other hand it invests intermediaries with a more active and responsible role in the AML fight, since they are asked to decide which operation/transaction is effectively risky in terms of ML, and which operation/transaction is not. In this sense, the introduction of RBA could contribute to reduce the perception of AML legislation as an obligation, a

⁴¹ Directive 2005/60/EC, art. 8, par. 2.

⁴² Directive 2005/60/EC, art. 8, par. 2.

⁴³ Directive 2005/60/EC, art. 8, par. 1 (b).

⁴⁴ Directive 2005/60/EC, art. 8, par. 1 (b).

⁴⁵ Directive 2005/60/EC, art. 8, par. 2.

⁴⁶ Directive 2005/60/EC, art. 8, par. 2.

⁴⁷ Directive 2005/60/EC, art. 11.

⁴⁸ Directive 2005/60/EC, art. 13. The Directive specifies three cases in which enhanced customer due diligence is always required: (i) when the client is not physically present for identification purposes; (ii) In respect of cross-frontier correspondent banking relationships with respondent institutions from third countries; (iii) In respect of transactions or business relationships with politically exposed persons residing in another Member State or in a third country.

burden, an obstacle to the efficiency of the intermediaries' activity, and to improve the intermediaries' awareness of the importance of the anti money laundering fight.⁴⁹

But how does the Risk Based Approach impact on the process of disclosure of companies' beneficial ownership? And how does this Study take into account the Risk Based Approach?

It has been assumed that the costs of the BO disclosure process carried out by intermediaries could vary depending on the number of high-risk and low risk transactions: the use of a simplified customer due diligence could trigger a reduction in BO disclosure costs, while, in the cases of enhanced customer due diligence,⁵⁰ an increase in the costs related to BO disclosure has been assumed.⁵¹

We must also remember that the introduction of the Risk Based Approach could result in a customization of the BO disclosure procedures within each intermediary, with AML processes tailored to the size and structure of the intermediary firm and on the typology of his clients.⁵² It is easy to understand that the lack of standardization of a BO disclosure procedure poses additional problems in assessing the costs of BO disclosure systems.

In order to assess the costs of the two BO disclosure models – and in particular of Model 0 – as a function of the risk level, i.e. the number of high-risk and low-risk transactions advised and conducted by the intermediaries, this Study has decided to adopt itself a Risk Based Approach, carrying out the Cost Benefit Analysis under different risk-scenarios, so as to assess how costs vary depending on the typology and the risk level of the transaction/customer. The results of this Risk Based Cost Benefit Analysis can be found in the Sensitivity Analysis.⁵³

Again according to the Third Directive,⁵⁴ intermediaries have the duty to conduct ongoing monitoring of their business relationship with their clients and to ensure that the documents, data or information they possess are kept up to date. In addition, all the documents and information necessary as proof of evidence required of their customer must be kept in an internal database⁵⁵

⁴⁹ "A number of firm in the financial sector do anti money laundering not because they understand and support its rationale, but simply because they are required to follow it, initially by law and now also by the regulator. And many find it easiest to follow the [AML requirements] note by note, treating them as a prescriptive obligation", Philip Robinson, sector leader of the Financial Crime team at the FSA, the Financial Services Authority in UK. In Ernst & Young, Financial Crime Regulatory Team, AML Alert Newsletter, 05/06.

⁵⁰ Directive 2005/60/EC, art.13. The Directive specifies three cases in which enhanced customer due diligence is always required: (i) when the client is not physically present for identification purposes; (ii) In respect of cross-frontier correspondent banking relationships with respondent institutions from third countries; (iii) In respect of transactions or business relationships with politically exposed persons residing in another Member State or in a third country.

⁵¹ For example, it could be expected that an international bank is likely to face significant costs related to the Third Directive risk based approach because typically have a non personal customer base, with customer companies often located in overseas jurisdictions: all categories that fall in the high risk area.

⁵² See Box 2.

⁵³ See chapter 11.

⁵⁴ Directive 2005/60/EC, art. 8 par. 1 (d).

⁵⁵ Directive 2005/60/EC, art. 30.

for a period of at least five years following the transaction or the end of the business relationship. Access to such data for the purpose of investigating illicit activities is granted to the competent authorities but not to the public.

As shown in Figure 6.1, in this first system of beneficial ownership disclosure, intermediaries are charged with two difficult tasks. They are supposed not only to collect the necessary information on the beneficial owners of the private or public unlisted companies that are their customers, but also to decide whether a transaction carried out by such companies might be suspected of money laundering. When an intermediary suspects that money laundering is being or has been committed or has been attempted he has the duty to transmit⁵⁶ a Suspicious Transaction Report (STR) to the national Financial Intelligence Unit. An STR is a communication stating that a transaction carried out by one of the intermediary's clients presents sufficient anomalies to be considered as an attempt to launder criminal proceeds. The STR must also provide information on the beneficial ownership of the client.

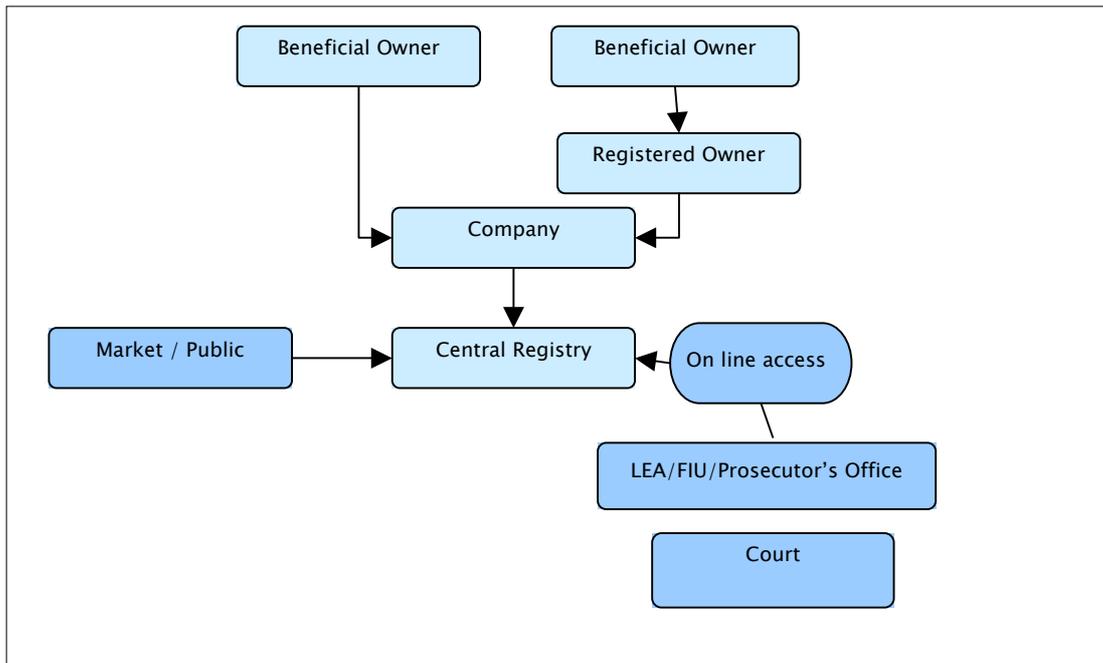
6.1.2 The new upfront and ongoing disclosure system (Model 1)

The first disclosure system described so far, embodied and described in details in the Third Directive, will now be compared with a second system of beneficial ownership disclosure, a hypothetical disclosure system that relies primarily on an up front extensive disclosure of beneficial ownership information to the authorities (OECD, 2001: 9). As showed in Figure 6.2, the flow of information in this second disclosure system has a national Central Registry as its final destination. Transcrime has identified the Central Registry as a given country's national Companies Registry where data on companies and their shareholders is usually recorded at the moment of the setting up of a new business, and where such data is stored for a certain period of time. According to this new hypothetical disclosure system, the duty to disclose is assigned to the actual beneficial owner of a public or private unlisted company, who should notify details of his/her ownership to the company itself. In contrast to the first system, in this second system of beneficial ownership disclosure, the ownership of 10% of the shares of a public or private unlisted company is deemed to be a sufficient threshold in order to be considered the beneficial owner. However, it may happen that the real beneficial owner is not registered as a shareholder of the company he/she actually owns or controls. This is the reason why any registered shareholder of 10% or more of the issued capital of a private or public unlisted company is charged with the duty of confirming the beneficial ownership of such shares. When the registered shareholder does not coincide with the beneficial owner of such shares, and, for example, he or she is only a nominee shareholder hiding the identity of the real beneficial owner, the registered shareholder must provide details concerning who he believes the beneficial owner to be. Thus, whether obtained directly from the real beneficial owner or indirectly from a registered shareholder, the information on beneficial ownership is collected by the company. Moreover, both the registered shareholder and the beneficial owner of 10% or more of the issued

⁵⁶ Directive 2005/60/EC, art. 22, par. 1 (a) and (b).

capital have a duty to notify any changes in their shareholding as and when they occur. The last step is the filing of beneficial owners' data to the national Companies Registry within a short period of time that must be carried out by each company. The accuracy and the timely updating of the data collected in the Companies Registry is a crucial factor determining the effectiveness of this second system of beneficial ownership disclosure.

Figure 6.2: Upfront disclosure system (Model 1) - Information flow



As shown in the Figure above, according to this upfront disclosure system all the information on beneficial ownership filed by companies to the Central Registry must be made available online to Law Enforcement Agencies. In contrast to the intermediary disclosure system, public access must be guaranteed to all data contained in the Central Registry.

The table below summarizes the main differences between the two beneficial ownership disclosure systems discussed here.

	Intermediary based BO disclosure system (Model 0)	New upfront BO disclosure system (Model 1)
BO shareholding threshold:	25% shares	10% shares
Type of disclosure	Intermediary based disclosure	Self disclosure
BO identification approach	Risk-based approach	Systematic disclosure approach
BO data keeping in:	Intermediaries' internal database	Publicly accessible registry

BOX 3: Quantity, quality and truthfulness of BO information

Information about companies' Beneficial Ownership could be considered both in terms of quantity and quality. Both quantity and quality of BO information are important in the sense that they influence the activities performed by the subjects involved in the disclosure process (companies, intermediaries, law enforcement agencies, governments, the market agents) thus impacting on the costs and benefits related to the same activities.

Information could be considered in terms of quantity, because some factors, such as stricter disclosure requirements or an increase in the number of companies subjected to BO disclosure requirements, can increase the amount of BO information exchanged within the BO disclosure process (see Box 1). In this sense, as will be explained in detail in section 7.1.2 (specifically in the description of sensitive variables Y1 and Y10), it has been assumed that in Model 1 the quantity of BO information exchanged is greater than in Model 0 due to fact that, under Model 1, the definition of "beneficial owner" includes a larger number of shareholders than under Model 0, thus increasing the number of "beneficial owners" for a given and fixed number of companies.

BO information could also be considered in terms of quality. What does "quality of BO information" really mean? It could refer to the level of accuracy and truthfulness of information. It is clear that information that is not sufficiently accurate must be processed, checked, refined so as to be considered reliable by the subjects who manage it. Is BO information under Model 1 more accurate than in Model 0? The Study assumes that, at the end of the disclosure process as defined in Box 1, the quality of information is the same in both the models. This assumption was necessary due to fact that neither Model 0 nor Model 1 gives details of the level of quality, accuracy and truth of the information exchanged in the BO disclosure process.

As a result, our Study assumes that only the variations in the quantity of information about companies' BO could exert some influence on the activities carried out by the subjects involved in the process.

However it has to be noted here, that the quality of BO information could impact substantially on the efficiency and effectiveness of a BO disclosure process. In this sense, the results of our Study should be complemented by and considered in the light of a more thorough debate on the quality of information exchanged under Model 0 and Model 1, which debate is not the aim of this Cost Benefit Analysis.

In particular attention should be devoted to the quality of BO information recorded in the Central Registry foreseen by Model 1. In fact, depending on the level of accuracy and truth of this information, costs of verifying the information could arise for those accessing the registry, especially intermediaries, law enforcement agencies and financial intelligence units.

BOX 4: How and Why should a Cost Benefit Analysis be made

It is important to clarify at the very beginning of the Study what is the purpose of a Cost–Benefit Analysis (CBA) and the main parts composing this kind of exercise.

The very nature of a CBA is to compare probable outcomes of alternative courses of action in order to help decision–making. CBAs always compare options, one of which may even be the status quo. In this sense, CBA deals with additional costs and benefits, measures spreads, estimates variations and does not take into account costs or benefits which are common to the alternatives compared.

This CBA, in particular, aims at comparing additional costs and benefits arising from a new proposal for a beneficial ownership disclosure system (Model 1) with those arising from the most recently approved regulation at EU level in the field of anti–money laundering, namely the Third EU Anti Money Laundering Directive (Model 0). Therefore Model 0 represents the benchmark that policy makers have to take into account when considering whether or not to implement the new BO disclosure system described in Model 1, or part of it. In this sense this CBA is mainly a technical tool on which policy makers can rely during the decision making process.

Given that there are no fixed rules on how to conduct a CBA, it is helpful to mention the sequence of steps that has been followed in this CBA exercise:

1. Defining the **options considered** in a way that allows fair comparison (section 6.2).
2. Defining the **areas of incidence** for which costs and benefits are assessed (section 6.3).
3. Defining the **formal structure** of the CBA. This means two distinct activities. The first implies identification, per each of the options considered, of a set of cost and benefit items describing the incremental effects hypothesized for each option (sections from 6.3 to 6.11 and annex A). The second implies the definition of how each cost and benefit item will be either computed (for those items that can be measured) or qualitatively expressed (for those items that cannot be measured); see section 7 and annex C.
5. Gathering the necessary **data** to perform the calculations and express qualitative assessments (section 8, annex B and E).
6. Performing the CBA and present the **main findings** (section 9 and 10, annex D).
7. Carrying out a **sensitivity analysis** on those variables that show a higher level of uncertainty and exert a stronger influence on the results (section 11).

6.2 EXPRESSING THE TWO BENEFICIAL OWNERSHIP DISCLOSURE SYSTEMS IN COMPARABLE TERMS: MODEL 0 AND MODEL 1

The aim of this Study is to compare the two systems of beneficial ownership disclosure presented in paragraph 6.1 in terms of the costs and benefits that may arise from their implementation. Carrying out a Cost-Benefit Analysis means, first of all, defining the two options in a way that allows fair comparison. Therefore, both the intermediary disclosure system embodied in the Third Directive and the new up front disclosure system of beneficial ownership presented above have been expressed in the form of five duties. The five duties have been identified in each of the two beneficial ownership systems on the basis of the following five transparency requirements:

1. the duty to disclose the beneficial ownership of private and public unlisted companies;
2. the duty of ongoing monitoring and updating of information on beneficial ownership;
3. the duty of keeping records on beneficial ownership;
4. the duty to make information on beneficial ownership available to Financial Intelligence Units (FIUs)/Law Enforcement Agencies (LEAs);
5. the duty to make the information on beneficial ownership available to the public.

The results of this comparison exercise based on the five key duties are given in the Table below. The two disclosure systems expressed in this schematic way have been defined as Model 0 and Model 1, where Model 0 is the system of beneficial ownership disclosure embodied in the Third Directive and Model 1 is the new hypothetical upfront disclosure system. This definition of the two beneficial ownership disclosure systems as Model 0 and Model 1 is used throughout the Cost Benefit Analysis.

Table 6.1: Comparing Model 0 and 1 with reference to five key duties of the disclosure system of beneficial ownership of private and public unlisted companies

TRANSPARENCY REQUIREMENTS	MODEL 0	MODEL 1
1. <i>Duty to disclose the beneficial ownership of private and public unlisted companies</i>	A statutory duty on financial and business intermediaries, when dealing with private or public unlisted companies, (i) to identify, before establishing a business relationship or conducting a transaction, the natural person(s) who ultimately owns or controls their customer, both through direct or indirect ownership or control over 25% of the shares or voting rights of the company, including through bearer share holdings, and (ii) to obtain information on the purpose and intended nature of the business relationship. Financial and business intermediaries may determine the extent of such measures on a risk-sensitive basis depending on the type of customer, business relationship, product or transaction.	A statutory duty on the registered owner of a shareholding of 10% or more of the issued capital of a private or public unlisted company to confirm to the company their beneficial ownership of such shares or, if not, details of whom they believe the beneficial owner to be; a statutory duty on beneficial but not registered owners of a shareholding of 10% or more to notify the company of such beneficial ownership.
2. <i>Duty of ongoing monitoring and the updating of information on beneficial ownership</i>	A statutory duty on financial and business intermediaries to conduct ongoing monitoring of the business relationship and to ensure that the documents, data or information held are kept up to date.	A statutory duty on the registered and beneficial owners of 10% or more of the issued capital to notify any changes in details as and when they occur.
3. <i>Duty of keeping records on beneficial ownership</i>	A statutory duty on financial and business intermediaries to keep the following documents and information for a period of at least five years following the carrying-out of transactions or the end of the business relationship: (i) a copy or the references of the evidence required of the customer, (ii) the supporting evidence and records of business relationships and transactions.	A statutory duty on the company to file such data with a central registry within a short (e.g. 14 day) period.
4. <i>Duty to report the information on beneficial ownership to Financial Intelligence Units/Law Enforcement Agencies</i>	A statutory duty on financial and business intermediaries to cooperate fully: (i) by promptly informing the FIU, on their own initiative, where the institution or person covered by this Directive knows, suspects or has reasonable grounds to suspect that money laundering or terrorist financing is being or has been committed or attempted; (ii) by promptly furnishing the FIU, at its request, with all necessary information, in accordance with the procedures established by the applicable legislation.	A statutory duty to make such information available online to LEAs along with actual and historic data on company shareholders and their managers/directors.
5. <i>Duty to make the information on beneficial ownership available to the public</i>	Not specified.	A statutory duty on the company to make such data available to the public.

6.3 MATRIXES OF COST AND BENEFIT ITEMS FOR MODEL 0 AND MODEL 1

6.3.1 Introduction

After presenting Model 0 and Model 1 BO disclosure systems, Transcrime has identified, for each Model, the related cost and benefit items on which to perform the Cost Benefit Analysis.

As regards Model 0 BO disclosure system, 39 cost items and 16 benefit items have been identified; as regards Model 1, 20 cost items and 12 benefit items have been identified. All the cost and benefit items involved in the Study are listed in the following matrixes,⁵⁷ where they have been grouped by 'area of incidence'.

The term 'area of incidence' refers to a specific category or subject or institution on which the introduction of the two BO disclosure models is supposed to impact significantly in terms of costs and benefits. Transcrime has identified 8 areas of incidence, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals, Businesses, Wider Cost and Benefits, European Union and Member States, Human Rights and Data Protection.⁵⁸

These 8 areas of incidence are supposed to provide a good proxy of the entire national system; this means that assessing costs and benefits from the introduction of Model 0 and Model 1 BO disclosure provisions for the eight areas should assure a comprehensive estimate of the impact of the two Models on the country and, at aggregate level, on European Union.

In the following matrixes, besides having been grouped per area of incidence, cost and benefit items have been divided into direct costs/benefits and indirect costs/benefits. The classification direct/indirect refers to the way costs and benefits impact on the subjects represented in the respective area of incidence.⁵⁹ Direct costs and benefits have usually, but not

⁵⁷ The matrixes were finalised with the members of the Study's Steering Group, as well as with selected experts from the five categories identified in the TOR; see Acknowledgements.

⁵⁸ The areas of incidence identified in the approved Study were the following eight: i.e. (1) cost and benefits to government; (2) cost and benefits to LEA activity; (3) costs and benefits to individuals of filing and forwarding disclosures; (4) costs and benefits to businesses of filing and forwarding disclosures; (5) asset recovery costs and benefits; (6) wider costs and benefits; (7) costs and benefits to the EU and MSs in fulfilling international treaty obligations; (8) costs and benefits in terms of human rights and data protection.

Following a proposal made by Transcrime on the occasion of the kick off meeting of the Study held in Brussels on the 28th of September 2006, it was agreed to amend them as follows:

- to add the area of incidence 'intermediaries'. The rationale behind this choice is that in the system of the third AML directive (MODEL 0) intermediaries are charged with the duty to disclose beneficial ownership. Its inclusion into the Study was therefore regarded as essential in order to have a complete calculation of the costs and benefits arising from the two Models;
- to reposition the area of incidence 'asset recovery', so as to redistribute asset recovery costs and benefits on the remaining areas of incidence, in particular on the area of incidence 'government'. The rationale behind this choice is that asset recovery is not actually an area of incidence but simply an action that someone in the anti-money laundering framework has to perform.

⁵⁹ In particular:

necessarily, been quantified and expressed in monetary terms; whilst indirect costs and benefits haven't usually been quantified and expressed in monetary terms.

It should be remembered that cost and benefit items could also be grouped in relation to the five transparency requirements presented in paragraph 6.1, table 6.1. Each cost and benefit item, besides relating to a particular area of incidence, also refers to a specific transparency requirement. In Annex A cost and benefit items are grouped in ten different matrixes, the first five representing the five transparency requirements of Model 0 and the remaining referring to the five transparency requirements of Model 1.

In order to make it immediately evident which BO disclosure Model is relevant and to which area of incidence and to which transparency requirement a cost or benefit item is related, each item has been assigned a single unique code. In the following Box a complete explanation of how to interpret the items code is provided.

However, after presenting Model 0 and Model 1 cost and benefit items matrixes, a detailed description of each item is provided. Sections 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11 provide detailed information for each cost and benefit item, grouped per area of incidence.

BOX 5: How to read matrixes and item codes

Areas of incidence are indicated in the leftmost column of the matrix with an abbreviated name:

- (1) *Government* refers to “Costs and Benefits to Government”;
- (2) *LEA* refers to “Costs and Benefits to Law Enforcement Agency Activity”;
- (3) *Intermediaries* refers to “Costs and Benefits to Intermediaries”;
- (4) *Individuals* refers to “Costs and Benefits to Individuals of filing and forwarding disclosures”;
- (5) *Businesses* refers to “Costs and Benefits to Businesses of filing and forwarding disclosures”;
- (6) *Wider costs and benefits* refers to “Wider Costs and Benefits”;

-
- *direct costs* have a direct, negative impact on the “balance sheets” of the subjects represented in the respective area of incidence, through an increase in operating costs. Direct costs include the costs of establishing and running Model 0 and Model 1 in terms of human, financial and material resources;
 - *indirect costs* are costs which could potentially and indirectly have a negative impact on the subjects represented in the areas of incidence, for example by a decrease in future sales or income or by an increase in prices and fees. Indirect costs also include negative effects on competition, market concentration and unfair costs, which refer to the disproportionate concentration of the above costs on certain individuals or groups;
 - *direct benefits* impact directly and positively on the “balance sheet” of the subjects represented in the respective area of incidence by an increase in revenues or a reduction of operating costs;
 - *indirect benefits* are benefits which could potentially and indirectly have a positive impact on the subjects represented in the areas of incidence, but usually only if certain conditions occur.
-

(7) *EU and MS* refers to “Costs and Benefits to the European Union and Member States”;

(8) *Human rights and data protection* refers to “Costs and Benefits in terms of Human Rights and Data Protection”.

A **single unique code** has been assigned to each cost and benefit item in both Model 0 and Model 1. The item code provides information on the Model, the transparency requirement and the specific area of incidence the cost/benefit item belongs to, and information on whether the item has to be considered a direct or an indirect cost/benefit. It was deemed necessary to assign each cost and benefit item a unique code in order to:

- a) organise systematically a huge number of items, indicators, variables and data which would otherwise have been unwieldy;
- b) facilitate the future recall of cost and benefit items between different sections of the report and between different tables.

The first part of the code (one letter and one number) provides information on the Model the item belongs to. Therefore,

‘**M0**’ indicates the item belongs to Model 0;

‘**M1**’ indicates the item belongs to Model 1.

The second part of the code (one digit between 1 and 5) provides information on the transparency requirement the cost/benefit item belongs to. Therefore:

‘**1**’ indicates the item belongs to the first transparency requirement, namely “Duty to disclose the beneficial ownership of private and public unlisted companies”;

‘**2**’ indicates the item belongs to the second transparency requirement, namely “Duty of ongoing monitoring and the updating of information on beneficial ownership”;

‘**3**’ indicates the item belongs to the third transparency requirement, namely “Duty of keeping records on beneficial ownership”

‘**4**’ indicates the item belongs to the fourth transparency requirement, namely “Duty to report the information on beneficial ownership to Financial Intelligence Units (FIUs)/Law Enforcement Agencies (LEAs)”;

‘**5**’ indicates the item belongs to the fifth transparency requirement, namely “Duty to make the information on beneficial ownership available to the public”.

The third part of the code (one letter) provides information on the area/sub area of incidence the item belongs to:

‘**G**’ indicates the item belongs to the Government area of incidence;

‘**L**’ indicates the item belongs to the LEA area of incidence;

‘**F**’ indicates the item belongs to the FIU sub area of incidence (included in LEA area of incidence as will be explained below);

‘**I**’ indicates the item belongs to the Intermediaries area of incidence;

‘**B**’ indicates the item belongs to the Banks sub area of incidence (included in the Intermediaries area of incidence as will be explained below);

‘A’ indicates the item belongs to the Accountants sub area of incidence (included in Intermediaries area of incidence as will be explained below);

‘D’ indicates the item belongs to the Individuals area of incidence;

‘E’ indicates the item belongs to the Business area of incidence;

‘W’ indicates the item belongs to the Wider costs and benefits area of incidence;

‘U’ indicates the item belongs to the EU and MS area of incidence;

‘H’ indicates the item belongs to the Human rights and data protection area of incidence.

The fourth part of the code provides information on whether the cost/benefit item has to be considered a *direct* cost/benefit or an *indirect* cost/benefit item:

‘CD’ indicates the item has to be considered a *direct cost*,

‘CI’ indicates the item has to be considered an *indirect cost*,

‘BD’ indicates the item has to be considered a *direct benefit*,

‘BI’ indicates the item has to be considered an *indirect benefit*.⁶⁰

The fifth and last part of the code, represented by a number, indicates the position occupied by the cost/benefit item in the list of cost/benefit items present in the same area of incidence of the same transparency requirement matrix.

Thus, for instance, an indirect cost item belonging to the first transparency requirement of Model 0 in the Businesses area of incidence, and listed as the first of the direct costs present in the same category, is assigned with the following code:

MO_1_E_CD1

where, as explained above, ‘MO’ represents belonging to Model 0, ‘1’ to the First transparency requirement, ‘E’ to the area of incidence ‘Costs and benefits to businesses of filing and forwarding disclosures’, ‘CD’ to the category of direct costs and where the last ‘1’ represents the position occupied.

In some areas of incidence the row of direct or indirect benefit or cost is marked with “**not applicable**”. This expression means that no cost or benefit items can be identified for that particular area of incidence.

⁶⁰ The rationale beyond this classification between *direct* cost/benefit items and *indirect* cost/benefit items will be explained in the following pages.

Table: Matrix of Cost and Benefit Items of Model 0

Area of incidence	Direct/ Indirect	Costs	Benefits
Government	Direct	M0_4_G_CD1 Costs for persons convicted of Money Laundering M0_4_G_CD2 Costs for prosecution and sentencing M0_4_G_CD3 Costs of Asset Recovery	M0_4_G_BD1 Asset Recovery
	Indirect	M0_1_G_CI1 Decrease in tax revenues	M0_1_G_BI1 Increase in tax revenues
LEA	Direct	M0_4_F_CD1 STR analysis cost M0_4_F_CD2 FIU other costs M0_4_F_CD3 FIU training costs M0_4_L_CD1 LEA investigation costs	M0_4_F_BD1 BO data searching time saving
	Indirect	M0_4_F_CI1 Increase in FIU staff personnel costs	M0_1_L_BI1 Deterring intermediary connivance
Intermediaries	Direct	M0_1_I_CD1 BO identification costs	<i>not applicable</i>
		M0_2_I_CD1 BO data updating costs	
		M0_3_I_CD1 BO registration and record keeping costs	
		M0_1_B_CD1 Banks' training costs	
		M0_1_B_CD2 Banks' internal controls costs	
		M0_1_B_CD3 Banks' lobbying Costs	
		M0_3_B_CD1 Banks' ICT costs	
		M0_4_B_CD1 BO data addition to STR costs for banks	
		M0_4_B_CD2 STR sending costs for banks	
		M0_1_A_CD1 Accountants' training costs	
		M0_1_A_CD2 Accountants' internal controls costs	
		M0_1_A_CD3 Accountants' lobbying costs	
		M0_3_A_CD1 Accountants' ICT costs	
		M0_4_A_CD1 BO data addition to STR costs for accountants	
		M0_4_A_CD2 STR sending costs for accountants	

	Indirect	M0_2_I_CI1	BO data updating duplication costs	M0_1_B_BI2	Banks' clientele information benefits – Financial stabilisation
		M0_3_I_CI1	BO record keeping duplication costs	M0_1_B_BI3	Banks' clientele gain benefits
		M0_1_B_CI1	Banks' clientele loss costs	M0_1_B_BI4	Banks' reputational benefits
		M0_1_A_CI1	Accountants' clientele loss costs	M0_1_A_BI1	Accountants' clientele information benefits
				M0_1_A_BI2	Accountants' clientele gain benefits
				M0_1_A_BI3	Accountants' reputational benefits
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	<i>not applicable</i>	
	Indirect	<i>not applicable</i>		<i>not applicable</i>	
Businesses	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	M0_1_E_CI1	Business fiscal costs	M0_1_E_BI1	Reduction in unfair competition
		M0_1_E_CI2	Access to credit unfair costs	M0_1_E_BI2	Improvement in market efficiency
Wider cost and benefit	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	M0_5_W_BI1	Market transparency benefits
		M0_1_W_CI2	Market concentration costs		
		M0_5_W_CI1	Use of less transparent legal entities		
EU and MS	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	M0_1_U_CI1	EU internal dishomogeneity costs	M0_1_U_BI1	Capital inflows towards EU Member States
		M0_1_U_CI2	EU political costs		
		M0_1_U_CI1	Capital outflows towards Extra EU countries		
Human rights	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	M0_3_H_CI1	Clients privacy and data protection costs	M0_4_H_BI1	Increase % in persons prosecuted for ML

Table: Matrix of Cost and Benefit Items of Model 1

Area of incidence	Direct/ Indirect	Costs		Benefits	
Government	Direct	M1_3_G_CD1	Central Registry costs	M1_4_G_BD1	Asset Recovery
		M1_4_G_CD1	Cost for persons convicted of Money Laundering		
		M1_4_G_CD2	Costs for prosecution and sentencing		
		M1_4_G_CD3	Costs of Asset Recovery		
	Indirect	M1_1_G_CI1	Decrease in tax revenues	M1_1_G_BI1	Increase in tax revenues
LEA	Direct	M1_4_L_CD1	LEA investigation costs	<i>not applicable</i>	
		M1_4_L_CD2	BO data searching costs		
	Indirect	<i>not applicable</i>		<i>not applicable</i>	
Intermediaries	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	M1_1_B_BI1	Banks' clientele information benefits – Services quality
		M1_1_A_CI1	Accountants' clientele loss costs	M1_1_B_BI2	Banks' clientele information benefits – Financial stabilisation
			M1_1_B_BI3	Banks' clientele gain benefits	
			M1_1_A_BI1	Accountants' clientele information benefits	
			M1_1_A_BI2	Accountants' clientele gain benefits	
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	<i>not applicable</i>	
		M1_2_D_CD1	Not registered BO data updating costs		
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	M1_4_D_BI1	Benefits in terms of sharing liabilities against the company
Businesses	Direct	M1_2_E_CD1	BO data updating costs	<i>not applicable</i>	
		M1_3_E_CD1	BO record keeping and data filing to the Central Registry		
	Indirect	M1_1_E_CI1	Business fiscal costs	M1_1_E_BI1	Reduction in unfair competition
		M1_1_E_CI2	Access to credit unfair costs		
		M1_1_E_CI3	Employers/Industrial Association lobbying costs		
Wider cost and benefit	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	M1_5_W_CI1	Use of less transparent legal entities	M1_5_W_BI1	Market transparency benefits

EU and MS	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	M1_1_U_CI1	Capital outflows towards Extra EU countries	M1_1_U_BI1	Capital inflows towards EU Member States
Human rights	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	M1_5_H_CI1	Individuals' privacy and data protection costs	M1_4_H_BI1	Increase % in persons prosecuted for ML

BOX 6: The use of the statements of agreement/disagreement in assessing qualitative and quantitative cost benefit items

A set of questionnaires was sent to national experts to gather the data necessary to perform the CBA. Questionnaires asked the experts to provide data related to their entity or professional body but also to give their opinion on certain issues. The opinion was expressed by indication of a degree of agreement (or disagreement) with a specific statement. Each statement referred to a specific cost or benefit item, qualitative or quantitative, hypothesized for each of the two Models at the beginning of the Study.

But how have the results emerging from the opinions of the experts been used in the CBA?

Firstly, the expert opinions offered an important countercheck on whether a cost or benefit item hypothesized at the beginning of the Study was actually substantial or not. In this sense, the opinions of the national experts have been used initially to refine the Matrixes of cost and benefit items of Model 0 and Model 1.

For those cost and benefit items that have been included in the final Matrixes, the expert opinions on quantitative and qualitative items have been considered in differing manners.

As regards qualitative items:

The expert opinions gave a substantial contribution in determining the need for more investigation on the issue in that particular country. The opinions of the experts regarding each qualitative item in each country are reported in the final tables of Annex D

As regards quantitative items:

The statement of agreement (or disagreement) provided by the national expert contributed significantly as to whether to include or not the monetary value of the item in the calculation.

6.4 GOVERNMENT: COSTS AND BENEFIT ITEMS

6.4.1 Main Assumptions concerning the area of incidence

Many of the cost items for Government considered in Model 0 and in Model 1 derive from the likely increase in criminal justice expenditure that could arise from more effective anti–money laundering regulation. If, until now, the main problem in the fight against money laundering has been that hidden BO identity favours criminal activity, the implementation of any beneficial ownership disclosure system should therefore bring about an increase in the number of person prosecuted for money laundering across the European Union. For Government, this factor may trigger increased prosecution and sentencing and increased costs for persons convicted; moreover, additional legal fees may have to be met by the public sector in order to manage and recover the increased number of assets confiscated.

The increase in persons prosecuted and convicted, and the consequential increase in the assets recovered, depends on additional investigations being carried out concerning the real beneficial owners of private and public unlisted companies. Additional investigation costs have different explanation in the two Models. In Model 0, the key factor is the additional number of Suspicious Transaction Reports containing beneficial owners' data transmitted by intermediaries. As will be explained in paragraph 6.5.1, this assumption is subject to the varying roles that STRs play in different anti–money laundering systems.⁶¹ On the other hand, in Model 1, the key factor that could give rise to possible additional investigation costs is found in the higher level of corporate transparency obtained through the prompt communication of beneficial ownership data by companies to the Central Registry. If these data are correctly transmitted, kept up–to–date and made available to Law Enforcement Agencies, an increase in the number of investigations actually begun into money laundering may occur. In the framework of Model 1, there is another cost item that has been taken into account: the cost to Government of setting up the Central Registry where information concerning the beneficial owners of all companies is to be stored. Transcrime has identified the national Companies Registry Office as the entity more likely to be charged with this task. However, not all Companies Registry offices across the European Union have, at this time, an electronic registry that allows Law Enforcement Agencies on line access to company data. It is worth specifying that when this cost item has been calculated in the past it has been always attributed entirely to Government, even though Government is not the sole contributor of the Companies Registry Budget.

Finally, Government may face costs and benefits in terms of tax revenues. A core point envisaged by both Models is the easier identification of companies' beneficial owners by public authorities. This increase in transparency in the corporate field and in financial markets might have opposite effects. On the one hand, this might trigger an inflow of capital

⁶¹ "Certain FATF members had moderate numbers of STRs for a given period but a relatively high number of convictions for the money laundering offence. Other jurisdictions had higher numbers of STRs but showed relatively lower numbers of convictions" (FATF, 2002b: 26).

from extra-EU countries, due to advantages in terms of efficiency and performance arising from investment in a more transparent financial area. On the other hand, a certain amount of capital outflows might occur for opposite reasons. Capital with criminal origin or held by investors who look for anonymity is likely to leave the EU financial market with the implementation of any beneficial ownership disclosure system, thus triggering a decrease in tax revenues for Government. This is the logical consequence of the paradox that people pay taxes on investment financed with laundered money. These opposite effects will be analysed further when dealing with the intermediaries' area of incidence. However it was necessary to introduce the issue now in order to give an accurate overview of all Government cost and benefit items.

6.4.2 Cost Items for Model 0

Costs for persons convicted of Money Laundering

M0_4_G_CD1

The cost faced by Government per additional person convicted for money laundering according to the average sanction in terms of years of imprisonment foreseen by national law. As stressed above, the increase in persons convicted is assumed to be related to the increase in the number of investigations caused by additional STRs containing beneficial owners' data transmitted by intermediaries.

Costs for prosecution and sentencing

M0_4_G_CD2

Increase in the costs for prosecution and sentencing arising from the increase in the number of persons prosecuted for money laundering in the framework of Model 0.

Costs of Asset Recovery

M0_4_G_CD3

Legal fees and other costs related to the management and the recovery of the proceeds of crime confiscated from money launderers following the implementation of Model 0.

Decrease in tax revenues

M0_1_G_CI1

As assumed above, the implementation of Model 0 beneficial ownership disclosure requirements may trigger an outflow of capital from the given country. This represents an indirect cost for Government in terms of a potential decrease in tax revenues.

6.4.3 Benefit Items for Model 0

Asset Recovery

M0_4_G_BD1

Model 0 disclosure requirements results in an increase in STRs containing information on the actual beneficial owner transmitted by intermediaries to Law Enforcement Agencies, thus triggering an increase in the number of investigations carried out by financial police. It is assumed that there is a steady increase in the recovery of the proceeds of criminal activity in line with an increase in investigations and that efficiency remains constant.

Increase in tax revenues

M0_1_G_BI1

Government may benefit from the implementation of Model 0 transparency requirements in terms of tax revenues. On the one hand, the increased concealment costs and the duty of intermediaries to identify the beneficial ownership of their clients are incentives for individuals to increase their fiscal compliance. This is mainly because fiscal non compliance might be more easily detected. On the other, tax revenues may increase following an increase of the capital inflows due to the perception of the EU as a more transparent financial market.

6.4.4 Cost Items for Model 1

Central Registry costs

M1_3_G_CD1

Costs related to the Model 1 requirement according to which companies have the duty to file information on their beneficial ownership directly with a "Central Registry" to which LEAs have online access. As explained in 6.4.1, Transcrime supposes a scenario in which the national Companies Registry Office assumes the role of the "Central Registry" as described in Model 1. The "Central Registry" cost item also incorporates all those ICT costs that are to be faced by Government in order to implement the new integrated information sharing system foreseen by Model 1.

Costs for persons convicted of Money Laundering

M1_4_G_CD1

The same cost item as in Model 0 but with different motivation. The increase in persons convicted is related to the additional number of investigations triggered by the increase in beneficial owners' information available to LEA.

Costs for prosecution and sentencing

M1_4_G_CD2

As in Model 0, increased prosecution and sentencing costs arising from a rise in the number of persons convicted for money laundering in the framework of Model 1.

Costs of Asset Recovery

M1_4_G_CD3

As in Model 0, the objective of this cost item is to take in to account the legal fees and other costs related to the management and the recovery of the proceeds of crime confiscated from money launderers following the implementation of Model 1.

Decrease in tax revenues

M1_1_G_CI1

As in Model 0, the implementation of a regulation requiring beneficial ownership disclosure may trigger an outflow of capital from the country. The reasons are similar to those listed for model 0. Such capital outflows represent an indirect cost for Government in terms of a potential decrease in tax revenue.

6.4.5 Benefit Items for Model 1

Asset Recovery

M1_4_G_BD1

Model 1 disclosure requirements trigger an increase in the information on beneficial ownership of PPUc directly available to Law Enforcement Agencies, thus generating an increase in the number of investigations carried out by financial police. As in the case of Model 0, in Model 1 it is assumed there will be a steady increase in the recovery of the proceeds of crime in line with the increase in the number of investigations and that efficiency in both processes will remain constant.

Increase in tax revenues

M1_1_G_BI1

Benefit arising to Government from the implementation of Model 1 transparency requirements in terms of tax revenues. The reasons are similar to those cited for Model 0: an increase in fiscal compliance and in capital inflows from extra EU countries.

6.5 LEA: COSTS AND BENEFIT ITEMS

6.5.1 Main Assumptions for the area of incidence

In the Law Enforcement Agency area of incidence, the costs and benefits arising from the two models have been represented for both Law Enforcement Agencies (LEA) and Financial Intelligence Units (FIU).

In their simplest form, FIUs are central national agencies responsible for three main tasks: receiving suspicious transactions reports (STRs)⁶² from financial institutions and other persons and entities obliged by law, analysing these reports, and disseminating the resulting information to the competent authorities, i.e. law–enforcement agencies, national Prosecutors or foreign FIUs. The core functions of FIUs give them a key role in a system requiring beneficial ownership disclosure on the part of intermediaries, as in Model 0. In Model 1, however, where reporting entities are not charged with the duty of identifying the real beneficial owner and with the transmission of disclosures, FIUs do not face additional costs or receive benefits.

The choice of considering the two entities in the same area of incidence when analysing costs and benefits of Model 0 was made for two main reasons. Firstly, in some EU Member States, the FIU has been established within an already existing law enforcement–type agency,⁶³ thus making difficult to separate the costs and benefits to FIU from their spillovers to the Authority in which the FIU operates. Secondly, as remarked above, FIUs and LEAs participate in the same information flows in Model 0 disclosure system, with FIUs acting as a buffer between intermediaries and Law Enforcement Agencies, carrying out a first analysis of the suspicious transaction reports received and then filing part of them with the competent authorities.

While every country has a single FIU, in many EU Member States more than one law enforcement agency is responsible for enforcement in the areas of drugs, terrorism and other serious crimes. For the purposes of this Study Transcrime decided to contact one agency per country⁶⁴ and calculate costs and benefits considering data provided by the selected agency as a proxy for the total law enforcement costs and benefits. Since law enforcement agencies usually with many different kinds of crime, Transcrime has tried to separate

⁶² Suspicious transaction reports may assume different names in different jurisdictions: STR (Suspicious Transaction Report), SAR (Suspicious Activity Report) or Unusual Transaction Reports. Although the issue is not clear at international level, all those names can be referred to the same kind of reporting.

⁶³ FIUs may assume different nature in different countries. A recent Study from IMF and World Bank tries to make a typology: “The wide variety of arrangements for FIUs may be summarized under four general headings: the administrative–type FIU, the law–enforcement–type FIU, the judicial– or prosecutorial–type FIU, and the “mixed” or “hybrid” FIU. It should be emphasized, however, that such classification is, to a certain degree, arbitrary and that other ways of classifying FIUs are possible” (International Monetary Fund, 2004). According to this classification the FIUs of the following countries may be considered as law–enforcement–type FIU: Austria, Estonia, Finland, Germany, Hungary, Ireland, Lithuania, Portugal, Slovakia, and Sweden (with Denmark, Netherlands and UK considered as hybrid FIU).

⁶⁴ For those countries where the FIU is a law enforcement type FIU all the costs and benefits of the “LEA area of incidence” are attributable to the same agency.

out, as far as is possible, only the effects of anti money laundering activity in terms of costs and benefits.

As regards the working hypothesis that underlies the estimation of costs and benefits for the LEA of incidence, some key assumptions have to be pointed out before the presentation of each specific item:

A) It is assumed that most FIU and LEA costs and benefits in Model 0 will vary according to an increase or decrease in the number of STRs consequent upon the implementation of a beneficial ownership disclosure system relying on reporting by intermediaries. As stated above, FIUs and LEAs participate in the same information flow starting from disclosure by intermediaries. FIUs act as a first buffer appointed to receive, analyse and transmit reports on transactions suspected of money laundering. The LEA receives intelligence information from the FIU and, after a supplementary evaluation of each case, decides whether to proceed or not with further investigation. This information chain brings us to hypothesize that with the implementation of a disclosure system where beneficial ownership disclosure takes place through the reporting of suspicious transactions, any variation in the number of STRs containing beneficial ownership information is likely to have a certain impact both on FIU and LEA activity, and, as a consequence, on their costs and benefits.

The first step is that intermediaries report transactions suspected of money laundering to the FIU. It is worth specifying that in examining two systems of beneficial ownership disclosure, this Study focuses only on private and public unlisted companies. Thus all costs and benefits of BO disclosure are calculated taking into account only these companies. This means that, when estimating a variation in the number of STRs caused by Model 0 implementation, only STRs concerning transactions carried out by private and public unlisted companies are taken into account. Once received by the FIU, the transaction information provided is processed by FIU analysts. For this reason, it is assumed that any variation in the number of STRs will influence FIU costs for STR analysis as well as FIU ICT costs. In this case, too, a preliminary observation has to be emphasised. In the last few years the number of STRs received by individual FIUs has appeared to grow year by year. The main reasons for this have probably been a widening of the “reporting community”, that is the range of entities obliged by law to report suspicious transactions, and an increasing awareness of the obligation to make such a report within each particular sector. However, the aim of this Study is not to register costs and benefits to FIUs related to this standard annual increase in the number of STRs, which can be attributed to a wide range of different causes. The focus of this Study is on the marginal variation in the number of STRs that may be caused by the implementation of a beneficial ownership disclosure system like Model 0.

The second step is the transmission of unusual transaction information by FIUs to a law Enforcement Agency. It has been noted that STRs have a key function in generating anti-money laundering cases. According to a recent Study published by FATF: “within FATF member jurisdictions, it appears that by far the majority of investigated or prosecuted money laundering cases are related in some way to STRs. [...] In those members where STRs serve as the direct source of cases, the proportion of non STR related cases seems to be small” (FATF, 2002b: 23). According to our assumption, in assuming a direct

relationship between variation in the number of STRs and variation in the number of LEA investigations, only the percentage of investigations starting from STRs have been taken into account. The estimate provided in this Study on the percentage of investigations starting from STRs in the European Union was obtained by Transcrime from national law enforcement officials in each Member State, and constitutes the most accurate estimate available to date on this issue.

When assuming a direct link between variation in STRs from private or public unlisted companies under Model 0 and FIU/LEA analysis and investigation costs and benefits, the actual quality of the information contained in the STRs is not taken into account, even if it may vary from country to country, thus affecting the calculation method chosen. This critical point has been dealt with by asking FIU national experts cooperating with Transcrime to assess the quality of the different kind of information contained in the STRs received.

As for Model 1, only LEA costs and benefits have been taken into account, given that this beneficial ownership disclosure system is based on the dissemination of beneficial ownership information by the same company charged to file BO data with a Central Registry.

B) All FIU and LEA costs, even if expressed in monetary terms, should not to be interpreted as representing a net loss in FIUs operating costs. Cost items indicate the opportunity cost of the extra-time that FIU and LEA staff have to devote to some activities following the implementation of one of the two Models. For example, the item “STR analysis cost” indicates the opportunity cost of the time that FIU analysts must spend in order to deal with additional STRs transmitted by intermediaries under Model 0. The monetary value of this item should not be considered as an annual increase in FIU operating costs deriving from additional STRs analysis. Each FIU can interpret this monetary value in different ways: as signal that additional staff may be necessary or as an indication that a more efficient distribution of tasks between the personnel currently available may be necessary in order to deal with a new disclosure system. The same assumptions have to be taken into account for LEA.

C) Procedures for reporting STRs vary widely across European Union FIUs. The main difference is that some Member States require reporting of all transactions above a certain threshold, irrespective of the degree of suspicion that some money laundering activity is being carried out. However, the calculation of costs has taken into account these differences between countries. For example, as for the “STR analysis cost” item, in each country the opportunity cost has been calculated taking into account the average time taken to analyse an STR as reported by each national referent, which differs according to the nature of STR in each country.

6.5.2 Cost Items for Model 0

STR Analysis cost

M0_4_F_CD1

The opportunity cost of the time that FIU officials devote to the analysis of additional STRs containing beneficial ownership information transmitted by

intermediaries to the national FIU. The analysis of the STR implies also all the activities related to the verification of the information on the beneficial owner provided by intermediaries.

FIU other Costs

M0_4_F_CD2

This cost item describes all those additional costs that may arise for FIUs from Model 0 implementation. In particular the item “FIU other costs” comprises additional FIU ICT costs, the transmission cost of additional STRs to the competent authorities (whether the LEA, the Prosecutor’s Office or foreign FIUs) and costs related to any materials necessary for dealing with an increase or a reorganization of FIU staff work with the implementation of Model 0.

FIU training costs

M0_4_F_CD3

This cost item takes into consideration the opportunity cost of the time devoted by FIU staff to training in the new tasks envisaged by legislation implementing Model 0 (the beneficial ownership disclosure system embodied in the Third Directive) as well as the opportunity cost of the time devoted by FIU staff in training those categories of intermediaries obliged to cooperate under the new legislation (in those Member States where this is envisaged as a procedure).

LEA investigation costs

M0_4_L_CD1

This cost item measures cost increases for LEA deriving from additional anti money laundering investigations triggered by the implementation of Model 0.

Increase in FIU staff personnel costs

M0_4_F_CI1

This item, unlike the FIU’s “STR analysis costs” and “training costs”, does not refer to the opportunity costs of the time devoted by current FIU staff to dealing with a certain activity. On the contrary, this item aims at investigating whether an actual increase in FIU staff personnel is foreseen in order to deal with the additional costs triggered by Model 0. In the case of those Member States who predict that an actual increase in FIU staff will be rendered necessary by the implementation of Model 0, the costs calculated in this regard have to be considered as an actual increase in annual FIU personnel expenses, thus affecting the annual FIU operating costs.

6.5.3 Benefit Items for Model 0

Beneficial owner data searching time saving

M0_4_F_BD1

This cost item tries to measure the opportunity cost of the time saved by FIU staff in searching for beneficial owner information when receiving an STR regarding a transaction carried out by a private or public unlisted company. Up to now, in most Member States, no information on beneficial ownership has been provided through STRs. This means that FIU investigators have to search for this information, a task which is difficult and which appears to be quite time consuming. One of the benefits of Model 0 implementation is therefore the saving of time usually devoted to beneficial owner identification. Under Model 0, intermediaries must identify beneficial owners before establishing a business relationship.

Deterring intermediary connivance

M0_1_L_BI1

Benefits arising in Model 0 from further deterring intermediaries from setting up schemes that criminals can use for money laundering purposes.

6.5.4 Cost Items for Model 1

LEA Investigation costs

M1_4_L_CD1

This item measures the costs arising from a variation in the number of anti-money laundering investigations under Model 1. This item has been taken into account because under Model 1, LEA investigators rely on a wider range of company information, including data on beneficial owners of at least 10% of the issued capital of private and public unlisted companies. In addition, under Model 1 LEA investigators have direct on line access to beneficial ownership information stored in the Central Registry, thus completely skipping the filter of intermediaries.

Beneficial owner data searching costs

M1_4_L_CD2

According to Model 1, LEA investigators have online access to the Central Registry where data on the beneficial owners of private and public unlisted companies are filed. In this scenario LEA investigators do not rely on STRs with ready-to-use data on beneficial ownership, but they have to search in the Central Registry for the information needed for the investigation. This activity is likely to become quite time-consuming in order to achieve good results.

6.5.5 Benefit Items for Model 1

No benefit Items applicable for Model 1.

6.6 INTERMEDIARIES: COSTS AND BENEFIT ITEMS

6.6.1 Main Assumptions for the area of incidence

As explained in section 6.1, Model 0 is essentially an intermediary–based BO disclosure system. For this reason assessing costs and benefits of Model 0 and Model 1 BO disclosure systems is not possible without taking into account the impact of transparency requirements on ‘Intermediaries’. ‘Intermediaries’ can be defined as the subjects on whom Model 0 BO disclosure requirements shall apply, i.e. credit institutions, other financial institutions, accountants, auditors, tax advisors, notaries, lawyers, real estate agents, casinos, trusts, company service providers and other subjects.

Since the impact of the same Model 0 requirements on each of the above listed intermediaries could vary greatly, due to a variety of factors such as differences in national measures of the implementation of AML EU provisions, differences in implementation procedures regarding clients’ BO identification, and different interpretations of the Risk Based Approach,⁶⁵ it is very difficult to provide a detailed estimation of the overall impact of Model 0 and Model 1 transparency requirements on Intermediaries, taken as a whole.

However, this area of incidence has been conceived of so as to give a good proxy of the category, and to highlight what can be considered the main cost and benefit items arising from the implementation of the two BO disclosure models. Consequently, the assessment carried out regarding this area of incidence can claim to be a good starting point for further and more focused estimation and analysis, and aims to provide policy–makers with some suggestions as to where to concentrate their attention in order to plan adequate policies and countermeasures related to the issue.

As regards the working hypothesis underlying the estimation of costs and benefits for the Intermediaries’ area of incidence, some key assumptions need to be pointed out:

A) In the area of incidence, two different subjects, credit institutions and accounting firms, have been taken as representative of the whole category of ‘Intermediaries’. Banks have been chosen for several reasons, including their relevant experience in AML, their leading role in STR filing (in 2005, at EU 27 level, STRs coming from the banking sector represented 75% of the total STR sent to FIUs) and, last but not the least, the availability of public and high–quality data regarding revenues, costs and other structural indicators in the European banking sector. On the other hand, accountants have been chosen as representative of ‘professionals’, in order to also assess costs and benefits in the non–financial intermediaries sector. However, even if well organized in terms of national and supranational data,⁶⁶ most accountants associations don’t provide detailed statistics about accountants’ revenues, costs or employment. This lack of data has posed serious obstacles for a comprehensive assessment of the impact of BO disclosure transparency

⁶⁵ See Box 2.

⁶⁶ IFAC, International Federation of Accountants (www.ifac.org) represents 2.5 million accountants employed in over 118 countries.

requirements on accountants, although some important results have been attained.

B) Costs and benefit items that can be related to Intermediaries area of incidence can be divided into three groups: one refers strictly to banking sector costs and benefits; the second to accounting sector costs and benefits; the last to costs and benefits arising from the activity of disclosing beneficial ownership of clients, which is common to all intermediaries regulated by the Third EU AML Directive and, in our particular case, to both banks and accountants.

C) As regards BO disclosure costs, Model 0 requires the intermediaries to identify the beneficial owner “before the establishment of a business relationship or conducting a transaction”;⁶⁷ thus, in order to calculate the costs arising from this activity, the number of “business relationships” and the number of “transactions” carried out or advised annually by intermediaries should be estimated. But since this data is not available, and couldn’t even be assessed, a proxy for the number of transactions has to be introduced in order to calculate BO disclosure costs. The number of intermediaries’ clients⁶⁸ can be identified as a good proxy: in fact, if marginal BO disclosure costs referring to additional transactions undertaken by a client who has already been identified are treated as irrelevant, the number of transactions will equal the number of clients. Unfortunately even the number of clients, for most intermediaries, isn’t available or estimable. As regards credit institutions, for example, due to the wide range of banking activities (retail banking, corporate and merchant banking, trading, brokering, asset management) and of “business relationships” that can be established between banks and their respective counterparts, it is very difficult to define what could be properly defined as “client”; and as for accountants, even if a narrower definition of client could be provided, only few national associations of accountants are able to provide this kind of data. For this reason the total number of private and public unlisted companies (PPUC) registered in the national companies’ registry has been used as a proxy of intermediaries’ clients.

Using the total number of PPUC instead of the number of PPUC intermediaries’ clients could imply some estimation problems at the national level, since it could underestimate the number of intermediaries’ clients in countries which, although presenting a small number of companies registered in the national registry, act as an international hub of financial transactions (e.g. Luxembourg, Cyprus). However, this underestimation problem is expected to be drastically reduced at aggregate EU level.

D) It shall be noted, however, that, under Model 0 provisions, intermediaries have to apply the BO disclosure procedure to every natural person holding more than 25% of the shares or voting rights of a private or public unlisted company, and this means that the number of beneficial owners doesn’t necessarily coincide with the number of PPUCs. On the basis of the data provided by national companies registries, Transcrime has tried to calculate,

⁶⁷ See paragraph 6.1 for a detailed description of the issue.

⁶⁸ It shall be reminded here that, with the CBA, the European Commission asked the Contractor to concentrate his analysis on private and public unlisted companies (PPUC). This means that, among intermediaries’ clients, only PPUC have to be taken into account.

for each of the 27 EU member states, the average number of BO, as defined in Model 0, per PPUC: unfortunately only 2 countries out of 27 possess this kind of information,⁶⁹ which, however, doesn't necessarily represent all the possible beneficial owners per single company, since it is possible to exceed the 25% threshold by holding a number of minority stakes.

Moreover, it can be assumed that, before establishing a transaction with an unidentified customer, an intermediary may well be unaware of how many BOs, as defined by Model 0, exist behind the company. In this sense it can be affirmed that intermediaries cope with a fixed cost of disclosure, regardless of the number of beneficial owners that the PPUC client has. This amounts to attributing one beneficial owner to each PPUC company.

However, given the importance of the issue, this variable will be further discussed and analysed in the sensitivity analysis.⁷⁰

E) It has to be noted also that under Model 1 no direct costs have been identified for the category of intermediaries. This can be explained by the fact that Model 1 does not charge intermediaries with a legal duty to disclose their customers' BO. As a result, under Model 1 intermediaries do not foresee any cost related to BO disclosure activity.

6.6.2 Cost Items for Model 0

6.6.2.1 BO disclosure costs and BO disclosure duplication costs

A first big group of costs related to BO disclosure requirements can be identified. This is constituted by BO identification costs, BO data updating costs, and BO registration and record keeping costs, which refer, respectively, to requirements 1, 2 and 3 of the two models (see table 6.1). These costs, which could be defined 'BO disclosure costs' can be expressed as the opportunity cost of time devoted by intermediaries in complying with Model 0 transparency requirements, listed above and described in table 6.1.

In addition to these costs, other costs which could be referred to as BO disclosure costs can be identified. These can be defined as 'BO disclosure duplication costs', and arise from the repetition of BO disclosure procedures with regard to the same client by different intermediaries (banks, auditors, accountants, lawyers, notaries, etc), when the client maintains different business relationships of the sort described and foreseen by Third Directive. In contrast the on-going and up-front disclosure system embodied in Model 1 doesn't envisage obligations for intermediaries in complying with BO disclosure requirements, thus nullifying all duplication costs attributable to multiple intermediation. It has to be noted that, since in our calculation model only two categories of intermediaries have been taken into account (credit institutions and accountants) the maximum number of times that BO

⁶⁹ Only Estonian and Italian Companies Registries have provided Transcrime the average number of shareholders above the 25% threshold. As regards the lack of data about PPUC shareholding and ownership structure see section 8.2; as regards, in particular, the number of beneficial owners per PPUC see, in chapter 8, the description of variable Y3.

⁷⁰ See chapter 11.

disclosure activity can be repeated with regard to the same client is two.⁷¹ Thus duplication costs, as expressed in our model, don't represent the real duplication costs arising from Model 0 implementation, but certainly underestimate the real expense due to the duplication of BO disclosure. The high number of legal and financial intermediaries involved in company activity is can be supposed to multiply exponentially these costs.

It is also important to highlight that, as will be explained in detail in the following pages, duplication costs closely depend on the availability of information concerning the beneficial owners of companies which would be available in public registers or which could be exchanged in information sharing systems between different intermediaries, government, law enforcement agencies and businesses. If an intermediary had the possibility to access a common integrated database of BO information, it could avoid implementing the same BO disclosure procedure to find out and identify a company BO already identified by another intermediary. The more integrated BO information databases are, the lower will be the duplication costs that intermediaries have to bear.⁷²

In conclusion, it has to be noted that BO disclosure costs and BO disclosure duplication costs refer to all the intermediaries liable for Model 0 provisions; in our particular case, to both banks and accountants. The costs related to BO disclosure have been assessed regardless of which intermediary carries out the disclosure task, i.e. the BO disclosure activity cost is the same independently of who is responsible.

Beneficial owner identification costs

M0_1_I_CD1

This item, quantitatively assessed, represents the costs to intermediaries arising from the implementation of all the activities correlated to BO disclosure, including the identification of the client⁷³ before the establishment of a business relationship or conducting a transaction, the disclosure of clients' ownership structure and, thus, the identification of clients' beneficial ownership.⁷⁴ This cost is expressed as the opportunity cost of time devoted by intermediaries in complying with BO disclosure requirements.

⁷¹ As it will be explained in chapter 7 and in Annex B, the number of repetition is expressed as percentage of total PPUC holding a business relationship with more than one (i.e., two) intermediaries: 100% means that all the companies in the sample have a relationship with two intermediaries, 30% means that only 30 on 100 companies have a double relationship, while the remaining 70% keeps a relationship with only one intermediary.

⁷² The important issue will be examined in detail describing the single items and drawing the Study main findings and policy implications.

⁷³ It is worth recalling once again that our Study is focused intermediaries' clients of a particular kind, namely, private and public unlisted companies (PPUC).

⁷⁴ Among the most important activities related to customer identification and BO disclosure are the following: clients' data collection, data aggregation and profiling, application of suspicious activity criteria, data exchange among the same firm different branches.

Beneficial owner data updating costs

M0_2_I_CD1

This cost, quantitatively assessed, arises from the activity of intermediaries in updating their internal database when a transfer of shares occurs which results in a shareholding of above 25% of the capital of a PPUC. It relates to the on-going approach foreseen by Model 0, in the sense that, besides identifying the beneficial owner before conducting a transaction, an intermediary is obliged to monitor and update the information over the whole period of the business relationship. Again, this cost is expressed as the opportunity cost of time devoted to compliance with this requirement.

Beneficial owner registration and record keeping costs

M0_3_I_CI1

The cost of registering and keeping clients' BO data in the internal database refers to the third transparency requirement (see table 6.1), and is expressed as the cost opportunity of the time devoted to recording clients' BO information in the internal database. It should be noted that this item doesn't include the cost of establishing a new internal database, which is comprised within ICT costs, since most internal databases are now available in electronic format. However it has to be noted that most intermediaries have already been obliged to keep their client's data in an internal database and so the costs arising from the establishment of new registries can be considered to be irrelevant.

Beneficial owner identification duplication costs

M0_1_I_CI1

These costs, quantitatively assessed, arise from the repetition of Model 0 BO identification procedures applied by different intermediaries (banks, accountants, auditors, notaries, etc) in different situations to the same BO, thus multiplying the costs of BO disclosure. They vary in proportion to how many times the same BO of a private and public unlisted company is subject to a disclosure procedure implemented by different intermediaries.

It has to be pointed out here that this question is closely linked to another important topic: lack of information sharing between the different intermediaries and institutions dealing with Model 0 provisions; in fact, if a common network existed for the sharing of data and information about companies' BO existed, the costs arising from the duplication of BO disclosure activity would be reduced. At the present time, BO data is not exchanged between intermediaries, or between companies registries, and Model 0 doesn't foresee any system of information sharing among the intermediaries involved in AML fight. This issue will be discussed further in the following pages, with special attention to the roles which government on the one hand and ICT on the other could play in order to achieve this kind of data sharing.⁷⁵

⁷⁵ See chapter 11. This 'information sharing approach' is more or less than implied in the US Patriot Act based Anti Money Laundering programme, which requires a constant exchange of information

Beneficial Owner data updating duplication costs

M0_2_I_CI1

This item represents, in a quantitative form, the costs arising from the repetition of BO data updating procedures as carried out by different intermediaries (banks, accountants, auditors and so forth) with reference to the same client.

Beneficial owner record keeping duplication costs

M0_3_I_CI1

Costs arising from the repetition of BO data record keeping and registration procedures implemented by different intermediaries (banks, accountants, auditors and so forth) to the same client. Again, it should be noted that this item closely depends on the availability of an integrated system for the sharing and exchanging the client information, i.e. a common central registry where intermediaries and other institutions can file BO disclosure data. Model 0 only obliges intermediaries to keep an “internal database”,⁷⁶ and doesn't foresee any system of exchanging information among intermediaries and other subjects; for this reason record keeping duplication costs have to be assumed as relevant cost items arising from the implementation of the Model 0 BO disclosure system.

6.6.2.2 Banks' structural costs

In complying with the Model 0 BO disclosure provisions, intermediaries have to bear other related expenses not specifically attributable to the implementation of BO disclosure transparency requirements, but which have to do with providing the human and technological capital necessary for the fulfilment of Third Directive obligations. These are employment training costs, internal control costs and ICT costs related to Model 0 implementation. Here they are referred to as banks' related costs.

It is difficult to differentiate, within intermediaries' AML structural costs, those arising specifically from Model 0 BO disclosure provisions and those arising more generally from other provisions foreseen by current Anti Money Laundering legislation. However, listed below are the items that Transcrime has identified as the main sources of structural banking expenses arising from Model 0 s implementation requirements.

between FinCEN, financial institutions, law enforcement agencies and other subjects involved in AML fight; to some extent, the same approach could be found in UN Action Plan Against Money Laundering; for a brief analysis of the issue see PriceWaterhouseCoopers Global Technology Centre (2002).

⁷⁶ See paragraph 6.1.

Banks' training costs

M0_1_B_CD1

These costs, which can be quantitatively assessed, refer to the expenses borne by national banks for the training of employees on Model 0 BO disclosure requirements. Both in order to comply with national AML legislation and with internal risk assessment procedures, Credit Institutions often run training sessions for their employees on legal provisions; AML requirements are of prime importance among these. Training lectures may be given by experts or advisers from the National Bankers' Association; national FIUs or the Ministry of Justice officials could provide training sessions. However, in most cases these activities are undertaken by the Credit Institutions themselves and training costs seem to represent a relevant share of total banking AML related expenses. It has been decided to calculate these costs as the opportunity cost of the time that banks could devote annually (in terms of hours per employee) to Model 0 training sessions.

Banks' internal controls costs

M0_1_B_CD2

These are the costs borne by banks in checking whether employees are complying with Model 0 clients' BO disclosure requirements. This item is quantitatively assessed. Internal controls on employee compliance play a key role in banking risk–assessment processes, since they significantly reduce the risk of money laundering, fraud and capital losses on the one hand, and of legal prosecutions on the other. In addition internal controls serve to reduce the reputation costs which could arise if a bank is unintentionally involved in ML activity.

Banks' ICT costs

M0_3_B_CD1

This item refers to ICT costs borne by banks in order to comply with Model 0 BO disclosure requirements. This item, which has been quantitatively assessed on the basis of the estimates provided by Transcrime's referents in the national banking sector, includes and clusters the costs of all the activities which, during the entire Model 0 BO disclosure process, are carried out mainly utilizing ICT technologies.

It is worthwhile recalling here that the fight against money laundering is not only a policy or legal concern; it is also an information technology challenge. Most financial institutions in Europe use computer systems to comply with AML legislation and to detect suspicious transactions. These systems apply technologies such as sequence matching, rule–based systems, data mining and neural networks.⁷⁷ The introduction, along with the Third EU AML Directive, of the duty to disclose BO when dealing with private and public unlisted companies, has made it necessary to collect and integrate new information and data. This represents a new challenge for ICT divisions in

⁷⁷ For a comprehensive description of these systems and procedures see PriceWaterhouseCoopers Global Technology Centre (2002).

banks, and involves an increase in ICT costs. For example, the development of new software that can construct models of company ownership and that can identify, by analysing the ownership chain, the company BOs, could become necessary. The evolution of these information systems would be boosted by the development of an integrated European companies registry: this would mean that the 'information sharing' effort within the single intermediary firm would be accompanied by an overall corporate information challenge at EU aggregate level.⁷⁸

In conclusion it should be pointed out that since customer data and BO information can also be used for purposes other than meeting AML requirements, such as marketing or customer relationship management (CRM), it is very difficult to estimate what proportion of ICT costs directly relate to BO disclosure system implementation, and there is therefore a risk here of overestimation. This problem is essentially due to the multifaceted nature of information, which can be used within the same firm for different purposes if not regulated by legal provisions.

6.6.2.3 Banks other costs

Other costs borne by banks in implementing Model 0 requirements can be identified. These are: costs arising from the increase, due to BO disclosure introduction, of STRs sent to the national Financial Intelligence Unit; lobbying costs; banks' indirect costs in terms of loss of clientele and in terms of capital outflows.

Banks' lobbying costs

M0_1_B_CD3

This item, quantitatively assessed, relates to the costs to banks of exercising pressure on institutions at national and European level in order to try to obtain less onerous and less costly BO disclosure requirements. The national Bankers' Association, as the main representative of the national banking sector, devotes part of its budget to lobbying, public relations and the private cajoling of legislative members and other public or private interest groups. In some cases the data concerned can be communicated or assessed by the competent association/institution; in most cases this is impracticable because the information concerned is considered confidential.

Beneficial owner data addition to STR costs for banks

M0_4_B_CD1

When detecting a suspicious transaction that has to be signalled to the national FIU through STRs, banks, under Model 0 BO disclosure provisions, have to add to their reports data regarding the Beneficial Ownership of the company whose transaction or business relationship has been considered at risk of ML. This activity leads to an increase in the costs of filling out an STR. This cost is merely the opportunity cost of the time spent by intermediaries'

⁷⁸ On this issue see paragraph 8.2 and chapter 12.

officials to fill out, check and get the supervisor approval on the suspicious transaction report. In addition it has been assumed that the introduction of Model 0 BO disclosure requirements could increase the number of STRs sent to FIU by intermediaries; this leads to additional costs in filling out the suspicious transaction reports. Thus this expense item, quantitatively assessed, could be defined as the opportunity cost of the time devoted to integrate the STRs filed with FIUs (which has been calculated as the number of STRs sent in 2005 increased by the estimated percentage increase in STRs due to Model 0 implementation) with BO information about the companies concerned.

STR sending cost for banks

M0_4_B_CD2

This item measures the costs of sending FIUs the additional number of STRs resulting from the introduction of Model 0 BO disclosure provisions. Intermediaries can file their STRs with FIUs in different ways: by post, by fax or electronically, by e-mail or other ICT channels. Only filing the reports by post has been considered relevant in terms of costs of sending STRs. Stamp prices have been used in order to calculate this item.

Banks' clientele loss costs

M0_1_B_CI1

It has been assumed that Third EU AML directive implementation could lead to some indirect effects which, even if not impacting directly on intermediaries' income statement, could produce some consequences in the long term on intermediaries' balance sheets and on intermediaries' marketing strategies.

The most important indirect effect of Model 0 BO disclosure implementation could be identified in the likely loss of clientele of intermediaries. Clients who want to avoid disclosing their BO could decide to abandon their intermediaries and to carry out the transaction abroad or utilizing other intermediaries not compliant with the above described provisions; this, from intermediary's point of view, could result in client alienation.⁷⁹ Banks could lose clients because of an unwillingness on their part to handle some transactions or accept certain clients on the grounds of money laundering risks, deemed too expensive in terms of reputation costs.

In order to assess this cost quantitatively, it has been decided to define loss of clientele in terms of capital outflows from the national banking sector; outflows have been calculated as a percentage reduction of national banking sector Total Assets. However it is difficult, because of the different kinds of "business relationships" which can be established between customers and credit institutions, to estimate the monetary value of the clients who are likely abandon the banking sector due to Model 0 introduction. Therefore, it

⁷⁹ Other studies assessing the impact of AML requirements have identified the likely loss of clientele as a central concern from intermediaries' perspective. See, for example, Gill and Taylor (2004).

has been decided to calculate these capital outflows as a percentage of the national banking sector Total Assets, estimated on the basis of the indications and information provided by the banking sector representatives themselves. Total Assets are assumed to represent approximately the value of almost all the business relationships which could be established by a bank's client: credit/debit transactions, loans, deposits, cash transactions, and so forth.

6.6.2.4 Accountants structural costs

Here listed can be found cost items related to the implementation of the Model 0 BO disclosure system as regards the accounting sector. Like credit institutions, accountants have to bear expenses not specifically attributable to the implementation of BO disclosure transparency requirements, but borne in order to supply the human and technological capital necessary for the fulfilment of Third Directive obligations. These expenses concern employment training costs, internal control costs and ICT costs related to Model 0 implementation.

In the case of accounts, as in that credit institutions, it is difficult to differentiate, within AML structural costs, between those arising specifically from Model 0 BO disclosure provisions and those arising more generally from other provisions envisaged by current Anti- Money Laundering legislation.

Accountants' training costs

M0_1_A_CD1

These are the costs borne by accounting firms for training the chartered accountants and other employees on Model 0 BO disclosure provisions. As in the case of banks, training employees can be considered as a key activity in the wider process of risk-assessment and risk-management within the accounting firm.

Periodical training sessions could be organized by the national board of accountants, or carried out with the contribution of the national Financial Intelligence Unit or of the Government; but they could be also left to accounting firm or to single chartered accountants, as part of their adjournment process.

Accountants internal controls costs

M0_1_A_CD2

This item includes the costs borne by accounting firms in order to check whether associated accountants and employees are complying with Model 0 BO disclosure requirements. This item is quantitatively assessed. Internal controls on employee compliance aims at reducing the legal and financial risks which could arise from the non-implementation of Model 0 provisions, and at reducing expenses, especially those reputational costs which could be incurred if an accounting firm becomes unintentionally involved in ML activity.

Accountants' ICT costs

M0_3_A_CD1

Accounting firms, like banks have sought to cope with AML requirements by making heavy use of ICT procedures. The utilization of information technologies enables the accounting industry to use customers' data for several purposes, from marketing, customer relationship management (CRM) to anti–money laundering provisions. As regards clients' BO disclosure, ICT data development can be found during the entire process of customer identification, in stages like clients' data collection, data aggregation and profiling, application of suspicious activity criteria, data exchange, reporting and alerts management.⁸⁰

This item aims at representing the costs of all the activities related to Model 0 BO disclosure system which rely on Information and Communication Technology. As well in the case of banks, it is difficult, however, to differentiate which part of total AML related ICT costs depend exclusively on the introduction of BO disclosure provisions. Again, this is partly due to the multi–faced nature of information, which can be used and shared for different purposes.⁸¹

6.6.2.5 Accountants other costs

Other costs borne by accountants in implementing Model 0 requirements can be identified. These are: costs arising from the increase, due to BO disclosure introduction, of STRs sent to the national Financial Intelligence Unit; lobbying costs; accountants' indirect costs in terms of loss of clientele.

Beneficial owner data addition to STR costs for accountants

M0_4_A_CD1

This item aims at assessing the costs arising from the activity of inserting BO data in STRs to be sent to national Financial Intelligence Unit, and represents the correspondent item of banks' M0_4_B_CD1. It has been quantitatively assessed as the cost opportunity of time devoted by accounting firms to filling out STRs with private and public unlisted companies' BO data.

⁸⁰ For a detailed explanation of how ICT technologies can be used by the accounting industry in AML activities see PriceWaterhouseCoopers Global Technology Centre (2002).

⁸¹ It should be noted, however, that legal provisions protecting the confidentiality of BO data, and preventing firms or other institutions from using these data for purposes other than those which motivated their collection, could be introduced.

STR sending costs for accountants

M0_4_A_CD2

Like STR sending costs in the case of banks, this item quantifies the costs of sending additional number of STRs to FIUs as a result of the introduction of Model 0 BO disclosure provisions. In this case too costs have been considered only when STRs are sent to FIUs by post.

Accountants lobbying costs

M0_1_A_CD3

Like banks, accountants could decide to exert pressure on institutions at national and European level in order to try to obtain less stifling BO disclosure requirements. The national Association of Accountants, or any other representative board of the category, could decide to devote part of its budget to lobbying, public relations, or the private cajoling of legislative members and to the support other public or private interest groups.

Accountants' clientele loss costs

M0_1_A_CI1

Natural persons who want to hide their beneficial ownership of private and public unlisted companies could decide to interrupt a business relationship with an accountant so as to re-establish the relationship abroad or with an intermediary not compliant with BO disclosure provisions. This means that, like credit institutions, accounting firms could be faced with a reduction in their clientele, and, in the long term, with the loss of revenues or commissions. It is important not to forget all the cases in which the same accounting firm could refuse to establish a business relationship or advise against a transaction so as to avoid any costs to their reputation which could arise from their involvement.

6.6.3 Benefit Item for Model 0

Benefit items for Intermediaries arising from the implementation of Model 0 all belong to indirect items, in the sense that they could affect positively intermediaries' financial situation, but usually in the long term, and only if certain conditions occur.

6.6.3.1 Banks benefits for Model 0

Banks' clientele information benefits – Services quality

M0_1_B_BI1

Although implying relevant costs, the implementation of Model 0 BO disclosure system could provide intermediaries with some substantial benefits in terms of more and better information regarding their clients, data which can be used to achieve different aims. The increase in the volume and quality of information about bank clients, for example, could lead to a better

allocation of bank resources among customers, and to a wider and more “customized” offer of financial products. In this sense, Model 0 BO disclosure requirements could be seen as a chance to enhance and improve Customer Relationship Management (CRM) processes⁸², so as to provide bank front offices with more information on which to rely in planning sales, marketing campaigns and for customizing business relationships. This item is not quantitatively assessable.

Banks’ clientele information benefits – Financial stabilisation

MO_1_B_BI2

Another benefit that could result from banks knowing more about their clientele thanks to the introduction of Model 0 BO disclosure provisions is the positive effect this could have on the financial situation of credit institutions, in terms of a more grounded balance sheet and in terms of a reduced credit risk. In this sense, trying to quantitatively assess the item, it has been decided to take into account the percentage reduction of banking non-performing loans. It has to be pointed out, however, that this positive effect could be achieved only in the long term and only if accompanied by other strategic decisions, but it can certainly be argued that more information could help in the achievement of this result.

Banks’ clientele gain benefits

MO_1_B_BI3

Improvements in terms of wider and more “customized” offer of financial products, improvements in terms of a more grounded banking financial situation and financial environment, enhancement of market efficiency and market transparency⁸³ could all represent good reasons for new customers or new investors to access the national financial market and to establish new business relationships with national banking intermediaries. Thus a gain in terms of more clients could be hypothesized. Since the proxy of capital outflows has been used to represent banks’ clientele loss, to quantitatively measure banks’ clientele gain the proxy of capital inflow will be adopted, expressed as a percentage of national banking sector Total Assets.

Banks’ reputational benefits

MO_1_B_BI4

Model 0 requires banks to play a key role in the fight against money laundering. They are asked to become more involved in the detection of

⁸² “Customer Relationship Management (CRM) refers to the methodologies and tools that help businesses manage and optimize their relationships with customers in an organized way. It includes: processes that help identify and target their best customers, and plan and implement marketing campaign with clear [...] objectives; processes that help to improve customer satisfaction [...]; processes that provide employees with the information they need to know their customers’ wants and needs, and build relationships between the company and its customers”, in <http://sbinfocanada.about.com/cs/marketing/g/crm.htm>.

⁸³ See paragraph 6.9.

money laundering schemes and to play an active role in identifying which operations could be considered at high risk of ML. This could produce benefits in terms of improved reputation if banks come to be seen as fair, impartial and compliant intermediaries concerned to fight financial crime. This item has been not quantitatively assessed.

6.6.3.2 Accountants benefits for Model 0

Accountants' clientele information benefits

M0_1_A_B11

Like banks, accounting firms could benefit from an increase in the volume and quality of information about their clientele consequent on the implementation of Model 0 BO disclosure requirements. The accounting firm could use this information to provide improved services. CRM procedures could be enhanced by more and better customer data.

Accountants' clientele gain benefits

M0_1_A_B12

Improvements in banking and accounting services due to BO information gathering and the benefits for the national financial markets could persuade companies and other economic agents to establish new business relationships with some national accounting firms. Along with an increase in the number of accountants' clients, an increase in accountants revenues and commission would be expected. This item, has been quantified by estimating the monetary value of the clients that it is assumed will begin a relationship with the national accountants.

Accountants' reputational benefits

M0_1_A_B13

Like credit institutions, accountants could benefit from the implementation of Model 0 BO disclosure requirements in terms of improvement in their reputation as fair, impartial and compliant intermediaries not involved in money laundering and other financial crimes.

6.6.4 Cost Items for Model 1

As explained in paragraph 6.1, Model 1, the up-front and on-going BO disclosure system, doesn't attribute any particular role to intermediaries in the activity of disclosing private and public unlisted companies Beneficial Owners. For this reason, as regards this area of incidence, no direct costs and benefits have been detected. Thus, all costs and benefits can be related only indirectly to the category; this means that the impact of Model 1 on intermediaries can only be measured in the long term, and only if certain conditions occur.

Banks' clientele loss costs

M1_1_B_CI1

This cost item is the corresponding item to Model 0 Banks clientele loss costs (item code: MO_1_B_CI1), but here it has a different value. The assumption made here implies that the introduction of Model 1, which envisages a BO disclosure system which does not involve intermediaries, could make it more difficult for beneficial owners who don't want to disclose their BO to rely on non-compliant intermediaries for preserving their BO concealment. Another important factor to take into account in this reasoning is the fact that, under the Model 1 system of disclosure, a no Risk Based Approach is envisaged, which means that all private and public unlisted companies are obliged to file their BO information within the central registry⁸⁴and they have no choice in the matter. As a result, it could be expected that under Model 1 there will be a greater loss of clientele (measured in terms of capital outflows, as in Model 0) than in the previous BO disclosure model. The likely percentage increase in capital outflows from the national banking sector due to the implementation of Model 1 has been estimated on the basis of the information and assessments provided by Transcrime referents and experts in the banking industry.⁸⁵

Accountants' clientele loss costs

M1_1_A_CI1

The same could be said as regards Accountants: the impossibility for companies and BO to rely on non-compliant intermediaries to keep on disguising their BO could increase the loss of accountants' clients, thus resulting in higher costs than in Model 0. Here again an estimate of the increase of accountants' clients loss has been carried out on the basis of the estimates of Transcrime experts in the network.⁸⁶

6.6.5 Benefit Items for Model 1

Banks' clientele information benefits – Services quality

M1_1_B_BI1

As explained before, the availability to banks of information about their clients' BO could result in certain benefits in terms of more and better data which can be used both for reduce credit risk and for improving the Customer Relationship Management (CRM) processes. It should be noted that banks would benefit from this increase of information independently of whether these data are collected by intermediaries, as in Model 0, or disclosed by companies, as in Model 1: thus, assuming that the quality of information is the same in both cases, it can be assumed that both Model 0

⁸⁴ See paragraph 6.1, Model 1.

⁸⁵ As regards, specifically, the variable related to the increase in capital outflow arising from Model 1 see also chapter 7; as regards the data source and the estimations used see chapter 8, paragraph 8.1.

⁸⁶ As regards the data source used for the study see chapter 9, paragraph 8.1.

and Model 1 will be of benefit to banks. Obviously this can only occur because Model 1 requires businesses to file BO data, after BO disclosure, in a central registry which could be available to the wider public, including banks and other financial institutions.

Banks' clients information benefits – Financial stabilisation

M1_1_B_BI2

The same could be stated as regards Model 1 Banks Financial stabilisation benefits. Even if collected and disclosed to the public by the businesses themselves, information about companies BO could be gathered and used by credit institutions to achieve their objectives of financial stabilisation through a reduction of credit risk and of non-performing loans. This means that this item can be estimated in the same way as the corresponding Model 0 item.

Banks' clientele gain benefits

M1_1_B_BI3

For the same reasons it can be hypothesized that the potential increase in new bank clients consequent upon the implementation of Model 1 would not be substantially different from that in the case of Model 0: new customers would be attracted by improvements in banking sector efficiency, financial stability and by the wider range of financial products and services provided by credit institutions – all of which thanks to the increase in customer information in the hands of the banks. The assumption underlying this item, which is quantitatively assessed, is that the origin of company BO information (internal databases in the case of Model 0; the central public registry in the case of Model 1) doesn't affect the possibility of benefiting from improved information.

Accountants' clientele information benefits

M1_1_A_BI1

Like banks, under Model 1 BO disclosure provisions, accountants would benefit from more information about their clients' BO. For the same reasons described above. no differences have been recognized between the two BO disclosure models as regards accountants' clientele information benefits.

Accountants' clientele gain benefits

M1_1_A_BI2

These are the benefits which could arise from the implementation of Model 1 BO disclosure requirements in terms of gaining new clients due to improvement in the services offered by accounting firms and, more generally, to the improvements in market efficiency and transparency. On the grounds of the same assumptions as were made in the case of banks, this item has been estimated for Model 1 at the same level its corresponding item in Model 0 (M0_1_A_BI2).

6.7 INDIVIDUALS: COSTS AND BENEFIT ITEMS

6.7.1 Main Assumptions for the area of incidence

The area of incidence which concerns individuals faces significant costs only in the framework of Model 1. A couple of assumptions need to be mentioned before the turning to specific items in this area of incidence:

A) Firstly, the category of individuals refers primarily to those persons charged, in Model 1, with filing and forwarding disclosure on their ownership situation to the company and, indirectly, to the Central Registry. In this sense, in particular under Model 1, individuals disclose personal data to a publicly accessible registry. This gives rise to significant costs in terms of loss of privacy; the issue of privacy and data protection costs will be further analysed in 6.11.

B) The cost of self disclosure to the company are assumed to be equal to 0 for those shareholders that, holding 10% or more of the shares of a given country, are legally registered in the company's book of shareholders. Their data may be filed to the Central Registry foreseen by Model 1 without any additional cost for the actual shareholder. This is the reason why all costs incurred by individuals (or better, by shareholders) in Model 1 have been calculated only taking into account non registered beneficial owners.

C) As for the time needed to fill out the form necessary to be registered as a beneficial owner or to update his/her own shareholding situation, Transcrime used an estimate provided by EU Companies Registry staff of the time usually necessary to fill out the form used to notify any transfer of legal ownership of shares to the national Companies Registry (around 10 minutes).

6.7.2 Cost Items for Model 0

Fewer opportunities to hide beneficial owner identity

M0_4_D_CD1

Beneficial ownership disclosure requirements of Model 0 increase the costs for money launderers who seek to conceal their participation or control in private or public unlisted companies.

6.7.3 Benefit Items for Model 0

No benefit items applicable for Model 0

6.7.4 Cost Items for Model 1

Not registered beneficial owner data filing costs

M1_1_D_CD1

This item registers the costs faced by non registered beneficial owners of more than 10% of the issued capital of a private or public charged with the duty of notifying (or confirming) such ownership to the company in Model 1. As assumed above, this cost is assumed to be 0 for the registered beneficial owners.

Beneficial owner data updating costs

M1_2_D_CD1

This item focuses on the costs faced by all registered and non registered beneficial owners of 10% or more of the issued capital of a private or public unlisted company in order to communicate to the company any transfer in their shareholding above or under the threshold of 10% as and when it occurs.

Fewer opportunities to hide beneficial owner identity

M1_4_D_CI1

As happens in Model 0, beneficial ownership disclosure requirements of Model 1 increase the costs for money launderers who aim to conceal their participation or control in private or public unlisted companies. Given that in Model 1 beneficial ownership disclosure is required for all the shareholders holding 10% or more of the issued capital, a higher percentage of individuals are likely to face this kind of cost in comparison with Model 0. Another factor that has been taken into account in this cost item is the absence of the filter provided by intermediaries in Model 1, a factor that may increase the costs for individuals who aim to hide their participation or control in private or public unlisted companies.

6.7.5 Benefit Items for Model 1

Benefits in terms of sharing liabilities against the company

Item code: M1_4_D_BI1

This item describes the benefits arising to registered but not beneficial shareholders from the implementation of Model 1. The Model 1 disclosure system in fact allows registered but not beneficial shareholders to share their liabilities against the company itself. Registered shareholders owning 10% or more of the issued capital of a given company but not detaining the beneficial ownership of such shares may provide detailed information to the company about whom they believe the beneficial owner to be.

6.8 BUSINESSES: COSTS AND BENEFIT ITEMS

6.8.1 Main Assumptions for the area of incidence

Companies play an important role in the beneficial ownership disclosure system foreseen under Model 1. Consequently, only in the case of Model 1 does the businesses area of incidence face significant direct costs. A couple of assumptions have to be pointed out before the presentation of each specific item of this area of incidence:

A) The first assumption regards the calculation of the costs related to the updating, filing and record keeping of beneficial owners' data. While under Model 0 intermediaries are charged with these costs, under Model 1 the bulk of these costs move to the businesses area of incidence. The time devoted by intermediaries to the filing of beneficial ownership data in the internal database has been used as a proxy in order to estimate the time that is devoted by businesses to the updating of beneficial owners' data in the Central Registry. Under the same assumptions, the time devoted by intermediaries to the registering of beneficial owner data in the internal database has been used as a proxy for the time necessary to businesses for keeping record's up to date and filing beneficial ownership data.

B) One of the most important differences between the two Models is the threshold of shares detained to be in order to qualify as a beneficial owner of a private or public unlisted company. This means that the scenario foreseen by Model 1, where the threshold is lowered from 25% to 10% of the shares, presumably results in a larger number of beneficial owners per company.

6.8.2 Cost Items for Model 0

Business fiscal costs

M0_1_E_C11

This cost item refers to costs arising from the increase in companies' transparency due to Model 0 BO disclosure, which could lead to a greater disclosure of companies' data to fiscal authorities, thus resulting in a kind of moral encouragement to businesses to improve their level of compliance with their fiscal duties. From a non-compliant businesses point of view, this could be considered an indirect cost of Model 0 BO disclosure.

Access to credit – unfair costs

M0_1_E_C12

This cost item hypothesizes that the strengthening in banks vigilance on money laundering due to implementation of Model 0 could lead to some potential difficulties for businesses in obtaining loans and credit from banks and other financial intermediaries on the basis of a presumed risk of money laundering involvement. Credit discrimination could particularly affect selected 'sensitive' economic sectors and the smaller companies included in SMEs (Small and Medium Size Enterprises).

6.8.3 Benefit Items for Model 0

Reduction in unfair competition

M0_1_E_BI1

This benefit item indicates how the implementation of Model 0 disclosure system, reducing the monetary value of the proceeds of crime that can be laundered through the financial sector, reduce also the scope for unfair competition on the part of businesses financed by dirty money. A reduction in unfair competition may, as a consequence, favour competition based upon factors of efficiency.

Improvement in market efficiency

M0_1_E_BI2

This benefit item highlights how the implementation of a system implying beneficial ownership disclosure like the one foreseen in Model 0 may contribute to increased corporate transparency and the sharing of corporate information. These are clearly key factors for improving market efficiency.

6.8.4 Cost Items for Model 1

Beneficial owner data updating costs

M1_2_E_CD1

This cost item, quantitatively assessed, arises from the costs that companies are likely to face in order to update the information on their beneficial owners that is stored in the Central Registry. Updating has to be carried out as and when a transfer of shares results in a shareholding that exceeds or falls below the threshold established by Model 1.

Beneficial owner record keeping and data filing to the Central Registry

M1_3_E_CD1

This cost item, which can be quantified, aims to register the costs of record keeping and filing within the Central Registry of beneficial owners' data. In particular the monetary value associated with this item represents the opportunity cost of the time devoted by business administrative staff to the carrying out of such operations as envisaged under Model 1.

Business fiscal costs

M1_1_E_C11

This cost item refers to costs arising from the increase in companies' transparency due to Model 1 beneficial ownership disclosure. As in the case of Model 0, transparency requirements associated to Model 1 could lead to a greater disclosure of companies' data to fiscal authorities, thus resulting in a kind of moral pressure on businesses to improve their level of compliance with their fiscal duties. From a non-compliant businesses point of view, this

could be considered an indirect cost of Model 1 BO disclosure. There is reason to believe that in since BO disclosure requirements on businesses are tighter and more systematic in Model 1 than in Model 0, it would exercise greater moral pressure for fiscal good conduct.

Access to credit – unfair costs

M1_1_E_CI2

As described in the case of Model 0, this cost item hypothesizes that the strengthening of banks' vigilance on money laundering due to implementation of Model 1 requirements could lead to some potential difficulties for businesses in obtaining loans and credit from banks and other financial intermediaries on the basis of presumed risks of money laundering involvement. Credit discrimination could particularly affect 'selected' sensitive economic sectors and the smaller companies included in SMEs (Small and Medium Size Enterprises). Since Model 1 foresees a BO disclosure system where there is no intermediary buffer, there is reason to believe that difficulties for businesses in obtaining loans and credit from banks and other financial intermediaries could decrease.

Employers/Industrial Association lobbying costs

M1_1_E_CI3

This cost item tries to capture the costs that Employers and Industrial Associations in EU Member States would be willing to face to exercise due pressure on institutions at national and European level and obtain the implementation of a disclosure system that is less onerous for business than Model 1.

6.8.5 Benefit Items for Model 1

Reduction in unfair competition

M1_1_E_BI1

As in the case of Model 0, this benefit item indicates how the implementation of the Model 1 disclosure system would reduce the monetary value of the proceeds of crime laundered through the financial sector, thus reducing the scope for unfair competition on the part of businesses financed by dirty money. A reduction in unfair competition could favour competition based upon factors of efficiency.

6.9 WIDER COST AND BENEFIT: COSTS AND BENEFIT ITEMS

6.9.1 Main Assumptions for the area of incidence

This area of incidence groups all those effects which can result from the implementation of Model 0 and Model 1 BO disclosure system, but can't be addressed with regard to a specific subject or institution or category. 'Wider costs and benefits' are those costs and those benefits which affect the 'economic system' taken as a whole. To some extent, this economic system could be identified as the market, i.e. that social arrangement that allows buyers and sellers to collect and manage information so as to carry out a voluntary exchange of valued goods or services. This definition has been chosen so as to underline the strict relationship between market and information. Since Model 0 and Model 1 are, in fact, two systems of collecting and disclosing information, their impact on the market should be analyzed with a special attention, in order to understand which of them assures the most efficient exchange of information and thus, as a result, provides the best service to the market. Particular attention should also be devoted to the relationship between AML related data exchange, corporate information sharing and relations with investors.⁸⁷

Unfortunately these objectives go beyond this Cost Benefit Analysis. Our study just aims to be a starting point for further more focused discussions on the topic. However, in conclusion, it has to be pointed out that no analysis of AML disclosure systems can be carried out without considering problems of transparency in the corporate/company field and the availability of information in financial markets.⁸⁸

Due to the impossibility of addressing these effects in relation to a specific subject or institution or category, the items involved in this area of incidence are all indirect costs and benefits.

6.9.2 Cost Items for Model 0

Increase in intermediaries' prices and fees

M0_1_W_CI1

Increases in intermediaries operating costs due to Model 0 BO disclosure requirements implementation could eventually result in an increase in prices of the instruments offered and of fees charged for services provided by credit institutions, accountants and other financial and legal intermediaries. This could depend exclusively on marketing and pricing strategies of the single intermediary. However, an assessment of the likely percentage increase in prices and fees at national aggregate level has been carried out. It should

⁸⁷ On this topic see also chapter 10 and chapter 12.

⁸⁸ On the close relationship between corporate transparency, market information and money laundering see FATF (2003). This study helps us to understand how typical financial crimes such as market abuse, insider trading and other securities frauds can be used to set up and carry out ML schemes, i.e. the lack of transparency in the market helps money launderers and adversely affects market efficiency.

also be noted that banks and other financial intermediaries, on the one hand, and accountants and other legal intermediaries, on the other, could adopt different solutions in order to cope with the problem.

Market concentration costs

M0_1_W_CI2

The increase in intermediaries' operating costs due to Model 0 implementation could result in an increase in the level of banking, accounting and auditing industry market concentration. This would constitute a barrier for newcomers wishing to enter such industries, and a risk for existing economic actors in that they might be forced out of the market. The risk of market concentration depends largely on the current degree of concentration: countries with a high degree of market concentration in the accounting and banking business sector could be more exposed to the risk of increased market concentration. Another variable to take into account in this assessment is the kind of consolidation process which characterizes the accounting or banking industry in a particular moment: AML legislation is assumed to have little effect on a sector in the middle of a reorganization process. This item is not quantitatively assessable.

Use of less transparent legal entities

M0_5_W_CI1

Instead of interrupting their business relationship with an intermediary or going outside the EU in reaction to Model 0 BO disclosure provisions, companies which are unwilling to disclose their beneficial ownership can choose to adopt, sometimes advised by the very same intermediaries, a less transparent legal form in order to avoid transparency requirements. This represents a certain cost for customers, stakeholders, shareholders, bondholders and the market itself, because this involves a reduction in the availability of company information which adversely affects market efficiency investment decisions. This item can't be assessed quantitatively.

6.9.3 Benefit Items for Model 0

Market transparency benefits

M0_5_W_BI1

This item tries to represent all those benefits for markets and their actors which arise from the increase in the volume and quality of information about companies and businesses due to Model 0 BO disclosure, leading to an improvement in terms of market transparency. This result could lead to some important benefits such as a reduction in misleading information being given to the public, the reduction of fraud and capital loss risks, and a strengthening of the financial situation of companies and intermediaries. Moreover this could result in a better economic and financial environment in which the wider public could also participate directly in economic activity,

sharing risks and liabilities with entrepreneurs and companies. Although extremely relevant, this item couldn't be quantitatively estimated.⁸⁹

6.9.4 Cost Items for Model 1

Use of less transparent legal entities

M1_5_W_CI1

This item corresponds to Model 0 item M0_5_W_CI1. It can be assumed, due to the fact that the Model 1 disclosure system does not make use of intermediaries and does not utilize a Risk Based Approach but requires systematic disclosure on the part of private and public unlisted companies, that this disclosure system will make life more difficult for companies who don't want to disclose their BO and seek to use non-compliant intermediaries in order to conceal their BO. Model 1 could result, however, in a greater use of less transparent legal entities with respect to Model 0.⁹⁰ This item could not be quantified.

6.9.5 Benefit Items for Model 1

Market transparency benefits

M1_5_W_BI1

As explained in paragraph 6.1, under the Model 1 system all private and public company information about Beneficial ownership has to be made available to the public. This means information concerning BO would be widely diffused in the market as agents could have access to the BO database. This could imply benefits in terms of transparency and efficiency. However, at this stage of this Study, this statement is held as an hypothesis to be further discussed and proved. A better grounded finding can be found in the final section of this study, where the result of the Cost Benefit Analysis will be discussed.

⁸⁹ On this issue see also paragraph 9.3.1, chapter 10 and chapter 12.

⁹⁰ The same assumptions underpin our hypothesis that under Model 1 intermediaries clientele loss could be higher than under Model 0 provisions. See paragraph Intermediaries cost for Model 1.

6.10 EUROPEAN UNION AND MEMBER STATES: COST AND BENEFIT ITEMS

6.10.1 Main assumptions for the area of incidence

This area of incidence includes all costs and benefits for European Union, taken as a whole, arising from the implementation of the two BO disclosure models. It should be noted that this area of incidence and its related costs and benefits is applicable only at aggregate European level; thus, it will not be considered when assessing the impact at national level (i.e. when dealing with country profiles).

6.10.2 Cost Items for Model 0

Capital outflows towards extra EU countries

M0_1_U_CI1

This item, defined as ‘capital outflows’, in fact represents client loss to extra EU countries as opposed to that which can be assessed at national level towards other EU member states. In the latter case this would not constitute a net loss for the European Union but only a capital transfer. Thus, only the share of the capital outflows directed outside the EU should be considered a net loss for the European Union.⁹¹

EU internal dishomogeneity costs

Item code: M0_1_U_CI1

This cost item tries to capture the costs likely to arise from major discrepancies in Third Directive’s scope and interpretation across EU Member States. Given that the European Union is today a single market, it becomes crucial that regimes imposed by EU regulation operate in a uniform manner. Past experience shows what could happen again: the Second EU Anti–Money Laundering Directive transparency requirements were implemented in different degrees and at different times in each EU Member State. If this occurs again in the case of Model 0, and its implementation is not homogeneous, this may generate a competitive advantage for those countries which are reluctant to implement BO disclosure requirements, enabling them to attract investment from countries which are at a relative disadvantage because they are more compliant with EU regulation on anti–money laundering.

EU political costs

M0_1_U_CI2

This item, for which no quantitative estimate can be provided in this Study, focuses on the political costs that European Union institutions may face following the implementation of Model 0. In particular, some criticism may

⁹¹ See chapter 10.

arise from those categories charged with additional reporting duties and related costs by the implementation of Third Directive beneficial ownership disclosure system. These are: credit institutions, financial institutions and professionals. It should be noticed that financial and business intermediaries have well-organised associations representing their interests at EU level. National and supranational associations support the demand from their members for an adequate balance between money laundering prevention and financial system effectiveness. In this sense Model 0 implementation risks being perceived by some categories as an unjustified additional burden placed on honest businesses and their advisors.

6.10.3 Benefit Items for Model 0

Capital inflows towards EU Member States

M0_1_U_CI1

Along with capital outflows, some capital inflows towards EU Member States could be hypothesized as a result of the improvement in market transparency and efficiency arising from the implementation of Model 0 BO disclosure requirements. This quantitative item represents the total gain of banking clients, measured as percentage of total banking assets, calculated at EU aggregate level. Again, banking capital inflow / clientele increase has been used as a proxy of total capital inflows; this is not an estimate of all the investments in European Union arising from the implementation of Model 0.

6.10.4 Cost Items for Model 1

Capital outflows towards extra EU countries

M1_1_U_CI1

In keeping with the assumption that the implication of Model 1 could lead to a client loss for EU banks, this item (M1_1_B_CI1), seeks to quantify the capital outflow from the banking sector that could be expected. Proportionally, even if taking into account only the share of capital outflows directed towards extra EU countries, the total capital flowing out of the European Union is expected to increase.

6.10.5 Benefit Items for Model 1

Capital inflows towards EU Member States

M1_1_U_BI1

It cannot be assumed that capital inflows towards European Union would be greater under Model 1 than under Model 0 since improvements in market transparency and efficiency can be expected under both systems of BO disclosure.

6.11 HUMAN RIGHTS: COSTS AND BENEFIT ITEMS

6.11.1 Main Assumptions for the area of incidence

The area of incidence of “human rights and data protection costs” does not relate to a specific entity or category but has to be seen mainly in relation to individuals. A couple of general assumptions have to be mentioned before moving on to the presentation of specific items in this area of incidence:

A) It is a matter of fact that financial institutions hold critical information on transactions that may hide criminal schemes. However, customers’ data are often covered by confidentiality regimes. Any beneficial ownership disclosure system which envisages customers’ data being made accessible to law-enforcement agencies in order to enable them to trace criminal money channels is therefore likely to raise some problems in terms of rights to privacy.

An individual’s financial records and banking information concern not only his or her economic situation but also his or her personal interests and political beliefs.⁹² This is why confidentiality regimes like banking secrecy are viewed in terms of rights to privacy. Nowadays, the right to privacy is considered an international human right and is recognised by most countries and enshrined in many international human rights agreements. The trade off between the right to privacy and crime prevention (which can be interpreted as essentially about preventing the rights of others from being violated) is also embodied in the European Convention for the Protection of Human Rights and Fundamental Freedoms.⁹³ Article 8 reads “Everyone has the right to respect for his private and family life, his home and his correspondence. There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.” As the wording of this article highlights, the noble purpose of increasing the integrity of financial systems on the one hand and the protection of the human right to privacy on the other hand risk clashing each other.

Another delicate point regards the rules on the prohibition of “tipping off” which are incorporated in the Third Directive and therefore here considered under Model 0. These rules appear in contradiction with the EU Data Protection Directive,⁹⁴ giving the customer the right to obtain access to

⁹² Ping He (2006: 376–382).

⁹³ European Convention on Human Rights and Fundamental Freedoms, Rome, 4.11.1950.

⁹⁴ Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data. In particular, section V, art. 12 on the “right to access”:

“Member States shall guarantee every data right to obtain from the controller: (a) without constraint at reasonable intervals and without excessive delay or expense: (i) confirmation as to whether or not data relating to him are being processed and information at least as to the purposes of the processing, the categories of data concerned, and the recipients or categories of recipients to whom the data are disclosed, (ii) communication to him in an intelligible form of the data

information regarding the disclosure of his or her personal data to other authorities and the reasons lying behind this disclosure.⁹⁵

B) For the purposes of this Study Transcrime has tried to make a quantitative estimation of the human rights and data protection costs associated with the implementation of the two Models. In particular, this attempt focused on the costs faced by intermediaries in order to guarantee the security and confidentiality of their clients' beneficial ownership information held in the internal client database. However, such an estimate proved unrealisable. ICT costs for data protection cannot be isolated from global ICT costs and no estimate was furnished by the intermediaries contacted.

6.11.2 Cost Items for Model 0

Clients privacy and data protection costs

M0_3_H_CI1

This cost item tries to capture the cost faced by intermediaries in keeping confidential data on the beneficial owners of their clients in internal databases according to the transparency requirements of Model 0. It is worth specifying that under Model 0 data are kept by intermediaries and not disclosed to the public as in Model 1.

6.11.3 Benefit Items for Model 0

Increase in persons prosecuted for money laundering

M0_4_H_BI1

This cost item is based on the assumption that an increase in the number of persons prosecuted for money laundering due to the implementation of Model 0 transparency requirements can be considered as a benefit in terms of serious crime victims' rights protection. In fact, a more effective disclosure system increases the costs faced by criminals in hiding their identity in order to launder the proceeds of crime. If the costs of laundering dirty money increase for criminals, less funds will be available to them for criminal activities and the violation of crime victims' rights became less economically advantageous.

6.11.4 Cost Items for Model 1

Individuals' privacy and data protection costs

M1_5_H_CI1

This cost item does not exactly correspond with Model 0 clients' privacy and data protection costs because in Model 1 it refers more generally to

undergoing processing and of any available information as to their source; (iii) knowledge of the logic involved in any automatic processing of data concerning him at least in the case of the automated decisions referred to in Article 15 (1)".

⁹⁵ See The British Institute of International and Comparative Law (2006).

individuals, and not only to clients. The rationale behind this choice is that in Model 0, clients' personal data are filed in an intermediaries' database not open to the public, while in Model 1 all beneficial and registered owners of 10% or more of the issued capital have to file their personal data in a Central Registry that is available to the public.

6.11.5 Benefit Items for Model 1

Increase % in persons prosecuted for ML

M1_4_H_BI1

This cost item is based on the same sort of assumption as the corresponding item for Model 0, namely that an increase in the number of persons prosecuted for money laundering due to the implementation of Model 1 transparency requirements can be considered as a benefit in terms of serious crime victims' rights protection.

7.

VARIABLES USED IN THE COST-BENEFIT ANALYSIS

7.1 ORDINARY VARIABLES AND SENSITIVE VARIABLES USED IN THE COST BENEFIT ANALYSIS

The objective of this chapter is to present all the variables used in calculating the quantitative value of the cost and benefit items in Model 0 and Model 1.

The variables have been classified in two main categories: ordinary variables (assigned to data where a high degree of certainty exists) and sensitive variables (where there is more uncertainty about the value to assign). In order to be easily identifiable, each ordinary variable has been denominated with the letter X followed by a number (from X1 to X67) and each sensitive variable with the letter Y followed by a number (from Y1 to Y12).

7.1.1 Ordinary variables

Cost Benefit items have been calculated using 67 ordinary variables. Each ordinary variable corresponds to a given data on which there is a high degree of certainty or that has been assumed not to differ very much from the value assigned. For example, the annual number of Suspicious Transaction Reports sent to the national FIU in each Member State is considered as an ordinary variable.

Most ordinary variables have different values in each EU Member State. This is the case, for example, in the case of the total number of private and public unlisted companies registered in each Companies Registry or of the number of credit institutions in each Member State. How Transcrime has collected the data associated with each variable is described in detail in chapter 8. Only in the case of a small number of ordinary variables has it been assumed that values are the same in each Member State. Some examples are the average annual number of hours worked, or the average taxation on capital. In such cases Transcrime has attributed the same value to the variable for each EU Member State.

A complete list of all the ordinary variables ranging from X1 to X67 is shown in the table below. The aim of this list is not to bore the reader with an anonymous catalogue of codes and names, but to provide all the tools necessary to understanding how the quantification of the items described above was carried out.

Table 7.1: Ordinary variables⁹⁶

Code	Ordinary variables name
X1	Assets recovered
X2	Number of LEA investigators
X3	Number of LEA investigations on money laundering in 2005
X4	Number of persons prosecuted for money laundering in 2005
X5	Estimate percentage of investigations on money laundering starting from STRs
X6	Average years of imprisonment for money laundering
X7	Number of people convicted for money laundering in 2005
X8	Annual cost per person imprisoned
X9	Annual budget of the Company Registry Office in 2005
X10	Percentage of Companies Registry Office budget financed by Government
X11	Percentage of Companies Registry Office budget financed by companies
X12	Estimate of the ICT cost necessary to make Companies Registry available on-line to LEA
X13	Number of STR sent to the national FIU in 2005
X14	Percentage of the annual number of STR regarding transactions carried out by PPUC
X15	Estimated % decrease in the number of Accountants PPUC clients due to M1
X16	Time necessary to analyse an STR (in hours)
X17	FIU personnel gross hourly labour cost
X18	Number of STR transmitted by FIU to competent authorities
X19	FIU operating costs in 2005
X20	FIU other costs in 2005
X21	FIU training costs in 2005
X22	FIU personnel charges in 2005
X23	FIU number of analysts
X24	Estimate increase in FIU staff due to Model 0
X25	Number Credit Institutions (CI) in the country in 2005
X26	CI Total Assets 2005
X27	CI Total Income 2005
X28	CI Total Expenses 2005
X29	CI Staff Expenses 2005
X30	CI Total Employees 2005
X31	CI Gross hourly labour cost
X32	Number of PPUC registered in the National Companies Registry
X33	Banking sector capital outflows due to Model 0 (% of CI Total Assets 2005)
X34	Banking sector capital inflow due to Model 0 (% of CI Total Assets 2005)
X35	CI Loans to non-financial companies 2005
X36	Non performing loans (% of Total Loans to non-financial companies)
X37	Percentage reduction in non performing loans due to BO disclosure requirements implementation
X38	Beneficial Owner identification time

⁹⁶ For a detailed description of each variable and how it has been calculated see Annex B.

X39	Beneficial Owner registration and record keeping time
X40	Beneficial Owner data adding to STR time
X41	Hours of labour of training on Model 0 BO Disclosure requirements per employee
X42	Banking sector estimate of lobbying cost for Model 0 and Model 1 BO disclosure regulation
X43	Banks' average control costs on interns' compliance with Third Directive BO Disclosure requirements
X44	Banks' average ICT costs related to Model 0
X45	Annual number of STR sent by banking sector to FIU
X46	Percentage of STR sent by post on the total number of STR sent in the country
X47	Banking sector estimate increase in prices and fees for services provided due to Model 0
X48	Stamp costs
X49	Total members National Accountants Association (NAA)
X50	Total number of accounting firms communicated by FIU
X51	Total NAA members revenues
X52	Total NAA clients
X53	Companies clients of NAA members
X54	Percentage reduction of NAA clients due to Model 0
X55	Training costs per accounting firm
X56	NAA members internal controls costs
X57	NAA members ICT costs
X58	Annual number of STR sent by accounting firms to FIU
X59	NAA members increase in prices and fees for services provided due to Model 0
X60	Accountants' lobbying costs
X61	Average annual hours of work
X62	Percentage of the total criminal justice expenditure due to police investigation cost
X63	Percentage of asset management fees
X64	Average taxation on capital
X65	Percentage increase in capital outflows attributable to Model 1
X66	Time necessary to fill out the form necessary to notify transfers of legal ownership of shares to the national Companies Registry
X67	Estimate percentage of capital outflows towards extra EU countries

7.1.2 Sensitive variables

“Sensitive” variables are also taken into account alongside ordinary variables, and subjected to quantification. These variables are defined as “sensitive” for two reasons. Firstly, because of their relevance in determining the direction and magnitude of costs and benefits assessments. Secondly, because it is not possible to assign data with a high degree of certainty. Depending on the value assigned to these variables, cost and benefit items are likely to vary significantly.

For these reasons many of the sensitive variables will be subject to further assessment in the *sensitivity analysis*. That is to say, the reader will be provided with a set of alternative cost and benefit scenarios for the two models depending on the assignment of different values to some sensitive variables. However, in order to carry out the Cost–Benefit Analysis, a specific value has been assigned to each of the twelve sensitive variables. The motivations for each assigned estimate are provided below variable per variable.

Sensitive variable Y1: Percentage estimate increase in the annual number of STR due to Model 0

This variable represents the percentage increase in the number of Suspicious Transaction Reports (STR) which can be attributed to the implementation of Model 0 BO disclosure transparency requirements, and in particular to the increase of the knowledge of companies’ Beneficial Ownership. In the case of 15 countries, the increase in the number of STRs has been estimated by their respective national FIU. The estimates vary from 0% to 30%.⁹⁷ Where the national referent of a country has not provided any estimate, an increase of 12%, i.e. the EU average based on 15 estimates collected, has been attributed to the country.

Sensitive variable Y2: Ratio between the number of shareholders per single PPUC detaining more than 10% of the shares and number of shareholders per single PPUC detaining more than 25% shares

This variable represents the ratio between the number of registered beneficial owners per company as defined by Model 1 (detaining more than 10% of the issued capital of a company) divided by the number of registered beneficial owners per company as defined by Model 0 (detaining more than 25% of the issued capital of a company). The value of this variable has been calculated by Transcrime using data provided by the three national Company Registry Offices for which the information was available.⁹⁸ The ratio ranges from 1.1 to 1.8; the value of this variable has therefore been fixed by Transcrime at 1.5 for all countries.

⁹⁷ Only the FIUs of Belgium, Italy and Spain has estimated no increase in the number of STR.

⁹⁸ Italy, Estonia and Romania. See section 8.2.2 for more details.

Sensitive variable Y3: Number of shareholders per single PPUC detaining 25% shares

This variable indicates the average number of registered beneficial owners per company as defined in Model 0 (i.e. a natural person holding more than 25% of the issued capital of a private or public unlisted company). According to the data gathered from Company Registry Offices, a percentage of between 3% and 6% of private or public unlisted companies in each country have a registered shareholding of more than 25% of the shares.

However, it must be noted that this variable has been used mainly in the calculation of costs and benefits arising from Model 0. According to this Model the duty to disclose the beneficial ownership of a company is given to intermediaries. Up till now, intermediaries having a business relationship with a company were not obliged to know the beneficial owner of their clients. Therefore we must hypothesize that intermediaries do not know ex-ante if the company to which their services are provided do or do not have a beneficial owner holding more than 25% of the shares. Potentially all companies might have a shareholder holding more than 25% of the issued capital. This means that, potentially, the shareholding of all companies must be checked by intermediaries. As a consequence, the cost to intermediaries of ascertaining beneficial ownership as a result of Model 0 can be considered to be a fixed cost per client.

In accordance with this scenario, Transcrime has estimated the number of shareholders per single PPUC holding more than 25% of the shares as 1.

A second scenario of costs and benefits for intermediaries taking into account the data provided by the Company Registry Offices will be assessed in the Sensitivity Analysis. However, it must be borne in mind that this second scenario implies perfect ex-ante knowledge on the part of intermediaries concerning the shareholding of their clients.

Sensitive variable Y4: Number of changes and transfers of fractions of company share capital above the 25% threshold

This variable tries to estimate the average annual number of share transfers above the 25% threshold of shares of private or public unlisted companies. Almost all the Company Registry Offices contacted by Transcrime were unable to provide this kind of data. The estimate that in 2% of the registered PPUCs such a transfer may occur each year has been fixed after consultation with experts in this field.

Sensitive variable Y5: Percentage of customer due diligence transactions or clients

This variable and the following two (Y6 and Y7) have been used by Transcrime to estimate the impact of the “risk approach” envisaged by Model 0 on costs and benefits for intermediaries. The rationale behind the choice to estimate the percentage of transactions that can be classified as having a low, high, or “normal” risk of money laundering transactions is that different kinds of transactions trigger different levels of control costs. Clearly these percentages vary according to the country considered, the type of

intermediary (e.g. a bank mainly dealing with corporations or a bank mainly dealing with natural persons) and the type of clients. The scenario presented here is the one of a “classic” bank whose principal sector of activity is retail banking. In the sensitivity analysis two more scenarios will be presented.

The first of the three variables, Y5, is an estimation of the percentage of transactions or clients for which 'customer due diligence' might be carried out by intermediaries. In this “standard scenario”⁹⁹ Y5 has been estimated as the 10% of the transactions carried out by an intermediary.

Sensitive variable Y6: Percentage of low–risk transactions or clients

This variable is an estimate of the percentage of transactions or clients that might be classified by intermediaries as having a low–risk of money laundering. In this “standard scenario” Y6 has been estimated as the 80% of the transaction carried out by an intermediary.

Sensitive variable Y7: Percentage of high–risk transactions or clients

This variable is an estimate of the percentage of transactions or clients that might be classified by intermediaries as having a high–risk of money laundering. In this “standard scenario” Y7 has been estimated as the 10% of the transaction carried out by an intermediary.

Sensitive variable Y8: Identification time discount for identifying beneficial owner in low–risk transactions

This variable indicates the time saved by an intermediary in BO identification in the case of transactions or clients that might be classified as having a low–risk of money laundering. This variable is estimated as a percentage of the average time spent by an intermediary in the “know your customer” process to be carried out for standard customer due diligence. Transcrime estimated this as 50% of the standard customer due diligence identification time.

Sensitive variable Y9: Identification extra time for identifying beneficial owner in high–risk transactions

This variable indicates the additional time that an intermediary must use to identify the BO in cases of transactions or clients that might be classified as having a high–risk of money laundering. This variable is estimated as a percentage of the average time spent by an intermediary in the “know your customer” process to be carried out for standard customer due diligence. Transcrime estimated this as 50% of the standard customer due diligence identification time.

⁹⁹ I.e. the set of data used to perform the standard CBA, whose results will be reported and discussed in section 9.2, chapter 10 and Annex D. Other data sets and other scenarios will be presented and discussed in chapter 11.

Sensitive variable Y10: Estimated percentage increase in the amount of information on PPUCs disclosed under Model 1 BO disclosure system

The variable, used as a multiplier to quantify additional costs and benefits arising from Model 1 for some specific areas of incidence, tries to represent a proxy of the potential increase in information on beneficial ownership of private and public unlisted companies (PPUCs) available to FIU and Law Enforcement Agencies under the Model 1 BO disclosure system. This estimate assumes the quality of information on BO, provided in Model 0 by intermediaries and in Model 1 by the same companies (i.e. at the end of the process of disclosure), to be equal under the two models.¹⁰⁰

Variable Y10 tries to incorporate the effects on PPUC information available to LEA and FIU of two elements:

- 1) the beneficial ownership disclosure itself (i.e. Model 0 BO disclosure system implementation effects);
- 2) the decrease in BO threshold foreseen by Model 1 (10% of company shares instead of Model 0 25% threshold).

Variable Y10 has been calculated taking into account the two distinct effects; specifically, by multiplying three variables:

- Y1: percentage estimate increase in the annual number of STR due to Model 0 BO transparency requirements;
- X14: percentage of STRs regarding transactions carried out by PPUC;
- Y2: ratio between the number of shareholders per single PPUC detaining more than 10% of the shares and the number of shareholders per single PPUC detaining more than 25% of shares.

In this way, variable Y10 takes into account the increase in information on PPUC due both to *latu sensu* BO disclosure and to Model 1 specific BO disclosure system. It should be noted that, since the Y2 ratio always measures more than 1, Y10 is always higher than Y1. As a result, it could be stated that, under our assumptions, Model 1 always grants more PPUC information to LEA and FIU than Model 0.¹⁰¹

Sensitive variable Y11: Percentage of the beneficial owners holding more than 10% of the issued capital not registered in the Central Registry

This variable tries to estimate the percentage of beneficial owners as defined by Model 1 (natural person holding more than 10% of the issued capital of a private or public unlisted company) that are not registered in the national Companies Registry. The variable is expressed as a percentage of the number of beneficial owners per company as defined by Model 1 (i.e., as a percentage of (Y2*Y3)) and fixed for the 27 EU Member States at 5%.

¹⁰⁰ See Box 3 for more details.

¹⁰¹ See Box 3 for more details.

Sensitive variable Y12: Percentage of PPUCs that have a business relation with both a bank and an accounting firm

This variable tries to estimate the percentage of private or public unlisted companies that have a business relationship with at least two intermediaries. In this Study, two categories of intermediaries have been taken into account as a proxy of the whole area of incidence: banks and accountants.¹⁰² Therefore the percentage indicated with Y12 represents the percentage of PPUC having a business relationship with both a bank and an accounting firm, and has been estimated by Transcrime at 80%.

The rationale behind this choice is the effort to estimate the duplication cost of the BO identification procedure. This duplication cost can be defined as the cost arising for the intermediaries' sector from the repetition of the same beneficial owner identification process by more than one intermediary.¹⁰³

¹⁰² See section 6.6.1 for more details.

¹⁰³ See section 6.6.2 for more details.

8.

COST BENEFIT ANALYSIS DATA SOURCES

8.1 DATA ON THE 27 EU MEMBER STATES GATHERED TO PERFORM THE CBA

This CBA is based on both qualitative and quantitative cost and benefit items. In order to calculate the quantitative items Transcrime has identified a set of 67 ordinary variables (the variables were presented above in chapter 7). Values have been assigned to each of these 67 ordinary variables on a country by country basis for each of the 27 EU Member States. This CBA is thus supported by 1809 ordinary variable data elements.

The aim of this section is therefore to present how this set of data has been gathered, from which data sources and with what results.

8.1.1 Data Sources used

Transcrime has relied on two main kinds of data sources:

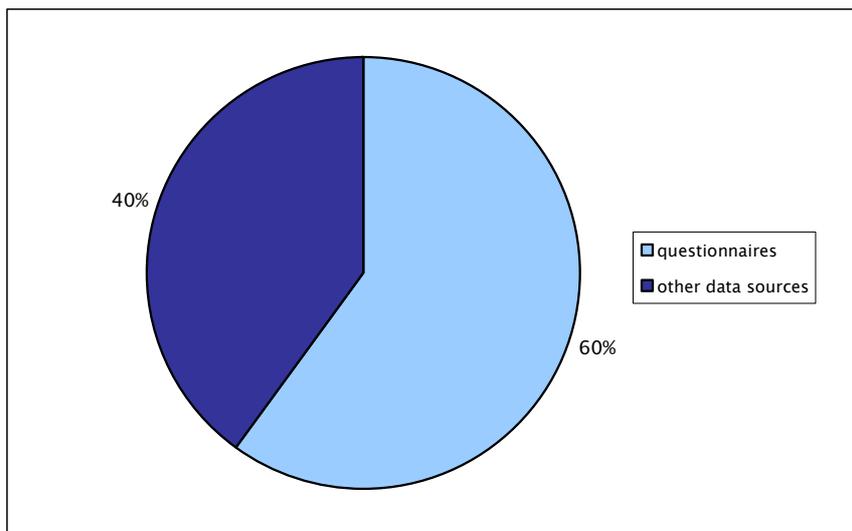
- a set of 6 questionnaires submitted to 6 experts¹⁰⁴ in each of the 27 EU Member States, one per each of the following entities/professional bodies: the Financial Intelligence Unit, the National Bankers' Association, the National Association of Accountants, a Law Enforcement Agency (chosen among those responsible for enforcement in the areas of drugs, terrorism and other serious crimes), the Companies Registry Office, and the National Industrial/Employers Association;
- official databases,¹⁰⁵ official documents and reports published by the concerned entities/professional bodies or by national and international organizations.¹⁰⁶ A review of the data sources that have been used is provided in Annex B for each considered variable.

¹⁰⁴ One national referent was identified per each country with responsibility for the dissemination of the questionnaires and for transmitting them to Transcrime once filled out. Whether directly and or through the national referents Transcrime sent out a total number of 162 questionnaires.

¹⁰⁵ European Central Bank Statistical Data Warehouse, EuroStat, IMF databases, WB databases, OECD databases, Thomson Financial Datastream, JCF FactSet.

¹⁰⁶ FIU Annual Reports, FATF and Moneyval evaluation reports, documents and reports published by National professional bodies.

Figure 8.1: Data gathered per data source (%)



As the figure 8.1 shows, the 60% of the background data was collected by means of the 6 questionnaires, while the remaining 40% of the data was obtained from other data sources (official databases, documents or reports).

When more than one data source was available for a certain data, Transcrime always treated official databases with data referring to more than one EU Member State as the primary data source.

Another important point that has to be mentioned is that all data used in this CBA, where not otherwise specified, refers to the year 2005.

8.1.2 The role of national referents

One national referent per EU Member State was identified in order to assist Transcrime with gathering the information needed to perform the CBA. National referents were given the task of selecting national experts with the necessary background to answer Transcrime questionnaires, and they helped Transcrime in the construction of the country profile of their own country by filling out a specific questionnaire.

All national referents were identified within national FIUs. This choice was made mainly because FIU staff usually has a comprehensive knowledge of national Anti-Money Laundering regulations, as well as contacts with the many institutions/bodies involved in the fight against money laundering.¹⁰⁷ 20 European FIUs agreed to cooperate with Transcrime. Table 8.2 lists all the FIUs which have assisted Transcrime in carrying out this Study and the person acting as a national referent for each country.

¹⁰⁷ Another point that has to be mentioned is that FIUs have been eager to cooperate with Transcrime on previous initiatives on money laundering.

Table 8.1: National Referents cooperating with Transcrime

Country	FIU	National referent
Austria	A-FIU	Joseph Mahr
Belgium	CTIF-CFI	Philippe de Koster
Bulgaria	FIA	Vassil Kirov
Cyprus	MO.K.A.S.	Maria Kyrmizi
Czech Republic	FAU-CR	Jaromir Neuzil
Denmark	Hvidvasksekretariatet	Ulla Hoeg
Estonia	FIU	Raul Vahtra
Hungary	ORFK	Ernő Dózsa
Ireland	MLIU	Eugene Corcoran
Italy	UIC	Nicola Mainieri
Latvia	KD – Kontroles dienests	Diana Veidemane
Lituania	MDP prie VRM	Vilius Peckaitis
Luxembourg	CRF	Jean-Paul Frising
Malta	FIAU	Frank Caruana
Portugal	FIU	Miguel Rocha
Romania	ONPCSB	Nicoleta Popa
Slovakia	OFIS UFP	Ivan Šnírer
Slovenia	OMLP	Aleksandra Čargo
Spain	SEPBLAC	I. Palacio Diaz-Faes
Sweden	NFIS	Tommy Kangasvieri

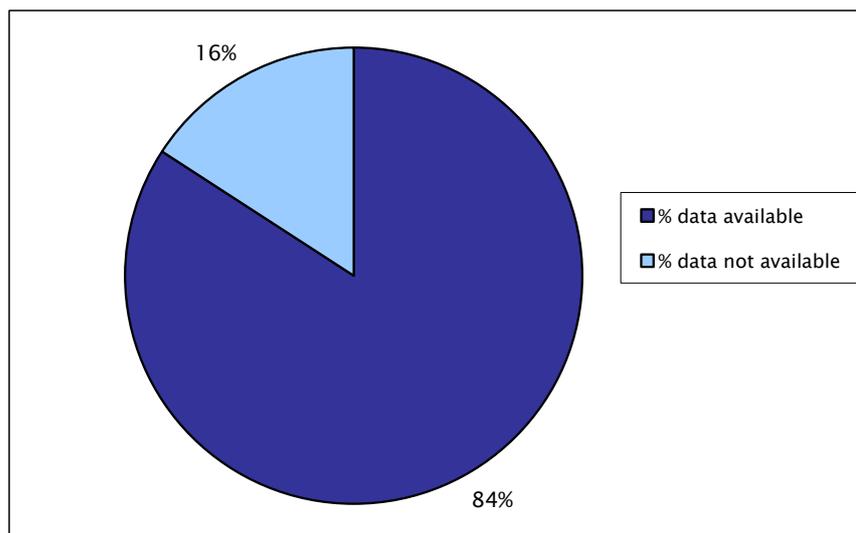
In the case of those countries where the FIU did not agree to cooperate as a national referent Transcrime contacted directly an expert for each of the six entity/professional bodies mentioned in 8.1.1.

A complete list of the entities/professional bodies contacted for this Study both directly by Transcrime and indirectly through a FIU national referent is provided in Annex D.

8.1.3 Data gathered

The following table shows the data gathered as a percentage of the total amount of data that was sought. Almost 85% of the whole set of underlying data needed was successfully obtained and has been used in CBA calculations. This leaves a data gap of approximately 15%. The main reason for this data gap is further analysed in section 8.2.

Figure 8.2: Percentage of data available and not available



Transcrime submitted a total number of 162 questionnaires to the pool of national experts (six for each of the 27 EU Member States) from October to December 2006. Most of the completed questionnaires were received by Transcrime in January 2007. Transcrime received a total of 97 completed questionnaires up to 28th February 2007, closing date of the Study.¹⁰⁸ Clearly the percentage of questionnaires answered varies among the 6 entities/professional bodies¹⁰⁹ considered in the Study as well as among the 27 EU Member States as can be seen in Figure 8.3 and 8.4.

¹⁰⁸ Questionnaires sent by EIA of Portugal, NBA, NAA, CRO and EIA of Romania, even if returned before the 28th of February, arrived after the closure of the data analysis. Consequently, it was not possible to fully take them into account. It's aim of Transcrime to consider these questionnaires in updated versions of the Study.

¹⁰⁹ Each of the six entities/professional bodies has been assigned with a code: FIU for Financial Intelligence Units; NBA for National Bankers Association; NAA for National Association of Accountants; LEA for Law Enforcement Agency; CRO for Companies Registry Office, and EIA for National Industrial/Employers Association.

Figure 8.3: Percentage of questionnaires filled out per entity/professional body

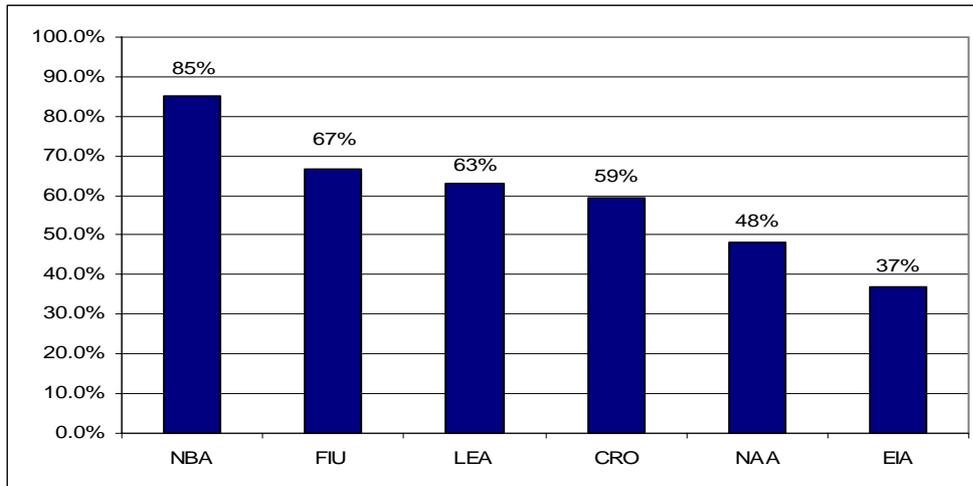


Figure 8.4: No of questionnaires filled out per each EU Member State at 28/02/2007.

	FIU	LEA	NBA	NAA	CRO	EIA	No. questionnaires filled out per MS
Cyprus	•	•	•	•	•	•	6
Denmark	•	•	•	•	•	•	6
Hungary	•	•	•	•	•	•	6
Latvia	•	•	•	•	•	•	6
Romania	•	•	•	•	•	•	6
Slovak	•	•	•	•	•	•	6
Slovenia	•	•	•	•	•	•	6
Czech Rep.	•	•	•	•	•		5
Estonia	•	•	•	•	•		5
Italy	•	•	•	•	•		5
Luxembourg	•	•	•	•	•		5
Portugal	•	•	•		•	•	5
Austria	•	•	•			•	4
Sweden	•	•	•		•		4
Lithuania		•	•	•			3
Belgium	•	•					2
Bulgaria	•					•	2
Finland			•		•		2
Germany			•	•			2
Greece			•		•		2
Malta	•		•				2
Spain	•		•				2
United Kingdom			•		•		2
France			•				1
Ireland		•					1
Poland			•				1
Netherlands							0

8.2 BEYOND THE INFORMATION GAP

As it has been shown in section 8.1, most of the data that is not available (see Figure 8.2) refers to one of two areas: the Accounting sector or the Company/Corporate field. The lack of data for these areas has posed some obstacles in providing a comprehensive estimation of the impact of Model 0 and Model 1 on the Accountant sub-area of incidence and on a few items requiring some comment from Businesses representatives. However, estimates have been made in relation to these areas, it has been possible to draw some important conclusions.¹¹⁰

However, the exercise of trying to understand the reasons why this data is lacking could help in:

- identifying the most important problems regarding corporate information which has been widely recognised as a key factor in the fight against money laundering.¹¹¹
- suggesting some best practices and action plans in order to improve “transparency in the corporate/company field, which would improve anti-money laundering international cooperation”(Transcrime, 2001) and to enhance the exchange of AML related information between governments, law enforcement agencies, financial institutions and other intermediaries, the wider public.

In this sense non-information, if suitably handled, can become information. When dealing with corporate/company transparency, as is the case of this Study, the information gap could reveal where to focus the attention of policy-makers and where intervention is necessary.

The aim of this section is to get a better understanding of the reasons underlying the Accountants information gap and Company/Corporate information gap.

8.2.1 Accountants information gap

In order to carry out a quantitative assessment of the impact of anti-money laundering regulations on a particular subject/institution in terms of costs and benefits and in order to know where it is likely to have greatest impact, it is necessary to know some key facts and figures concerning the subject, preferably its entire cost structure. We need to know about revenues, operating costs and, with regard to this CBA, the expenses specifically referable to AML and BO disclosure provisions.

As regards the accounting sector, a very little of this data can be obtained, whether we seek it in reports, documents, publications, or analyses, or whether we attempt to use questionnaires sent to national referents which are completed and returned to Transcrime. Transcrime has identified national Associations of Accountants as the best representatives of the accounting industries at national level; the representatives of the most important global

¹¹⁰ See section 10.6, 10.8 and 10.9 for more details.

¹¹¹ See Bushman et al. (2004); see also FATF (2003).

accounting firms¹¹² are another important source of information. But though the associations/institutions contacted by Transcrime have been cooperative in furnishing relevant and detailed information on how they cope with Model 0 and Model 1 requirements, and how they deal with their clientele's BO disclosure provisions, only in few cases they provided us with detailed information regarding, more generally, national Accounting firms total expenses and, more specifically, AML related costs.¹¹³ Although this did not affect the identification of what accountants consider to be the main benefits arising from the implementation of Model 0 and Model 1, it has posed some problems in quantitatively assessing the economic impact of the two disclosure systems on the category.

Except for 6 countries out of 27, it has not proved possible to gather data on the national accounting industry revenues, total costs and AML costs, whether from documents, reports and publications or through questionnaires transmitted by the national Associations of Accountants. These kinds of data are not available for two main reasons: in some cases these figures are of a confidential nature, and, if collected, they are communicated only for internal use; in most cases these aggregate data are not collected or estimated.

The following key factors help to explain why these financial figures might not be available:

1) *Market structure*: 4 global accounting groups¹¹⁴ control the most of the market (in terms of revenues, approx. 40–50% of global accounting industry revenues); they are flanked by a plethora of local accounting firms. While some statistics on the first 20–30 global accounting firms are currently available,¹¹⁵ it is much more difficult to obtain complete and comprehensive statistics on all accounting firms, which include the smaller locally-based companies, both at national level;

2) *The heterogeneous membership of accountants associations*: this particular market structure is reflected in the membership of the national Accountants Associations: along with individual local accounting firms, the national branches and subsidiaries of the multinational accounting firms are also represented in these associations. The financial data concerning these branches have to be reconciled with those of the parent subsidiaries, and this creates problems in collecting members' financial figures, even if

¹¹² As for the persons contacted both in the national Accountant Associations both in private accounting firms See Annex E. It has to be noted, however, that along with keeping an important relationship with the national Associations of Accountants, Transcrime has confronted also with representatives of the most important global accounting firms, which helped understanding the main sources of concern for accountants arising from the implementation of the two models; see Acknowledgements.

¹¹³ These data correspond to specific variables listed in section 7.1 and described in detail in Annex B, from variable X51 to X57.

¹¹⁴ Usually defined as "The Big Four": PricewaterhouseCoopers, Deloitte, Ernst & Young, KPMG.

¹¹⁵ See for example IFSL – International Financial Services London (2005). The study reports some statistics of global accounting industry, showing the "Big Four" (PwC, Deloitte, E&Y, KPMG) collecting annually 95 billions US\$ revenues, representing 65% of the first 20 firms revenues in 2004.

accountants associations are very well and systematically organized, both at national and at international level;¹¹⁶

3) The global activity of accounting industry: another key factor explaining the difficulty of gathering and estimating the national accounting industry's total revenues and costs is the fact that the biggest accounting firms often work jointly with their foreign counterparts and parent branches, advising and providing services to multinational corporations. As a result it becomes very difficult to separate out what part of the revenues/costs are produced/borne in a single country.

As regards, specifically, costs related to Model 0 and Model 1 BO disclosure systems implementation the following key factors have to be taken into account:

1) Accountants' short "track record" on Anti Money Laundering: anti-money laundering measures have only recently been put in place for professionals at EU level (in contrast to the situation regarding financial institutions, which have been subjected to the anti money laundering regime for a long time). This means that relevant experience is lacking and although such measures may appear relatively robust on paper, the absence of a basis for judgement makes it difficult to evaluate how effective and costly this regime has been. Assessments and estimates, whether carried out by the single accounting firms or by national associations of accountants are lacking on how current and future AML legislation impacts on accountants' cost and benefit structure. This short "track record" in the AML field could also explain the significantly lower percentage of questionnaires answered by national Association of Accountants (44%) in comparison to the other category of intermediaries represented, credit institutions (78% questionnaires answered). This difference surely reflects different experiences in terms of involvement in AML fight and procedures, but could also partly reflect some reluctance in participating directly in the AML fight: "However, it appears that even when subject to anti-money laundering rules, the non-financial professions still display an unwillingness to co-operate with anti-money laundering authorities in contrast to the relationship that exists in most jurisdictions between these authorities and the financial sector. This fact is especially reflected in the generally low number of STRs submitted by this group" (FATF, 2002a).

2) Difficulty in making estimates due to heterogeneous nature of accounting firms: the differences in dimension and working standards of accounting firms, described above, make it difficult to provide a comprehensive and detailed assessment on how AML legislation, and in particular of BO disclosure requirements, could impact on them: much depends on the cost structure of single accounting firms, which varies greatly, the utilization of common standards of customer identification, and on the likely presence of economies of scale; these differences may be supposed to be less relevant with regard to financial institutions and in particular with regard to credit institutions;

¹¹⁶ IFAC, International Federation of Accountants, represents more than 2.5 million accountants, 155 members among accountants associations belonging to 118 different countries. See www.ifac.org.

3) *Risk Based Approach*: the adoption of Risk Based Approach, envisaged by the Third EU AML Directive and consequently embodied in Model 0 BO disclosure system seems to exacerbate differences in implementation and in AML procedures amongst accounting firms, thus posing additional problems in providing a complete, detailed and comprehensive assessment at national and European aggregate level of costs and benefits arising from the application of Model 0 and Model 1 to the accounting industry.¹¹⁷

All these key issues help to explain the accounting “information gap” referred to in section 8.1, and the problems faced by Transcrime in gathering and analysing the underlying data in order to support the CBA with reference to the accounting industry. As a result, although this does not affect the identification of what are the main concerns and the main advantages for accountants arising from the implementation of Model 0 and Model 1, only an approximate estimation of the costs and benefits for the accounting industry at EU aggregate level could be carried out.¹¹⁸

8.2.2 Company/Corporate information gap

Of the tables provided in section 8.1, Figure 8.3 assume a key role in explaining the reasons underlying the company/corporate information gap: firstly, the relatively low percentage of questionnaires answered by Employers and Industrial Associations (33%, see figure 8.3); secondly, lack of data related to the statistics held by the Company Registry Offices.

The percentage of questionnaires answered by the national Employers/Industrial Associations could indicate lack of awareness of the Beneficial Owner disclosure issue in the Company/Corporate field. The panel discussion held with representatives from the business sector during the first stage of this Study confirmed the impression that European Employers/Industrial Associations haven't yet developed a very high level of awareness of what could be the impact of BO disclosure requirements on their sector. As regards the introduction of Third AML Directive, some of the Employers/Industrial Associations contacted have drawn attention to problems which could arise for those members of the association who, trading with goods in amounts over the 15,000 Euro threshold, would be subjected to the same provisions of BO disclosing and reporting affecting other legal and financial intermediaries. In other words, the industrial associations which have indicated interest in the Third Directive issue, have questioned the Directive in terms of “Am I included amongst those to whom the Directive will apply?”. Some national Employers/Business Associations know about the problem because they have members who belong to categories such as the jewellery industry that are campaigning against it.

On the other hand little awareness has been shown about what impact the Third Directive could have on companies in terms of fiscal costs or in terms of substantial modifications to current corporate governance and corporate information habits. Indeed it seems that very little attention has been devoted by these bodies to the possible consequences of the introduction of

¹¹⁷ See PriceWaterhouseCoopers Global Technology Centre (2002).

¹¹⁸ See section 10.6.

company BO disclosure requirements in terms of corporate transparency, even though many comments have suggested the existence of a close relationship between these provisions and the corporate transparency issue.

The second key factor that should be pointed out concerns gaps in the data of the Company Registry Office, and most notably concerning the composition and structure of shareholding and ownership in registered companies. At national level, when we have asked about the number of private and public unlisted companies (PPUCs) a detailed response has usually been provided; but when we inquired about the number of beneficial ownership shareholders per PPUC¹¹⁹ an exhaustive answer was supplied only in three cases out of 27 countries;¹²⁰ nor has it been possible to gather data on how share capital is distributed in nationally registered PPUCs amongst different types of shareholders (natural persons, unlimited companies, limited companies, foundations and charities). These cases provide some examples of the problems currently affecting European Companies Registry Office statistics. While in most cases data related to a single company registered in the CRO are available,¹²¹ aggregate figures, characterized by a second level of elaboration are not put at the disposal of the public. A huge amount of data is currently stored in European Company Registry Office databases, but, in order to give better support to studies and analysis in the corporate governance/company transparency field and in order to better understand the differences between countries in registering a company at national level, more intelligible and comprehensive data should be collected, elaborated and provided to the public.

However, European Companies Registry Offices are now coping with a massive reorganization process, aimed at better integrating the different registries and improving their reciprocal interoperability.¹²² What is more, some studies have been carried out which compare different national provisions applying to companies willing to register in the national Company Registry and these have provided relevant information on the current state of

¹¹⁹ The definition provided in Directive 2005/60/EC poses a threshold of 25% of the shares or voting rights of a legal entity as sufficient to be labelled as Beneficial Owner of the same legal entity; on the contrary Model 1 poses a 10% threshold. See also section 6.1 for further discussions.

¹²⁰ Italy, Estonia and Romania.

¹²¹ See Section 9.1 and Figure 9.3.

¹²² See for example the BRITE Project – Business Register Interoperability Throughout Europe, www.briteproject.net; in particular, as regards as the possible links between a common European Company Registry platform and Anti Money Laundering fight see BRITE (2006).

business registering in EU countries and about company/corporate information gaps.¹²³

¹²³ See for example The Swedish Company Registration Office (2007).

9.

CURRENT STATE OF DISCLOSURE OF BENEFICIAL OWNERSHIP AND COUNTRY PROFILES

After illustrating how the Cost Benefit Analysis was carried out, chapter 9 and chapter 10 present the results of the Study.

In section 9.2 we report briefly the results of the Cost Benefit Analysis for each of the 27 EU Member States. In Chapter 10 we will then present and discuss the main findings of the Study at aggregate European level.

To better understand the results of the CBA, an analytical review of the current state of disclosure of the beneficial ownership information across the European Union is presented in paragraph 9.1.

9.1 CURRENT STATE OF DISCLOSURE OF THE BENEFICIAL OWNERSHIP IN THE EU

This section aims at describing the current state of disclosure of beneficial ownership information in the European Union. An overview on the level of transparency of company ownership structure in the EU is a fundamental premise to understanding the results of the CBA reported in the country profiles.

The vital importance of information regarding beneficial ownership has been repeatedly stressed in various part of this Study, not only in relation to anti money laundering regulation but also as an underlying condition of market transparency. The key concept of information will be further analysed in chapter 10 where we draw the main conclusions emerging from the Cost Benefit Analysis.¹²⁴

What emerged clearly from this Study is the existence of an underestimated gap between the crucial role assigned to the disclosure of company beneficial ownership within the current EU anti money laundering regulation and the actual availability of company ownership structure information to the public authorities as well as to market agents, including those who have reporting duties. The following two paragraphs try to describe the nature and the extent of this gap.

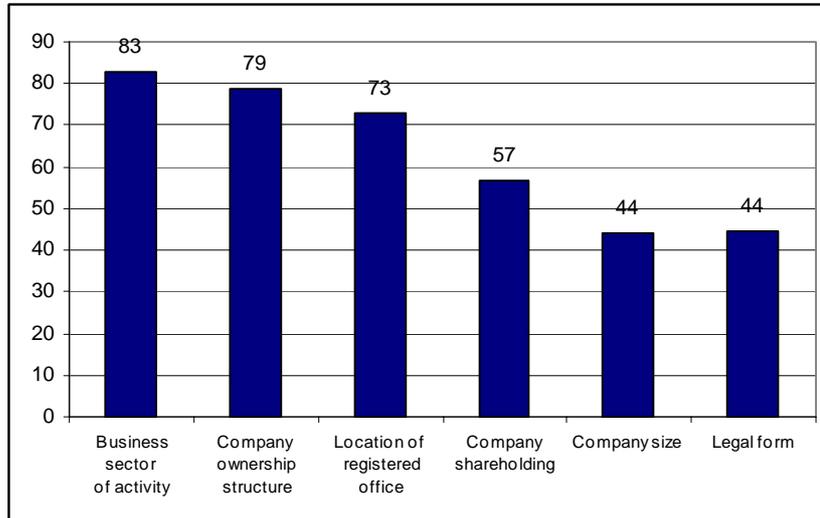
9.1.1 Beneficial Ownership disclosure and Anti Money Laundering (AML)

As regards the importance of beneficial ownership information within AML regulation, Transcrime asked EU banking sector representatives¹²⁵ to rank different types of information on their clients (when the client is a private or public unlisted company) according to their relevance for detecting transactions suspected to be money laundering. Figure 9.1 shows the results of this survey. Company ownership structure clearly appears as key information in detecting money laundering, along with two other risk indicators, namely the company business sector of activity and the location of the registered office.

¹²⁴ See in particular paragraph 10.13.

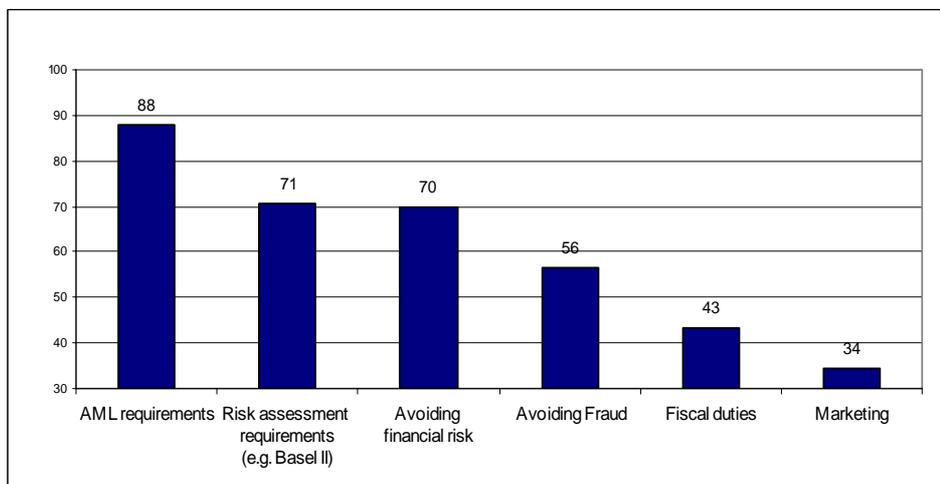
¹²⁵ National Bankers Associations' representatives of 18 EU countries answered to this question through Transcrime questionnaire.

Figure 9.1: Types of information on bank clients in terms of relevance for detecting suspicious ML operation (Source: NBA Questionnaire, maximum value = 100)



Transcrime has found confirmation of this result asking the same sample of banking sector representatives what are the main reasons for collecting information about ownership structure, shareholding and BO. The results expressed in Figure 9.2 are a good countercheck of those presented in Figure 9.1. Indeed, compliance with anti money laundering requirements appears by far the most important reason for collecting company ownership structure information.

Figure 9.2: Reasons for collecting information about ownership structure, shareholding, BO information (Source: NBA Questionnaire, maximum value = 100)



9.1.2 Current state of Availability of BO Information

Paragraph 9.1.1 assesses and gives good reasons for considering disclosure of information on beneficial ownership – and, more generally, on company ownership structure – as a core issue that anti money laundering regulation must deal with. This paragraph attempts an overview of the current level of availability of this information at EU level by addressing the following questions: where and how beneficial ownership information is stored in EU countries and what level of accessibility is foreseen for BO data in EU countries.

Consistently with the rest of the Study, this section takes into account only beneficial ownership of private and public unlisted companies. The distinction appears very important when dealing with company registration requirements, given that publicly listed companies are usually required by law to notify more information at the time of registration.

To run its business, a private or public unlisted company has to be registered in the national Company Registry. At the time of registration, the company is required to file in the registry certain information related to its financial and shareholding situation. Thus, a first indicator of BO disclosure is whether EU Company's Registries require and record beneficial ownership information at the moment of registration. Transcrime put this question to the pool of EU Company Registry Offices (CROs) cooperating in the Study.¹²⁶ Figure 9.3 shows the results in terms of percentage of EU countries in which each kind of information has to be filed with the national Central Registry. From the data gathered it emerges that in only 13% of cases companies obliged by law to register their beneficial owner(s) in the national registry.¹²⁷ Other kinds of information related to company ownership and control structure are also collected only in some Company Registries, i.e. information on shadow directorship (7%), group structure (20%) or type and number of shares held by each shareholder (53%). Only 50% of the CROs answering to Transcrime questionnaire stated that companies in their country are obliged by law to file transfers of legal ownership of shares with the company registry. If transfers of legal shares are not monitored, it becomes a difficult task to identify the real beneficial owner of a given company at a given moment, especially if the Company Registry does not collect nor update such information.

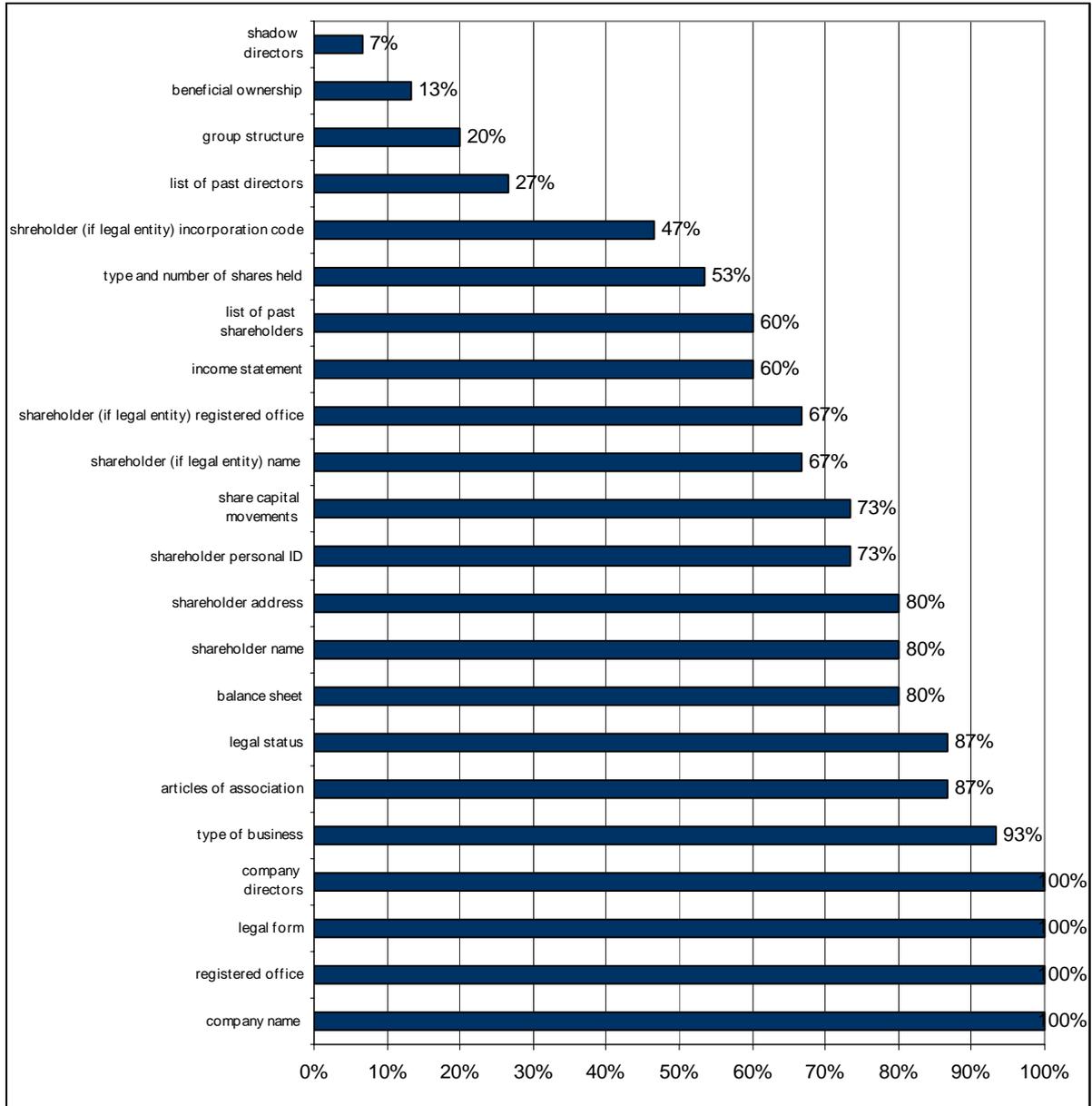
¹²⁶ The Companies Registry Offices of the following 15 EU countries answer to Transcrime questionnaire: Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Italy, Latvia, Luxembourg, Romania, Slovakia, Slovenia, Sweden, United Kingdom.

¹²⁷ Based on information provided by the 15 national Companies' Registration Offices who decided to cooperate (see note above), the only jurisdictions which require companies to give the CRO their BO data are Italy and Slovenia.

Figure 9.3: Kind of information that a limited company has to file with the Company Registry

(Source: CRO Questionnaire)

100% = All the national Company Registries contacted requires the incorporating company to communicate the information when registering



The second key point is the availability of BO information, in particular for those categories that under the current EU anti money laundering regulation have to report any transaction suspected of money laundering to the competent authorities. Particularly concerned by this issue are those categories that under Third Directive BO disclosure regime, not yet implemented, must identify the beneficial owner of their clients.¹²⁸ Transcrime therefore asked European NBA representatives to signal on which data sources credit institutions can rely to collect BO information. The results are reported in Figure 9.4. The documentation presented by clients is by far the main data source on which credit institutions could rely to collect BO information. Even before the formal approval of the Third Anti Money Laundering Directive, credit institutions expressed their concern over the discrepancy between the duty for intermediaries to identify the BO foreseen by the new Directive and the actual availability of BO information in publicly accessible databases and documents.¹²⁹ National company registries have been signalled as the second data source on which to rely, even though some concern is expressed on the feasibility of this option, because in some EU jurisdictions “legal entities or legal persons are under no statutory obligation to disclose natural persons or to register their names in publicly accessible registers”.¹³⁰

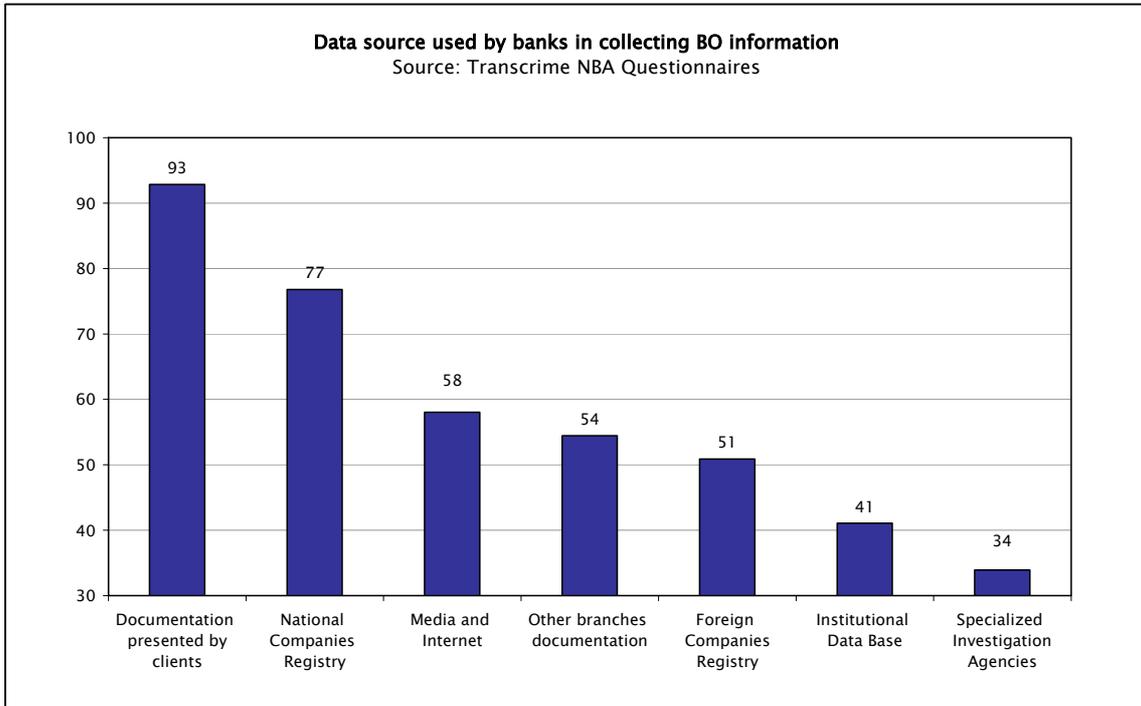
Figure 9.4 illustrates the current situation of BO information collection by European credit institutions. If this situation persists after the banks’ implementation of the Third Directive BO disclosure requirements, it could be possible to say that, given the pivotal importance of customers’ documentation in the collection of BO information, Model 1 would be to some extent incorporated into Model 0. In fact the intermediary-based approach implied by Model 0 would use the company self-disclosure approach implied by Model 1 to obtain companies’ BO information.

¹²⁸ These are as follows: credit institutions; financial institutions; auditors, external accountants and tax advisors; notaries and other independent legal professionals; trust and company service providers; estate agents; money service businesses, including bureaux de change; dealers and auctioneers in high-value goods; casinos.

¹²⁹ A document drafted by The European Banking Industry Committee (EBIC) before the approval of the Third Directive reads: “[...] applying customer due diligence procedures in order to systematically verify the shareholder’s identity and percentage on the basis of publicly accessible registers, publications or any other reliable documents will be impossible for credit institutions willing to enter into a business relationship with such legal persons or entities – especially in the case of indirect ownership/shareholding. They would thus have to rely exclusively on the information given to them by the person opening the bank account for and on behalf of such legal entity or legal person.” from “EBIC Position regarding the Council general approach on the proposal for a new EU Directive on Money Laundering” (DOC 14981/2004), Brussels, 11 January 2005.

¹³⁰ From “EBIC Position regarding the Council general approach on the proposal for a new EU Directive on Money Laundering” (DOC 14981/2004), Brussels, 11 January 2005.

Figure 9.4: Data source used by banks in collecting BO information



9.2 COUNTRY PROFILES

This section succinctly presents the main findings of the Cost Benefit Analysis for each of the 27 EU Member States.

A summary table comparing the aggregate monetary costs and benefits per area of incidence for Model 0 and Model 1 is herein reported per each Member State, along with some notes that clarify the results of the Cost Benefit Analysis.

For a more in depth overview of the findings, Annex D includes, for each Member State, two tables (one per Model 0 and one per Model 1) presenting the results per each single qualitative and quantitative cost and benefit item.

Each Country Profile begins with the same incipit underlying two important considerations. The first recalls that the results shown in the summary table of each country describe only those aggregate costs and benefits that can be expressed in monetary terms. The second notes that two detailed tables presenting the results for all available qualitative and quantitative cost and benefit items are shown in Annex D. Even if this repetition may impair the readability of the chapter as a whole, it has been found essential that also those readers who will focus only on one single country profile without reading the all chapter will be made aware of the two considerations cited above.

9.2.1 Austria

The summary cost–benefit analysis table for Austria presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items, are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Austrian FIU (A–FIU) is a Law Enforcement Agency, thus all LEA area of incidence costs and benefits refers to A–FIU.
- Even if beneficial ownership information is already reported in STR submitted to A–FIU, A–FIU foresees an increase in the number of STR as a consequence of Model 0 implementation.
- Banking sector representatives have expressed their concern over possible clientele loss due to introduction of BO disclosure processes, resulting in some capital outflow affecting banks indirect costs; but also foresee some information benefits in terms of improvement of banking services and financial stabilisation; in particular, a reduction of non-performing loans could be expected, positively influencing banks' indirect benefits.
- On the basis of our estimate, monetary costs arising for businesses and individuals from Model 1 introduction seem to be negligible.

Table 9.1: Summary Table of the CBA for Austria

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	Direct	43,000	1,961,000	1,918,000	65,000	2,941,000	2,876,000	958,000
	Indirect	60,000,000	10,000,000	-50,000,000	66,000,000	10,000,000	-56,000,000	-6,000,000
LEA	Direct	76,000	not relevant	-76,000	37,000	0	-37,000	39,000
	Indirect	61,000	0	-61,000	0	0	0	61,000
Intermediaries	Direct	70,943,000	0	-70,943,000	0	0	0	70,943,000
	Indirect	302,583,000	86,469,000	-216,114,000	330,000,000	86,469,000	-243,531,000	-27,417,000
Individuals	direct	0	0	0	76,000	0	-76,000	-76,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	665,000	0	-665,000	-665,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	71,062,000	1,962,000	-69,100,000	842,000	2,942,000	2,100,000	71,200,000
	indirect	362,645,000	96,469,000	-266,176,000	396,000,000	96,470,000	-299,530,000	-33,354,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand euro

9.2.2 Belgium

The summary cost-benefit analysis table for Belgium presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms, grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items, are shown in Annex D, and that they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- In Belgium, a lack of information referring to the number of private and public unlisted companies registered in the national company registry occurs. The difficulty in gathering reliable data on the issue can be explained by the complex structure of Belgian company incorporation system, and the relevant number of institutions involved in the incorporation process.¹³¹ In terms of the Cost Benefit Analysis, this could result in possible underestimate of the costs of BO disclosure, mainly for the intermediary area of incidence.
- The Belgian national referent does not foresee any additional increase in the number of STRs sent by intermediaries to Belgian Financial Intelligence Unit¹³² due to the introduction of BO disclosure system. This, on the basis of our assessment criteria, could result in some underestimate of costs for FIU and Belgian Law enforcement agencies.
- As regards intermediaries in particular, it has to be highlighted that the two above mentioned caveats could imply some approximation in calculating the costs of the items directly related to the number of private and public unlisted companies and beneficial owners, i.e. beneficial owner identification, BO information record keeping, BO information reporting. We also note that the results here reported for the area of incidence include only an assessment for the banking sector, since no quantitative costs and benefits could be calculated for the national accounting industry due to lack of data.¹³³
- As for individuals, unavailability is due to lack of data regarding the number of private and public unlisted companies (PPUC); as for

¹³¹ Difficulties in gathering private and public unlisted companies information for some countries, have been highlighted also by the last survey (2007, on 2005 data) commissioned by the European Commerce Registers Forum to the Swedish Companies Registration Office. See section 8.2 for further details.

¹³² For the calculation of those items descending from the hypothesis of an increase in the number of STR, Belgium has been assigned with a positive standard increase of 12% (i.e. EU average increase based on 15 estimates provided by national FIUs and collected by Transcrime). This assumption has been used to estimate the costs and benefits that could arise in the areas of incidence of LEA and Government if an increase in STR will take place, and may result in some overestimate of costs and benefits in these two areas.

¹³³ See section 8.2 for further details about the difficulties of gathering underlying data within the accounting industry.

businesses, the cost estimate, conducted by taking into account the absence of PPUC number, could result in some approximation.

Table 9.2: Summary Table of the CBA for Belgium

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	Direct	262,000	2,150,000	1,888,000	395,000	3,226,000	2,831,000	943,000
	indirect	0	1,627,000	1,627,000	0	1,627,000	1,627,000	0
LEA	Direct	345,000	7,000	-338,000	45,000	0	-45,000	293,000
	indirect	0	0	0	0	0	0	0
Intermediaries	Direct	196,182,000	0	-196,182,000	0	0	0	196,182,000
	indirect	8,092,000	35,324,000	27,232,000	0	35,324,000	35,324,000	8,092,000
Individuals	Direct	0	0	0	0	0	0	0
	indirect	0	0	0	0	0	0	0
Businesses	Direct	0	0	0	3,625,000	0	-3,625,000	-3,625,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	196,789,000	2,157,000	-194,632,000	4,065,000	3,226,000	-839,000	193,793,000
	indirect	8,092,000	36,951,000	28,859,000	0	36,951,000	36,951,000	8,092,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand euro

9.2.3 Bulgaria

The summary cost-benefit analysis table for Bulgaria in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables on the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items, are shown in Annex D; they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Bulgarian FIU foresees that Third Directive, recently implemented,¹³⁴ will trigger an increase in the number of STRs transmitted.
- Government benefits for both Model 0 and Model 1 may be underestimated due to a lack of data on Asset Recovery for Bulgaria.

¹³⁴ The Directive has been implemented through the decree No. 201 of 1 August 2006.

Table 9.3: Summary Table of the CBA for Bulgaria

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	0	0	0	393,000	3,225,000	2,832,000	2,832,000
	indirect	0	33,000	33,000	0	1,627,000	1,627,000	1,594,000
LEA	direct	70,000	not relevant	-70,000	45,000	0	-45,000	25,000
	indirect	14,000	0	-14,000	0	0	0	14,000
Intermediaries	direct	5,600,000	0	-5,600,000	0	0	0	5,600,000
	indirect	258,000	3,555,000	3,297,000	0	35,324,000	35,324,000	32,027,000
Individuals	direct	0	0	0	0	0	0	0
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	3,625,000	0	-3,625,000	-3,625,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	5,670,000	0	-5,670,000	4,063,000	3,225,000	-838,000	4,832,000
	indirect	272,000	3,588,000	3,316,000	0	36,951,000	36,951,000	33,635,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand euro

9.2.4 Cyprus

The summary cost-benefit analysis table for Cyprus in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms, grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables on the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items, are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- On the basis of the CBA calculation rules,¹³⁵ the number of companies registered in the country is used as a proxy of the number of intermediary clients. In the case of countries such as Cyprus, in which the financial sector acts as an international hub and haven for transactions, this approximation could underestimate the number of bank customers, thus possibly underestimating the cost and benefit estimate which relies on this data: BO identification costs, BO information record keeping, BO information filing to the Central Registry, and so forth.
- As regards intermediaries, and the banking sector in particular, it has to be noted that Cyprus presents indirect benefits under the both models. This could be explained by the fact that, if indirect benefits have been identified on the basis of banking sector representatives' estimates, specifically in terms of an increase in clientele (capital inflow) and of improvement of financial stabilisation and reduction of non performing loans, no clientele loss due to the introduction of BO disclosure systems has been highlighted, thus resulting in a net benefit for the country.
- Government costs under Model 1 take into account also the ICT costs to be carried in order to improve the National Company Registry interoperability with Law Enforcement Agencies and the availability of company and beneficial owner information to the public. This bulk of ICT costs have been supposed to be carried entirely by Government while the company registry is in fact partially financed by the same registered companies. In this sense Government costs might suffer some overestimate.

¹³⁵ See Section 6.6 and Annex C.

Table 9.4: Summary Table of the CBA for Cyprus

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	85,000	30,000	-55,000	993,000	43,000	-950,000	-895,000
	indirect	0	93,000	93,000	0	93,000	93,000	0
LEA	direct	26,000	not relevant	-26,000	53,000	0	-53,000	-27,000
	indirect	18,000	0	-18,000	0	0	0	18,000
Intermediaries	direct	20,362,000	0	-20,362,000	0	0	0	20,362,000
	indirect	1,299,000	3,906,000	2,607,000	0	3,906,000	3,906,000	1,299,000
Individuals	direct	0	0	0	40,000	0	-40,000	-40,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	595,000	0	-595,000	-595,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	20,473,000	30,000	-20,443,000	1,681,000	43,000	-1,638,000	18,805,000
	indirect	1,317,000	3,999,000	2,682,000	0	3,999,000	3,999,000	1,317,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand euro

9.2.5 Czech Republic

The summary cost-benefit analysis table of the Czech Republic presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items, are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- As for the banking sector, no costs in terms of capital outflow have been identified, so there is no negative effect on the cost-benefit analysis as regards this area of incidence. Nor have potential benefits, in terms of capital inflow, been identified. The bulk of intermediary costs derived from banks' structural costs (see Annex D for details).

Table 9.5: Summary Table of the CBA for Czech Republic

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	38,000	2,291,000	2,253,000	57,000	3,436,000	3,379,000	1,126,000
	indirect	0	162,000	162,000	0	162,000	162,000	0
LEA	direct	38,000	not relevant	-38,000	16,000	0	-16,000	22,000
	indirect	53,000	0	-53,000	0	0	0	53,000
Intermediaries	direct	39,374,000	0	-39,374,000	0	0	0	39,374,000
	indirect	681,000	6,463,000	5,782,000	0	6,462,000	6,462,000	680,000
Individuals	direct	0	0	0	39,000	0	-39,000	-39,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	568,000	0	-568,000	-568,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	39,450,000	2,291,000	-37,159,000	680,000	3,436,000	2,756,000	39,915,000
	indirect	734,000	6,625,000	5,891,000	0	6,624,000	6,624,000	733,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand euro

9.2.6 Denmark

The summary cost–benefit analysis table for Denmark in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1, with all available qualitative and quantitative cost and benefit items, are shown in Annex D, and that they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Most intermediary costs derive from ICT, internal control costs on internal compliance with BO disclosure requirements and training costs (see Annex D). Indirect costs and benefits, both in terms of capital outflow, inflow, reduction of non performing loans, do not constitute a relevant source of expense, in neither Model 0 nor in Model 1.

Table 9.6: Summary Table of the CBA for Denmark

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	6,400,000	190,000	-6,210,000	9,603,000	285,000	-9,318,000	-3,108,000
	indirect	0	0	0	0	0	0	0
LEA	direct	106,000	not relevant	-106,000	296,666	0	-296,666	-190,666
	indirect	50,000	0	-50,000	0	0	0	50,000
Intermediaries	direct	124,275,000	0	-124,275,000	0	0	0	124,275,000
	indirect	4,170,000	0	-4,170,000	0	0	0	4,170,000
Individuals	direct	0	0	0	110,000	0	-110,000	-110,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	1,745,000	0	-1,745,000	-1,745,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	130,781,000	190,000	-130,591,000	11,754,666	285,000	-11,469,666	119,121,334
	indirect	4,220,000	0	-4,220,000	0	0	0	4,220,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand euro

9.2.7 Estonia

The summary cost–benefit analysis table for Estonia presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items, are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- In the banking sector a likely capital outflow as a measure of clientele loss resulting from implementation of the Model 0 BO disclosure system has been assumed, on the basis of the response from Estonian banking industry representatives. This result substantially affects the structure of indirect costs and benefits as regards the intermediary area of incidence, even if some capital inflow in the banking industry has been assumed too.

Table 9.7: Summary Table of the CBA for Estonia

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	5,000	0	-5,000	8,000	0	-8,000	-3,000
	indirect	2,416,000	18,000	-2,398,000	2,658,000	18,000	-2,640,000	-242,000
LEA	direct	37,000	not relevant	-37,000	2,000	0	-2,000	35,000
	indirect	24,000	0	-24,000	0	0	0	24,000
Intermediaries	direct	3,674,000	0	-3,674,000	0	0	0	3,674,000
	indirect	12,330,000	91,000	-12,239,000	13,289,000	91,000	-13,198,000	-959,000
Individuals	direct	0	0	0	8,000	0	-8,000	-8,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	114,000	0	-114,000	-114,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	3,716,000	0	-3,716,000	132,000	0	-132,000	3,584,000
	indirect	14,770,000	109,000	-14,661,000	15,947,000	109,000	-15,838,000	-1,177,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.8 Finland

The summary cost–benefit analysis table for Finland presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Government costs for both Model 0 and Model 1 may be underestimated due to a lack of data on persons prosecuted and convicted for money laundering.

Table 9.8: Summary Table of the CBA for Finland

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	21,000	52,000	31,000	32,000	78,000	46,000	15,000
	indirect	0	0	0	0	0	0	0
LEA	direct	708,000	3,000	-705,000	6,000	0	-6,000	699,000
	indirect	0	0	0	0	0	0	0
Intermediaries	direct	43,755,000	0	-43,755,000	0	0	0	43,755,000
	indirect	2,820,000	0	-2,820,000	0	0	0	2,820,000
Individuals	direct	0	0	0	86,000	0	-86,000	-86,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	1,292,000	0	-1,292,000	-1,292,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	44,484,000	55,000	-44,429,000	1,416,000	78,000	-1,338,000	43,091,000
	indirect	2,820,000	0	-2,820,000	0	0	0	2,820,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.9 France

The summary cost-benefit analysis table for France presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- As regards the intermediaries' area of incidence, the French banking sector representative contacted by Transcrime (FBF, *Fédération Bancaire Française*) highlighted that accurate estimates are not possible yet, given that the Third Directive has not been implemented. Moreover, only a further consultation with single French credit institutions can permit credible estimates of Model 0 and Model 1 related costs and benefits. For this reason, as for French intermediaries sector, estimates of costs and benefits arising from the introduction of the two models have been calculated taking into account the main tendencies recognized at European level. French banking sector costs arising from Model 0 implementation are mainly constituted by BO structural costs¹³⁶ and BO

¹³⁶ Representing 92.5% of total intermediaries' costs. As explained in section 6.6 banks' structural costs refer to ICT costs, training costs and internal control costs.

disclosure costs¹³⁷ while there is no impact in terms of indirect costs of capital outflow from the banking sector.¹³⁸

- Government benefits for both Model 0 and Model 1 may be underestimated due to a lack of data on Asset Recovery for France.
- Data referring to persons convicted refers to year 2004. This might have partially influenced the calculation of costs to the Government area of incidence under both Models.

¹³⁷ Representing 7.5% of total intermediaries' costs. As described in section 6.6, banks disclosure costs refer to BO identification costs, BO data updating costs, BO registration and record keeping costs, BO identification duplication costs, BO data updating duplication costs, BO record keeping duplication costs.

¹³⁸ Banks' Structural and Disclosure costs have been estimated as 1.9% of French Credit Institutions Total Expenses.

Table 9.9: Summary Table of the CBA for France

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	849,000	0	-849,000	878,000	0	-878,000	-29,000
	indirect	0	7,850,000	7,850,000	0	7,850,000	7,850,000	0
LEA	direct	1,623,000	8,000	-1,615,000	140,000	0	-140,000	1,475,000
	indirect	220,000	0	-220,000	0	0	0	220,000
Intermediaries	direct	1,147,143,000	0	-1,147,143,000	0	0	0	1,147,143,000
	indirect	39,515,000	222,527,000	183,012,000	0	222,528,000	222,528,000	39,516,000
Individuals	direct	0	0	0	1,208,000	0	-1,208,000	-1,208,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	18,095,000	0	-18,095,000	-18,095,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	1,149,615,000	8,000	-1,149,607,000	20,321,000	0	-20,321,000	1,129,286,000
	indirect	39,735,000	230,377,000	190,642,000	0	230,378,000	230,378,000	39,736,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.10 Germany

The summary cost-benefit analysis table for Germany presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- As for German intermediaries' area of incidence, it should be noted that the results reported in table 9.10 reflect only the estimates carried out for the banking sector.¹³⁹ German banking sector costs arising from Model 0 implementation are mainly constituted by BO structural costs¹⁴⁰ and BO disclosure costs,¹⁴¹ while indirect costs in terms of outflow have not been detected.¹⁴² The German banking sector representative contacted by Transcrime (BDB, *Bundesverband Deutscher Banken*) highlighted that further consultation with German credit institutions could permit more reliable and detailed estimates of the costs and benefits of introduction of Model 0 and Model 1 BO disclosure systems.¹⁴³
- Government benefits for both Model 0 and Model 1 may be underestimated due to a lack of data on Asset Recovery for Germany.

¹³⁹ As for the main findings drawn out from the analysis of the accounting industry, the results, in terms of qualitative items, are reported in section 10.6.

¹⁴⁰ Structural costs represent the 96.5% of total intermediaries' costs. As explained in section 6.6 banks' structural costs refer to ICT costs, training costs and internal control costs.

¹⁴¹ BO disclosure costs represent the 3.4% of total intermediaries' costs. As described in section 6.6, banks disclosure costs refer to BO identification costs, BO data updating costs, BO registration and record keeping costs, BO identification duplication costs, BO data updating duplication costs, BO record keeping duplication costs.

¹⁴² BO disclosure costs and structural costs represent the 1.77% of German Credit Institutions Total Expenses.

¹⁴³ However, so as to strengthen the consistency of the results, it has to be noted here that IW Consult (Institut der deutschen Wirtschaft Köln Consult GmbH) has carried out an interesting study (http://www.bankenverband.de/plc/artikelpic/122006/061212_ga_buerokratiekosten.pdf) aimed at assessing the costs exclusively for the German banking sector of some bureaucratic requirements, and among them anti-money laundering requirements. The result of this Study shows that AML requirements cost to German banks 775 million Euro per year (1,003% of operating expenses), slightly less than Transcrime estimate. But, if we consider only the AML measures taken into account by the German Study, our assessment produce a similar result: 835 million Euro (cost of BO disclosure activities, AML related ICT costs and training costs). In particular some specific processes present relevant similarities: costs for training German banking employment on AML requirement, on the basis of Transcrime assessment (focused on the Third Directive related training costs), is approx. 140 million Euro, while on the basis of IW Consult estimate measures 151 million Euro.

- Data referring to persons convicted refers to year 2003. This might have partially influenced the calculation of costs to Government area of incidence under both Models.

Table 9.10: Summary Table of the CBA for Germany

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	311,000	0	-311,000	466,000	0	-466,000	-155,000
	indirect	0	10,528,000	10,528,000	0	10,528,000	10,528,000	0
LEA	direct	1,387,000	5,000	-1,382,000	50,000	0	-50,000	1,332,000
	indirect	234,000	0	-234,000	0	0	0	234,000
Intermediaries	direct	1,322,160,000	0	-1,322,160,000	0	0	0	1,322,160,000
	indirect	20,183,000	284,866,000	264,683,000	0	284,867,000	284,867,000	20,184,000
Individuals	direct	0	0	0	550,000	0	-550,000	-550,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	12,415,000	0	-12,415,000	-12,415,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	1,323,858,000	5,000	-1,323,853,000	13,481,000	0	-13,481,000	1,310,372,000
	indirect	20,417,000	295,394,000	274,977,000	0	295,395,000	295,395,000	20,418,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.11 Greece

The summary cost-benefit analysis table for Greece presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- As for Government and LEA areas of incidence no costs or benefits can be estimated for Model 0 due to lack of data.
- A gap of information on the number of registered private and public unlisted companies at national level has been detected. The only data available refers to the number of PPUC registered with the Athens Chamber Of Commerce and Industry (ACCI).¹⁴⁴ According to the opinion of ACCI representatives contacted by Transcrime, the number of PPUC registered in the Athens' region represent approx. 70% of the total number of PPUC registered in Greece. All cost and benefit items implying as a variable the number of PPUC have been calculated assuming that the data referred to the Athens's region represents 70% of the national number of PPUC.
- Government costs under Model 1 also include the ICT costs to be carried in order to improve the National Company Registry interoperability with Law Enforcement Agencies and to guarantee the availability of company and beneficial owner information to the public. This bulk of ICT cost has been supposed to be carried entirely by Government while the company registry is in fact for the most part financed by the registered companies themselves. In this sense Government costs may be overestimated.

¹⁴⁴ In this respect it should be noticed that Athens Chambers of Commerce and Industry (ACCI) is the organization participating for Greece at the European Commerce Registers Forum. See The Swedish Company Registration Office (2007).

Table 9.11: Summary Table of the CBA for Greece

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	0	0	0	5,000,000	0	-5,000,000	-5,000,000
	indirect	0	0	0	0	0	0	0
LEA	direct	0	0	0	0	0	0	0
	indirect	38,000	0	-38,000	0	0	0	38,000
Intermediaries	direct	95,189,000	0	-95,189,000	0	0	0	95,189,000
	indirect	889,000	20,742,000	19,853,000	0	20,742,000	20,742,000	889,000
Individuals	direct	0	0	0	30,000	0	-30,000	-30,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	258,000	0	-258,000	-258,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	95,189,000	0	-95,189,000	5,288,000	0	-5,288,000	89,901,000
	indirect	927,000	20,742,000	19,815,000	0	20,742,000	20,742,000	927,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.12 Hungary

The summary cost-benefit analysis table for Hungary presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms, grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Hungarian FIU is a Law Enforcement Agency, thus all LEA area of incidence costs and benefits are referred to Hungarian FIU.

Table 9.12: Summary Table of the CBA for Hungary

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	69,000	306,000	237,000	102,000	460,000	358,000	121,000
	indirect	0	0	0	0	0	0	0
LEA	direct	42,000	1,000	-41,000	64,000	0	-64,000	-23,000
	indirect	178,000	0	-178,000	0	0	0	178,000
Intermediaries	direct	39,873,000	0	-39,873,000	0	0	0	39,873,000
	indirect	173,000	0	-173,000	0	0	0	173,000
Individuals	direct	0	0	0	31,000	0	-31,000	-31,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	95,000	0	-95,000	-95,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	39,984,000	307,000	-39,677,000	292,000	460,000	168,000	39,845,000
	indirect	351,000	0	-351,000	0	0	0	351,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.13 Ireland

The summary cost-benefit analysis table for Ireland presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Ireland FIU is a Law Enforcement Agency, thus all LEA area of incidence costs and benefits are referred to Ireland FIU.

Table 9.13: Summary Table of the CBA for Ireland

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	199,000	1,750,000	1,551,000	298,000	2,626,000	2,328,000	777,000
	indirect	0	1,452,000	1,452,000	0	1,452,000	1,452,000	0
LEA	direct	1,617,000	8,000	-1,609,000	314,000	0	-314,000	1,295,000
	indirect	0	0	0	0	0	0	0
Intermediaries	direct	106,182,000	0	-106,182,000	0	0	0	106,182,000
	indirect	3,660,000	39,385,000	35,725,000	0	39,385,000	39,385,000	3,660,000
Individuals	direct	0	0	0	112,000	0	-112,000	-112,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	1,676,000	0	-1,676,000	-1,676,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	107,998,000	1,758,000	-106,240,000	2,400,000	2,626,000	226,000	106,466,000
	indirect	3,660,000	40,837,000	37,177,000	0	40,837,000	40,837,000	3,660,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.14 Italy

The summary cost-benefit analysis table for Italy presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- The Italian national referent does not foresee any additional increase in the number of STRs sent by intermediaries to the national FIU due to Model 0 BO disclosure system implementation.¹⁴⁵
- Even if capital inflow is foreseen by the banking sector for Italy following Model 0 implementation, the national referent foresees no increase in tax revenues. This assessment is consistent with the results of the Cost Benefit Analysis that shows, for Italy, an amount of capital outflow higher than that in capital inflow, thus triggering a net loss in terms of variation in tax revenues.
- Government benefits for both Model 0 and Model 1 may be underestimated due to a lack of data on Asset Recovery for Italy.

¹⁴⁵ For the calculation of those items descending from the hypothesis of an increase in the number of STR, Italy has been assigned with a positive standard increase of 12% (i.e. EU average increase based on 15 estimates provided by national FIUs and collected by Transcrime). This assumption has been used to estimate the costs and benefits that could arise in the areas of incidence of LEA and Government if an increase in STR takes place, and may result in some overestimate of costs and benefits in these two areas.

- As for the intermediary area of incidence, and in particular the banking sector, Model 0 indirect items are negatively affected by the costs of clientele loss, measured in terms of capital outflow, and positively influenced by the benefits in terms of financial stabilisation (reduction of non performing loans);¹⁴⁶ as regards direct costs, the greater part is represented by banks' structural and BO disclosure costs.¹⁴⁷

¹⁴⁶ It has to be noted here that the representative of the Italian banking sector contacted by Transcrime (ABI, *Associazione Bancaria Italiana*) has indicated, through the questionnaire transmitted, that part of the Italian credit institutions consulted on the issue by ABI believe that no capital outflow would occur as a consequence of Model 0 implementation; the same has to be said as regards the reduction of non performing loans: part of Italian Credit Institutions contacted by ABI believe that a reduction of non performing loans as a result of Model 0 implementation would not occur. See section 10.6 for further discussion on this issue.

¹⁴⁷ Structural costs, that include ICT costs, training costs and internal control costs, represent 96.3% of total intermediaries' costs, while BO disclosure costs, that include BO identification costs, BO data updating costs, BO registration and record keeping costs, BO identification duplication costs, BO data updating duplication costs, BO record keeping duplication costs, represent 3.6% of total intermediaries' expenses. Disclosure and Structural costs as a whole represent 1.08% of Italian Credit Institutions Total Expenses.

Table 9.14: Summary Table of the CBA for Italy

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	2,847,000	0	-2,847,000	4,270,000	0	-4,270,000	-1,423,000
	indirect	512,535,000	3,870,000	-508,665,000	563,788,000	3,870,000	-559,918,000	-51,253,000
LEA	direct	312,000	6,000	-306,000	265,000	0	-265,000	41,000
	indirect	0	0	0	0	0	0	0
Intermediaries	direct	471,625,000	0	-471,625,000	0	0	0	471,625,000
	indirect	2,570,303,000	1,314,265,000	-1,256,038,000	2,818,943,000	1,314,265,000	-1,504,678,000	-248,640,000
Individuals	direct	0	0	0	665,000	0	-665,000	-665,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	5,037,000	0	-5,037,000	-5,037,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	474,784,000	6,000	-474,778,000	10,237,000	0	-10,237,000	464,541,000
	indirect	3,082,838,000	1,318,135,000	-1,764,703,000	3,382,731,000	1,318,135,000	-2,064,596,000	-299,893,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.15 Latvia

The summary cost-benefit analysis table for Latvia presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Indirect costs and benefits for the intermediary area of incidence are affected by the fact that some bank clientele loss, measured as capital outflow from the banking sector, has been assumed on the basis of the comments provided to Transcrime by the referent in the Latvian banking sector (ACBL, Association of Latvian Commercial Banks). The result is negatively affected also by the fact that no capital inflow has been considered by Latvian banking sector representatives.

Table 9.15: Summary Table of the CBA for Latvia

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	not relevant	16,000	16,000	not relevant	24,000	24,000	8,000
	indirect	3,180,000	0	-3,180,000	3,499,000	0	-3,499,000	-319,000
LEA	direct	20,000	4,000	-16,000	2,000	0	-2,000	14,000
	indirect	17,000	0	-17,000	0	0	0	17,000
Intermediaries	direct	6,803,000	0	-6,803,000	0	0	0	6,803,000
	indirect	16,373,000	0	-16,373,000	17,490,000	0	-17,490,000	-1,117,000
Individuals	direct	0	0	0	14,000	0	-14,000	-14,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	46,000	0	-46,000	-46,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	6,823,000	20,000	-6,803,000	62,000	24,000	-38,000	6,765,000
	indirect	19,570,000	0	-19,570,000	20,989,000	0	-20,989,000	-1,419,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.16 Lithuania

The summary cost-benefit analysis table for Lithuania presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Costs for Government are not relevant both Model 0 and Model 1; at the same time LEA investigation costs may be overestimated due to the difficulty in identifying the number of LEA investigators dealing with anti-money laundering in the total number of LEA personnel.

Table 9.16: Summary Table of the CBA for Lithuania

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	not relevant	not relevant	not relevant	1,000	not relevant	-1,000	1,000
	indirect	0	20,000	20,000	0	20,000	20,000	0
LEA	direct	4,000	not relevant	-4,000	127,000	0	-127,000	-123,000
	indirect	0	0	0	0	0	0	0
Intermediaries	direct	4,288,000	0	-4,288,000	0	0	0	4,288,000
	indirect	1,040,000	1,490,000	450,000	0	1,492,000	1,492,000	1,042,000
Individuals	direct	0	0	0	8,000	0	-8,000	-8,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	137,000	0	-137,000	-137,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	4,292,000	0	-4,292,000	273,000	0	-273,000	4,019,000
	indirect	1,040,000	1,510,000	470,000	0	1,512,000	1,512,000	1,042,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.17 Luxembourg

The summary cost-benefit analysis table for Luxembourg presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Government costs under Model 1 also take into account the ICT costs to be faced to improve the National Company Registry interoperability with Law Enforcement Agencies. The bulk of these ICT costs have been supposed to be carried entirely by Government while the company registry is in fact for the most part financed by the companies themselves. In this sense Government costs may be overestimated.
- As was pointed out in presenting the Cyprus country profile, some underestimate in calculating intermediaries' BO disclosure costs could have occurred. In fact, on the basis of our calculation rules,¹⁴⁸ the number of companies registered in the country is used as a proxy of the number of intermediary clients. In the case of countries such as Luxembourg, in which the financial sector acts as an international hub and haven for transactions, this approximation could underestimate the number of bank customers, thus possibly underestimating the costs and benefits, the calculation of which relies on the number of bank clients: BO identification costs, BO information record keeping, BO information filing with the Central Registry.

¹⁴⁸ See Section 6.6 and Annex C.

Table 9.17: Summary Table of the CBA for Luxembourg

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	11,000	101,000	90,000	2,518,000	151,000	-2,367,000	-2,457,000
	indirect	0	1,222,000	1,222,000	0	1,222,000	1,222,000	0
LEA	direct	77,000	not relevant	-77,000	52,000	0	-52,000	25,000
	indirect	0	0	0	0	0	0	0
Intermediaries	direct	101,723,000	0	-101,723,000	0	0	0	101,723,000
	indirect	4,830,000	6,110,000	1,280,000	0	6,110,000	6,110,000	4,830,000
Individuals	direct	0	0	0	109,000	0	-109,000	-109,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	3,050,000	0	-3,050,000	-3,050,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	101,811,000	101,000	-101,710,000	5,729,000	151,000	-5,578,000	96,132,000
	indirect	4,830,000	7,332,000	2,502,000	0	7,332,000	7,332,000	4,830,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.18 Malta

The summary cost-benefit analysis table for Malta presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Costs to the Government area of incidence may be underestimated due to the lack of data on the number of persons prosecuted and convicted for money laundering.
- As regards benefits for the Government area of incidence, these derive exclusively from tax revenues on capital inflow. No additional fiscal benefits for Government due to an increase in fiscal compliance by business and individuals can be assumed.

Table 9.18: Summary Table of the CBA for Malta

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	2,000	14,000	12,000	not relevant	20,000	20,000	8,000
	indirect	0	42,000	42,000	0	42,000	42,000	0
LEA	direct	18,000	not relevant	-18,000	3,000	0	-3,000	15,000
	indirect	30,000	0	-30,000	0	0	0	30,000
Intermediaries	direct	5,965,000	0	-5,965,000	0	0	0	5,965,000
	indirect	145,000	210,000	65,000	0	210,000	210,000	145,000
Individuals	direct	0	0	0	0	0	0	0
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	64,000	0	-64,000	-64,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	5,985,000	14,000	-5,971,000	67,000	20,000	-47,000	5,924,000
	indirect	175,000	252,000	77,000	0	252,000	252,000	175,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.19 Netherlands

The summary cost–benefit analysis table for Netherlands presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- The Netherlands' anti money laundering regime already implements some of the main features of Model 0 BO disclosure system: reporting obligations for intermediaries to identify the ultimate beneficial owner too, and a first attempt to move towards a risk based approach. As a consequence, costs to intermediaries (both banks and accountants) under Model 0 as calculated in the summary table for Netherlands may be overestimated. However, a more detailed calculation has been not possible due to lack of data.
- In 2006 Dutch FIU (MOT) and BLOM – the Office for Operational Support of the National Public Prosecutor for MOT cases – merged. Additional costs and benefits deriving from this new FIU structure cannot be taken into account in this Cost Benefit Analysis for the Netherlands.¹⁴⁹
- Data on persons convicted for money laundering refers to 2004. This might have partially influenced the calculation of costs arising to LEA and Government area of incidence under both Models.
- Data referring to Assets Recovered refers exclusively to 2004. This might have partially influenced the calculation of benefits and costs to Government area of incidence under both Models.

¹⁴⁹ All data used refers to 2005.

Table 9.19: Summary Table of the CBA for Netherlands

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	6,000	2,000	-4,000	9,000	4,000	-5,000	-1,000
	indirect	0	2,618,000	2,618,000	0	2,618,000	2,618,000	0
LEA	direct	14,000	120,000	106,000	49,000	0	-49,000	-155,000
	indirect	111,000	0	-111,000	0	0	0	111,000
Intermediaries	direct	409,788,000	0	-409,788,000	0	0	0	409,788,000
	indirect	20,784,000	85,680,000	64,896,000	0	85,680,000	85,680,000	20,784,000
Individuals	direct	0	0	0	635,000	0	-635,000	-635,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	9,517,000	0	-9,517,000	-9,517,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	409,808,000	122,000	-409,686,000	10,210,000	4,000	-10,206,000	399,480,000
	indirect	20,895,000	88,298,000	67,403,000	0	88,298,000	88,298,000	20,895,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.20 Poland

The summary cost-benefit analysis table for Poland presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- There is a lack of information referring to the number of private and public unlisted companies registered in the national company registry. For the Cost Benefit Analysis, this could result in a possible underestimate of the costs of BO disclosure, mainly for the intermediary area of incidence.
- Data referring to persons prosecuted and convicted are updated to 2004. This may have biased the calculation of costs arising to LEA and Government area of incidence under both Models.
- Data referring to Assets Recovered refers exclusively to 2004. This may have influenced the calculation of benefits and costs to Government area of incidence under both Models.

Table 9.20: Summary Table of the CBA for Poland

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	46,000	85,000	39,000	72,000	128,000	56,000	17,000
	indirect	0	235,000	235,000	0	235,000	235,000	0
LEA	direct	91,000	not relevant	-91,000	29,000	0	-29,000	62,000
	indirect	0	0	0	0	0	0	0
Intermediaries	direct	117,465,000	0	-117,465,000	0	0	0	117,465,000
	indirect	3,827,000	20,390,000	16,563,000	0	20,390,000	20,390,000	3,827,000
Individuals	direct	0	0	0	0	0	0	0
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	1,714,000	0	-1,714,000	-1,714,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	117,602,000	85,000	-117,517,000	1,815,000	128,000	-1,687,000	115,830,000
	indirect	3,827,000	20,625,000	16,798,000	0	20,625,000	20,625,000	3,827,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.21 Portugal

The summary cost-benefit analysis table for Portugal presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Government area of incidence may be underestimated as regards benefits under Model 0. Even if no capital inflow is foreseen for Portugal following Model 0 implementation, some benefits in terms of increase in tax revenue due to increased fiscal compliance of businesses is foreseen but not estimated in monetary terms.

Table 9.21: Summary Table of the CBA for Portugal

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	58,000	186,000	128,000	88,000	280,000	192,000	64,000
	indirect	0	0	0	0	0	0	0
LEA	direct	482,000	0	-482,000	150,000	0	-150,000	332,000
	indirect	0	0	0	0	0	0	0
Intermediaries	direct	119,577,000	0	-119,577,000	0	0	0	119,577,000
	indirect	5,237,000	26,414,000	21,177,000	0	26,415,000	26,415,000	5,238,000
Individuals	direct	0	0	0	313,000	0	-313,000	-313,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	3,270,000	0	-3,270,000	-3,270,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	120,117,000	186,000	-119,931,000	3,821,000	280,000	-3,541,000	116,390,000
	indirect	5,237,000	26,414,000	21,177,000	0	26,415,000	26,415,000	5,238,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.22 Romania

The summary cost-benefit analysis table for Romania presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Beneficial ownership information must be reported in the STR submitted to the Romanian FIU. This does not invalidate the estimates for LEA and Government areas of incidence given that the national FIU foresees an increase in STR due to implementation of Model 0.
- The benefit arising to Government area of incidence may be underestimated due to an increase in tax revenues for fiscal compliance that can not be expressed in monetary terms.

Table 9.22: Summary Table of the CBA for Romania

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	11,000	505,000	494,000	16,000	758,000	742,000	248,000
	indirect	0	0	0	0	0	0	0
LEA	direct	91,000	2,000	-89,000	38,000	0	-38,000	51,000
	indirect	0	0	0	0	0	0	0
Intermediaries	direct	8,989,000	0	-8,989,000	0	0	0	8,989,000
	indirect	371,000	1,985,000	1,614,000	0	1,985,000	1,985,000	371,000
Individuals	direct	0	0	0	0	0	0	0
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	166,000	0	-166,000	-166,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	9,091,000	507,000	-8,584,000	220,000	758,000	538,000	9,122,000
	indirect	371,000	1,985,000	1,614,000	0	1,985,000	1,985,000	371,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.23 Slovakia

The summary cost-benefit analysis table for Slovakia presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- An overestimate of investigation costs (accounted for in the LEA area of incidence) is possible due to the impossibility of defining the number of investigators dealing with money laundering within the total number of investigators.

Table 9.23: Summary Table of the CBA for Slovakia

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	60,000	0	-60,000	90,000	0	-90,000	-30,000
	indirect	7,434,000	56,000	-7,378,000	8,178,000	56,000	-8,122,000	-744,000
LEA	direct	164,000	not relevant	-164,000	196,000	0	-196,000	-32,000
	indirect	61,000	0	-61,000	0	0	0	61,000
Intermediaries	direct	11,888,000	0	-11,888,000	0	0	0	11,888,000
	indirect	37,539,000	7,462,000	-30,077,000	40,888,000	7,462,000	-33,426,000	-3,349,000
Individuals	direct	0	0	0	15,000	0	-15,000	-15,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	126,000	0	-126,000	-126,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	12,112,000	0	-12,112,000	427,000	0	-427,000	11,685,000
	indirect	45,034,000	7,518,000	-37,516,000	49,066,000	7,518,000	-41,548,000	-4,032,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.24 Slovenia

The summary cost-benefit analysis table for Slovenia presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- Government costs might be overestimated under both Model 0 and Model 1, due to the assumption applied to the calculation of asset recovery costs.¹⁵⁰
- On the basis of our assumption, the costs to individuals for filing and forwarding disclosure appear negligible.

¹⁵⁰ The overestimate is due to the fact that, according to the opinion of the national referent, until recently, Slovenian courts were able to freeze only financial assets from an account, thus no significant asset recovery related costs were recorded.

Table 9.24: Summary Table of the CBA for Slovenia

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	24,000	53,000	29,000	35,183	80,016	44,833	15,833
	indirect	83,420,000	0	-83,420,000	91,762,000	0	-91,762,000	-8,342,000
LEA	direct	45,000	not relevant	-45,000	53,000	0	-53,000	-8,000
	indirect	68,000	0	-68,000	0	0	0	68,000
Intermediaries	direct	65,169,000	0	-65,169,000	0	0	0	65,169,000
	indirect	418,456,000	0	-418,456,000	458,810,000	0	-458,810,000	-40,354,000
Individuals	direct	0	0	0	14,000	0	-14,000	-14,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	643,000	0	-643,000	-643,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	65,238,000	53,000	-65,185,000	745,000	80,000	-665,000	64,520,000
	indirect	501,944,000	0	-501,944,000	550,572,000	0	-550,572,000	-48,628,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.25 Spain

The summary cost–benefit analysis table for Spain presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- The Spanish national referent does not foresee any additional increase in the number of STRs sent by intermediaries to SEPBLC due to BO disclosure system implementation.¹⁵¹
- Due to a lack of data on Asset Recovery there may be an underestimate of the overall benefits for Government area of incidence in both Models.

¹⁵¹ For the calculation of those items descending from the hypothesis of an increase in the number of STR, Spain has been assigned with a positive standard increase of 12% (i.e. EU average increase based on 15 estimates provided by national FIUs and collected by Transcrime. This assumption has been used to estimate the costs and benefits that could arise in the areas of incidence of LEA and Government if an increase in STR takes place, and may result in some overestimate of costs and benefits in these two areas.

Table 9.25: Summary Table of the CBA for Spain

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	82,000	0	-82,000	115,000	0	-115,000	-33,000
	indirect	0	0	0	0	0	0	0
LEA	direct	857,000	not relevant	-857,000	22,000	0	-22,000	835,000
	indirect	681,000	0	-681,000	0	0	0	681,000
Intermediaries	direct	698,988,000	0	-698,988,000	0	0	0	698,988,000
	indirect	14,358,000	0	-14,358,000	0	0	0	14,358,000
Individuals	direct	0	0	0	1,265,000	0	-1,265,000	-1,265,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	9,480,000	0	-9,480,000	-9,480,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	699,927,000	0	-699,927,000	10,882,000	0	-10,882,000	689,045,000
	indirect	15,039,000	0	-15,039,000	0	0	0	15,039,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.26 Sweden

The summary cost–benefit analysis table for Sweden presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- The Swedish FIU is a Law Enforcement Agency that analyses and investigates all cases related to money laundering, thus all LEA area of incidence costs and benefits are referred to Swedish FIU.
- Beneficial ownership information must be reported in the STR submitted to the Sweden FIU, even if the Third Directive has not been implemented yet. An increase in the number of STR is foreseen by national FIU under Model 0.
- The low amount of benefits arising from Model 0 and Model 1 is partly due to the lack of information on Asset Recovery.

Table 9.26: Summary Table of the CBA for Sweden

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	244,000	0	-244,000	365,000	0	-365,000	-121,000
	indirect	0	0	0	0	0	0	0
LEA	direct	122,000	22,000	-100,000	98,000	0	-98,000	2,000
	indirect	431,000	0	-431,000	0	0	0	431,000
Intermediaries	direct	115,769,000	0	-115,769,000	0	0	0	115,769,000
	indirect	8,698,000	41,536,000	32,838,000	0	41,537,000	41,537,000	8,699,000
Individuals	direct	0	0	0	266,000	0	-266,000	-266,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	3,983,000	0	-3,983,000	-3,983,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	116,135,000	22,000	-116,113,000	4,712,000	0	-4,712,000	111,401,000
	indirect	9,129,000	41,536,000	32,407,000	0	41,537,000	41,537,000	9,130,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

9.2.27 United Kingdom

The summary cost–benefit analysis table for United Kingdom presented in this section shows the (direct and indirect) aggregate costs and benefits that can be expressed in monetary terms grouped per area of incidence and BO disclosure system (Model 0 and Model 1). It is important to stress that two detailed tables presenting the results of the assessment for Model 0 and Model 1 with all available qualitative and quantitative cost and benefit items are shown in Annex D, and they should be taken into account for a comprehensive view of the impact of introduction of the two BO disclosure systems in the country.

To better understand the results reported in this summary table, the following notes must be considered:

- The estimate of costs and benefits for LEA and Government areas of incidence has been particularly difficult given that in 2006 the SOCA¹⁵² (Serious Organised Crime Agency) was launched taking on the role of national FIU. This process has certainly entailed extra monetary costs for Government given that SOCA is publicly financed. Our estimates are based on 2005 data, and therefore, for Government and LEA areas of incidence, take into consideration data referred to NCIS, the former agency acting as FIU.
- Another important factor to be considered is that, as from 2006, paper based disclosure has been almost entirely replaced by the new Suspicious Activity Reporting on–line system. This improvement is likely to benefit all those who have a duty to report, by making the reporting process less time consuming.¹⁵³
- Data referring to persons convicted for money laundering refers to year 2000. This may have influenced the calculation of costs arising to LEA and Government area of incidence under both Models.
- As regards the intermediaries' area of incidence, the results reflect, for the most part, banking sector costs and benefits.¹⁵⁴ Model 0 direct costs are mainly BO disclosure and Bank structural costs,¹⁵⁵ while indirect costs reflect the likely clientele loss, in terms of capital outflow, which could occur as a consequence of the implementation of Model 0. The hypothesis of capital outflow from the national banking sector has been assumed on the basis of the results of Gill and Taylor (2004), which

¹⁵² It has to be stressed that SOCA is subject to severe restrictions on the dissemination of information about SARs regime and data related to its anti money laundering activity in general. This can be illustrated by the fact that SOCA is exempt from Freedom of Information Act requirements.

¹⁵³ This ICT improvement may help to soften the concern from the reporting entities about “the burdens imposed by the SARs regime, against an apparent lack of successful exploitation of those SARs by LEA”, from Lander (2006). In this sense the on line reporting system avoid the risk that some data are never input into the intelligence database as it may happens with a paper based disclosure system.

¹⁵⁴ As for UK accountants, training costs were calculated. See table 27.1 Annex C for details.

¹⁵⁵ BO disclosure costs represent 8.7% of intermediaries' costs, while banks' structural costs represent 91.3% of total intermediaries' expenses. BO disclosure and structural costs taken as a whole represent 1.87% of UK credit institutions' total expenses.

reports the relevant concerns of British Credit Institutions on the possibility of client alienation due to AML related customer identification.¹⁵⁶

¹⁵⁶ Gill and Taylor (2004: 587): "Over half of respondents believed that KYC (Know Your Customer procedures) could result in client alienation (and therefore a lost customer from that institution point of view) and only about a third disagreed"; the hypothesis could be reconsidered in the light of any future comments of institutions such as the British Bankers' Association.

Table 9.27: Summary Table of the CBA for United Kingdom

		MODEL 0			MODEL 1			M1-M0
Area of incidence		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	spread
Government	direct	3,950,000	3,959,000	9,000	5,760,000	5,940,000	180,000	171,000
	indirect	1,699,354,000	12,830,000	-1,686,524,000	1,869,290,000	12,830,000	-1,856,460,000	-169,936,000
LEA	direct	885,000	142,000	-743,000	1,162,000	0	-1,162,000	-419,000
	indirect	748,000	0	-748,000	0	0	0	748,000
Intermediaries	direct	1,410,659,000	0	-1,410,659,000	0	0	0	1,410,659,000
	indirect	8,553,455,000	226,147,000	-8,327,308,000	9,346,451,000	226,147,000	-9,120,304,000	-792,996,000
Individuals	direct	0	0	0	1,732,000	0	-1,732,000	-1,732,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	25,955,000	0	-25,955,000	-25,955,000
	indirect	0	0	0	0	0	0	0
TOTAL	direct	1,415,494,000	4,101,000	-1,411,393,000	34,609,000	5,940,000	-28,669,000	1,382,724,000
	indirect	10,253,557,000	238,977,000	-10,014,580,000	11,215,741,000	238,977,000	-10,976,764,000	-962,184,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. As regards EU and MSs area of incidence, cost and benefit monetary estimates are presented at EU aggregate level (see section 10.12). No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

not relevant: monetary value lower than one thousand Euro

10.

MAIN FINDINGS OF THE CBA

10.1 INTRODUCTION TO THE MAIN FINDINGS OF THE CBA

This chapter presents the main findings of the Cost Benefit Analysis at EU aggregate level. The tables presented in sections 10.2 and 10.3 show the results of the CBA in detail, for each Model and for each cost and benefit item.

Sections from 10.5 to 10.11 discuss the results obtained from the CBA for each of the eight areas of incidence.

Finally, section 10.12 presents the main findings of the CBA at aggregate level integrating quantitative and qualitative items in a deeper analysis. In this section a summary table is also provided comparing the costs and benefits of Model 1 against Model 0 (only monetary items) per area of incidence.

Notes to the tables: meaning of “not applicable”, “not available”, “not relevant”**not applicable:**

- when referred to cost or benefit items: no value can be identified and assessed for that particular cost/benefit item.
- when referred to areas of incidence: no cost or benefit items can be identified for that particular area of incidence.

not available:

the value of the cost/benefit item could not be assessed due to lack of data.

not relevant:

the monetary value of the cost/benefit item has been assessed lower than 1000 Euro.

10.2 EUROPEAN UNION: COSTS AND BENEFITS OF MODEL 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	11,139,741	M0_4_G_BD1	Asset Recovery	13,653,633
		M0_4_G_CD2	Costs for prosecution and sentencing	4,347,675			
		M0_4_G_CD3	Costs of Asset Recovery	134,831			
	TOTAL DIRECT		15,622,247		13,653,633	-1,968,613	
Indirect	M0_1_G_CI1	Decrease in tax revenues	2,368,340,345	M0_1_G_BI1	Increase in tax revenues	52,655,296	
	TOTAL INDIRECT		2,368,340,345		52,655,296	-2,315,685,049	
LEA	Direct	M0_4_F_CD1	STR analysis cost	6,706,226	M0_4_F_BD1	BO data searching time saving	329,452
		M0_4_F_CD2	FIU other costs	754,043			
		M0_4_F_CD3	FIU training costs	115,253			
		M0_4_L_CD1	LEA investigation costs	1,684,299			
	TOTAL DIRECT		9,259,821		329,452	-8,930,369	
Indirect	M0_4_F_CI1	Increase in staff personnel costs	3,038,712	M0_1_L_BI1	Deterring intermediary connivance	agree	
TOTAL INDIRECT		3,038,712		0	-3,038,712		
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	192,488,305	not applicable		
		M0_2_I_CD1	BO data updating costs	5,922,717			
		M0_3_I_CD1	BO registration and record keeping costs	63,712,727			
		M0_1_B_CD1	Banks' training costs	816,499,876			
		M0_1_B_CD2	Banks' internal controls costs	2,188,496,414			
		M0_1_B_CD3	Banks' lobbying Costs	1,041,710			
		M0_3_B_CD1	Banks' ICT costs	3,493,308,389			
		M0_4_B_CD1	BO data addition to STR costs for banks	1,362,164			
		M0_4_B_CD2	STR sending costs for banks	18,999			
		M0_1_A_CD1	Accountants' training costs	512,997			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			
		M0_3_A_CD1	Accountants' ICT costs	not available			

		BO data addition to STR costs for accountants	M0_4_A_CD1	not relevant			
		STR sending costs for accountants	M0_4_A_CD2	1,515			
	TOTAL DIRECT			6,763,365,813		0	-6,763,365,813
	Indirect	BO identification duplication costs	M0_1_I_C11	153,990,644	M0_1_B_B11	Banks' clientele info benefits – Services quality	agree (74%)
		BO data updating duplication costs	M0_2_I_C11	4,738,174	M0_1_B_B12	Banks' clientele info benefits – Financial stabilisation	2,171,744,302
		BO record keeping duplication costs	M0_3_I_C11	50,970,182	M0_1_B_B13	Banks' clientele gain benefits	(*)
		Banks' clientele loss costs	M0_1_B_C11	(*)	M0_1_B_B14	Banks' reputational benefits	not applicable
		Accountants' clientele loss costs	M0_1_A_C11	696,778	M0_1_A_B11	Accountants' clientele information benefits	agree (70%)
					M0_1_A_B12	Accountants' clientele gain benefits	not applicable
					M0_1_A_B13	Accountants' reputational benefits	agree/disagree
	TOTAL INDIRECT			210,395,777		2,171,744,302	1,961,348,525
Individuals	Direct	Fewer opportunities to hide BO identity	M0_4_D_CD1	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	Fiscal costs	M0_1_E_C11	disagree (56%)	M0_1_E_B11	Reduction in unfair competition	agree/disagree
		Access to credit unfair costs	M0_1_E_C12	disagree (100%)	M0_1_E_B12	Improvement in market efficiency	agree (60%)
TOTAL INDIRECT			0		0	0	
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	Increase in intermediaries' prices and fees	M0_1_W_C11	NBA: disagree /agree; NAA: agree (57%)	M0_5_W_B11	Market transparency benefits	NBA: agree (74%); NAA: agree (80%); EIA: agree (60%)
		Market concentration costs	M0_1_W_C12	disagree (71%)			
Use of less transparent legal entities		M0_5_W_C11	agree (57%)				
TOTAL INDIRECT			0		0	0	
EU and MS	Direct			not applicable		not applicable	

10. Main Findings of the CBA

	TOTAL DIRECT		0		0	0
	Indirect	M0_1_U_C11 EU internal dishomogeneity costs	not applicable	M0_1_U_B11 Capital inflows from Extra EU countries	263,276,481	
		M0_1_U_C12 EU political costs	not applicable			
		M0_1_U_C13 Capital outflows towards Extra EU countries	10,048,473,728			
	TOTAL INDIRECT		10,048,473,728		263,276,481	-9,785,197,246
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M0_3_H_C11 Clients privacy and data protection costs	not applicable	M0_4_H_B11 Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT		0		3%	0
TOTAL DIRECT						-6,774,264,795
TOTAL INDIRECT						-10,142,572,481
Total (monetary)						-16,916,837,277

10.3 EUROPEAN UNION: COSTS AND BENEFITS OF MODEL 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M1_3_G_CD1 Central Registry costs	8,365,250	M1_4_G_BD1 Asset Recovery	20,480,571		
		M1_4_G_CD1 Cost for persons convicted of ML	15,832,684				
		M1_4_G_CD2 Costs for prosecution and sentencing	6,835,166				
		M1_4_G_CD3 Costs of Asset Recovery	202,305				
	TOTAL DIRECT		31,235,405		20,480,571	-10,754,834	
	Indirect	M1_1_G_CI1 Decrease in tax revenues	2,605,174,380	M1_1_G_BI1 Increase in tax revenues	52,655,296		
	TOTAL INDIRECT		2,605,174,380		52,655,296	-2,552,519,083	
LEA	Direct	M1_4_L_CD1 LEA investigation costs	2,102,467	not applicable			
		M1_4_L_CD2 BO data searching costs	1,167,481				
		TOTAL DIRECT		3,269,949		0	-3,269,949
		Indirect	Not applicable		not applicable		
	TOTAL INDIRECT		0		0	0	
Intermediaries	Direct	Not applicable		not applicable			
		TOTAL DIRECT		0		0	
	Indirect	M1_1_B_CI1 Banks' clientele loss costs M1_1_A_CI1 Accountants' clientele loss costs	(*) 766,455	M1_1_B_BI1 Banks' clientele info benefits – Services quality	agree (74%)	2,171,744,302	
				M1_1_B_BI2 Banks' clientele info benefits – Financial stabilisation			
				M1_1_B_BI3 Banks clientele gain benefits	(*)		
M1_1_A_BI1 Accountants' clientele information benefits				agree (70%)			
	TOTAL INDIRECT		766,455		2,171,744,302	2,170,977,847	
Individuals	Direct	M1_1_D_CD1 Not registered BO data filing costs	5,236,523	not applicable			
		M1_2_D_CD1 Not registered BO data updating costs	2,094,609				
		TOTAL DIRECT		7,331,132		0	-7,331,132
		Indirect	M1_4_D_CI1 Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1 Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT		0		0	0	

10. Main Findings of the CBA

Businesses	Direct	M1_2_E_CD1 BO data updating costs	8,884,076				
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	95,569,090	not applicable			
	TOTAL DIRECT		104,453,166		0	-104,453,166	
	Indirect	M1_1_E_C11 Business fiscal costs	not applicable	M1_1_E_B11 Reduction in unfair competition	agree/disagree		
		M1_1_E_C12 Access to credit unfair costs	not applicable				
TOTAL INDIRECT	M1_1_E_C13 Employers/Industrial Association lobbying costs	not available			0	0	
Wider cost and benefit	Direct	Not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect				NBA: agree (74%) ; NAA: agree (80%) ; EIA: agree (60%)		
		M1_5_W_C11 Use of less transparent legal entities	not applicable	M1_5_W_B11 Market transparency benefits			
TOTAL INDIRECT		0		0	0		
EU and MS	Direct	Not applicable		not applicable			
	TOTAL DIRECT		0			0	
	Indirect	M1_1_U_C11 Capital outflows towards Extra EU countries	11,052,669,613	M1_1_U_B11 Capital inflows from Extra EU countries	263,276,481		
	TOTAL INDIRECT		11,052,669,613		263,276,481	-10,789,393,132	
Human rights	Direct	Not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_H_C11 Individuals' privacy and data protection costs	not applicable	M1_4_H_B11 Increase % in persons prosecuted for ML	5%		
	TOTAL INDIRECT		0		5%	0	
TOTAL DIRECT						-125,809,081	
TOTAL INDIRECT						-11,170,934,368	
<i>Total (monetary)</i>						-11,296,743,449	

10.4 GOVERNMENT: MAIN FINDINGS

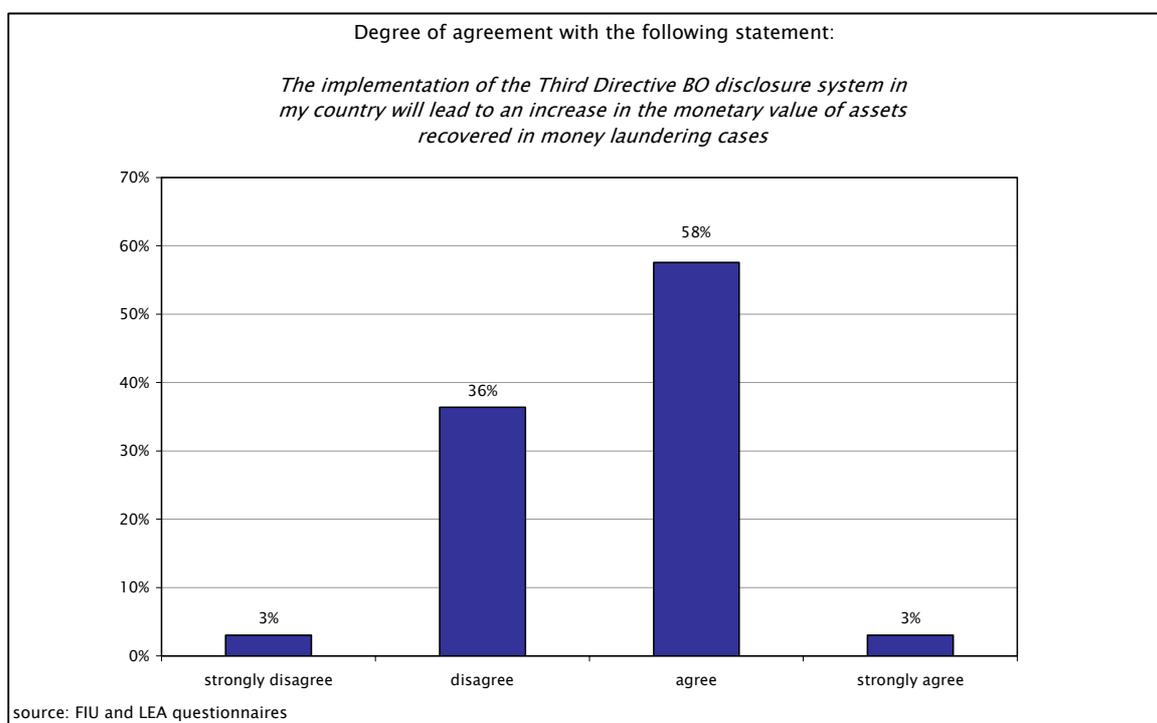
As regards direct costs, Model 1 costs to Government appear, at EU aggregate level, double than those arising from Model 0, i.e. 30 million Euro against 15 million Euro. Once again it should be noted that Government costs do not take into account FIU and LEA costs even if these entities are usually publicly financed. Costs arising from an increase in judicial expenditure (prosecution, sentencing, conviction) seem almost at the same level for Model 0 and Model 1. The key factor explaining the difference in direct costs between the two models is the different role that Government would assume with the implementation of an upfront and ongoing beneficial ownership disclosure system. These additional costs have been made quantifiable through the item "Central Registry costs". Under Model 1, companies have a duty to file BO data with the Companies Registry and the Companies Registry has to be made accessible online to law enforcement agencies. While in the majority of the EU Member States the Companies Registry is already an electronic database that can be accessed on line,¹⁵⁷ others will have to make provision for the digitalization of company data.

As regards information sharing, a key problem is the kind, level of accuracy and degree of update of the companies' data that currently have to be submitted to the registry. As stated in section 9.1 only the 13% of Companies Registry Offices involved in this Study include companies' beneficial ownership in the company's information that has to be filed in their registry. Moreover, only one third of the Companies Registry Offices involved in the Study confirm that registered unlisted companies in their country have a duty to notify to the national registry of any transfer in the legal ownership of shares. Where this happens, as in Hungary, Italy and Luxembourg, the notification of such transfers takes on average 30 days. This means that the implementation of Model 1 transparency requirements (in particular requirements three and four) may involve making a significant effort in some countries, not only in terms of costs but also in terms of updating company law, on the part of both Government and companies.

The direct costs discussed so far are, for both Models, partly compensated by the assumed increase in the recovery of assets. As regards Model 0 – the beneficial ownership disclosure system embodied in the Third Directive – this assumption has been confirmed by more than 60% of FIU and LEA officials answering Transcrime's questionnaires.

¹⁵⁷ 22 on 27 EU Companies Registry Offices answered to Transcrime questionnaire, 19 on 22 stated that their database is already accessible on line.

Figure 10.1 Implementation of Model 0 and increase in assets recovered in money laundering cases



According to our CBA there is a greater increase in asset recovery under Model 1 (20 million Euro) implementation than under Model 0 (13 million Euro). This might be attributed to the lower shareholding threshold (10%) fixed by Model 1 for qualification as a BO, thus generating supplementary identity information on companies shareholders which becomes available to law enforcement authorities for their investigations. Another important reason for the higher monetary value of assets recovered under Model 1 is the absence of any “filter” by intermediaries in the flow of information. However, it must be taken into account that, even if Model 1 envisages non-filtered self-disclosure, the crucial factor for its effectiveness remains the willingness of companies (and of the individuals of which they are composed) to communicate with the Central Registry and to update beneficial owner information when necessary without delay.

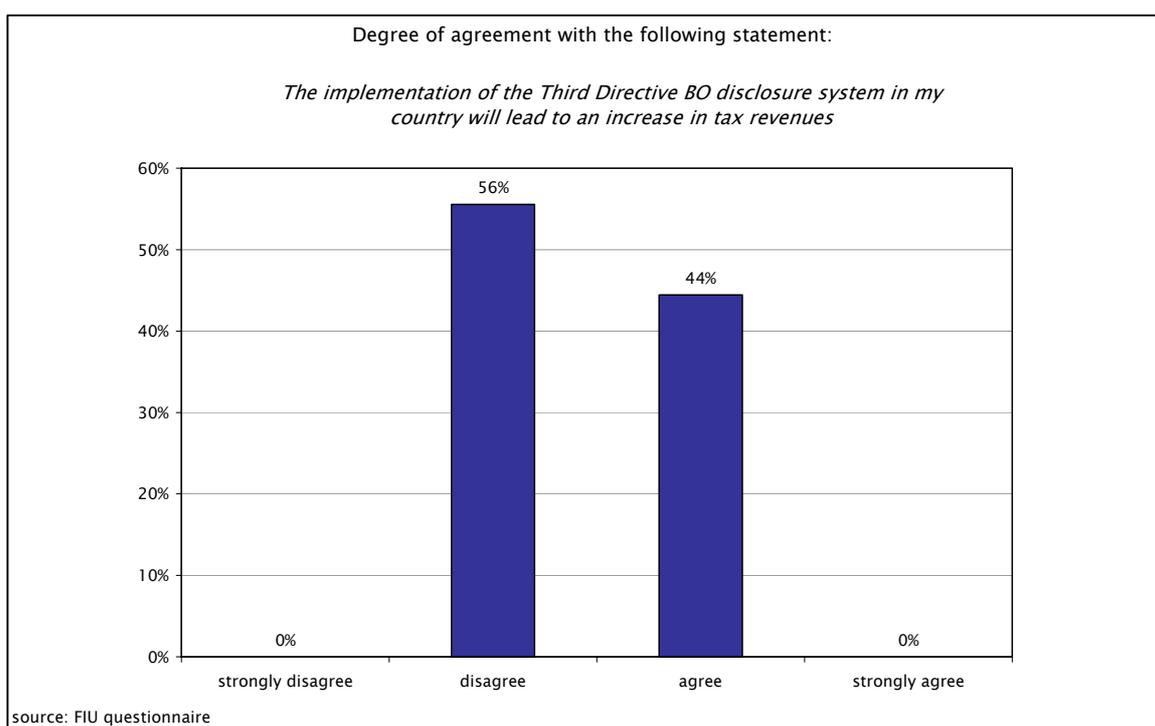
To sum up, the implementation of the beneficial ownership disclosure system envisaged by the Third Directive (Model 0) involves a net direct cost of around 2 million Euro for the Government area of incidence at aggregate EU level. On the other hand, Model 1 implementation appears more onerous amounting to a net direct cost of around 10 million Euro at EU level.

Indirect costs for the public sector, at the EU aggregate level, are mainly due to the capital outflows. The estimate on capital outflows from EU countries has been calculated considering only banking sector assets. This phenomenon becomes an indirect cost for Government in terms of reduced tax revenues, estimated at EU aggregate level at 2 billion Euro. The magnitude of the item “decrease in tax revenues” due to capital outflows

requires deeper analysis and this will be carried out in sections 10.6 and 10.10.

As for indirect benefits to Government, they also arise at the fiscal level. There are two main factors explaining the possible increase in tax revenues due to beneficial ownership disclosure. Both these factors are considered in the two models. However, it is worth specifying immediately that the value of the “increase in tax revenues” benefit item (around 50 million Euro) does not compensate in any way the decrease assumed above. The first factor influencing the relative increase in tax revenues foreseen in both models is an increase in fiscal compliance on the part of individuals and businesses. This is mainly due, in Model 1, to the wider dissemination of information regarding shareholders, and in Model 0 to the clients’ identification process set up by intermediaries to comply with BO transparency requirements of the Third Directive. The hypothesis of an increase in tax revenues for Government following the implementation of the Third Directive has been confirmed by almost one half (44%) of the FIU officials who answered Transcrime’s questionnaire (see Figure 10.2).

Figure 10.2 Implementation of Model 0 and increase in tax revenues



The second factor influencing the relative increase in tax revenues foreseen in both models is an increase in capital inflows (again calculated referring to banking sector assets). Increased capital inflows can be accounted for in two ways. Firstly, the inflows could be a result of increased transparency in the European financial market due to the implementation of BO transparency requirements. Increased transparency is associated with an increase in the efficiency of the financial sector, which might attract additional extra-EU capital investments. On the other hand, some of the inflows could be caused by capital moving between EU countries, in particular towards those

countries that traditionally grant preferential fiscal treatment to foreign capital. In this case inflows and outflows between EU countries nullify each other, and they are not to be considered at aggregate level.

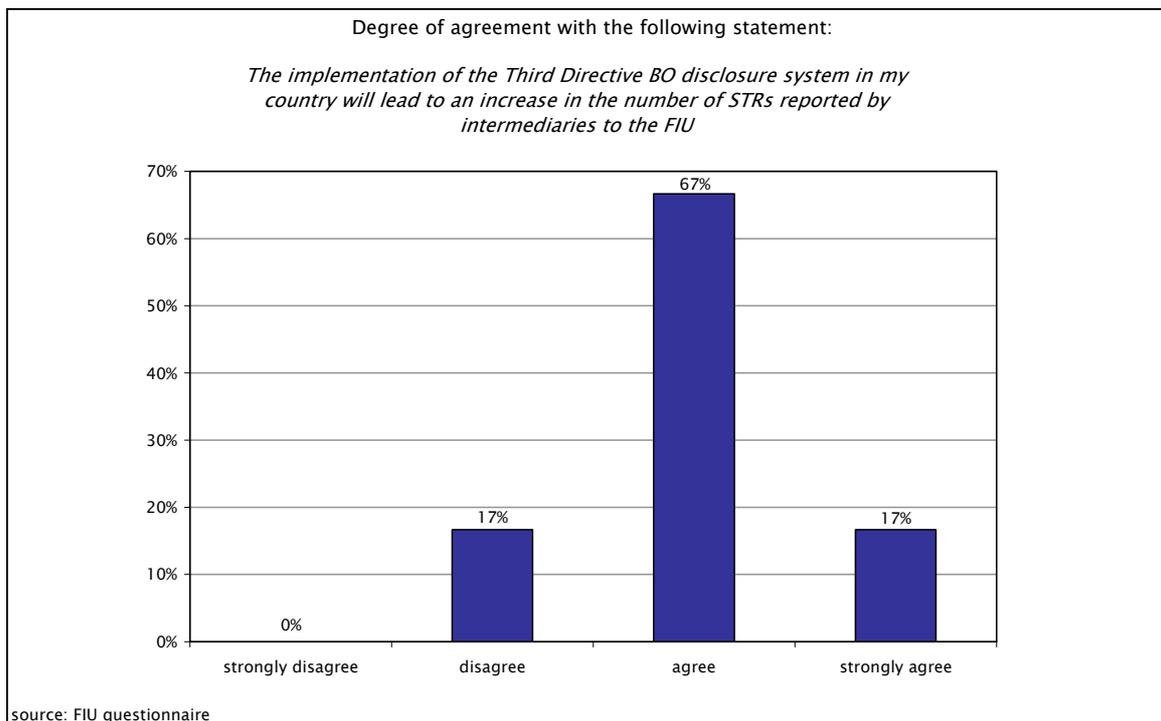
10.5 LAW ENFORCEMENT AGENCY: MAIN FINDINGS

As specified in section 10.4 costs and benefits to LEAs are considered as a separate area of incidence from Government even if all public authorities dealing with anti-money laundering, (whether FIU or LEA) are publicly financed. It is worth specifying again that in carrying out the cost benefit analysis of the two models in this area of incidence both a Law Enforcement Agency and the national Financial Intelligence Unit, where they are not the same unit, have been taken into account.

Model 0, the BO disclosure system foreseen by the Third Directive, has the greater impact in terms of direct costs on this area of incidence. LEA/FIU direct costs related to Model 0 are estimated at 9.2 million Euro, thus three time higher than those foreseen under Model 1, estimated at around 3.2 million Euro.

The assumption made by Transcrime that a variation in the number STRs may occur following the implementation of the beneficial ownership disclosure system foreseen by the Third Directive has been confirmed by the FIU officials contacted by Transcrime, the 84% of whom foresee an increase in the number of STRs transmitted yearly (see Figure 10.3).

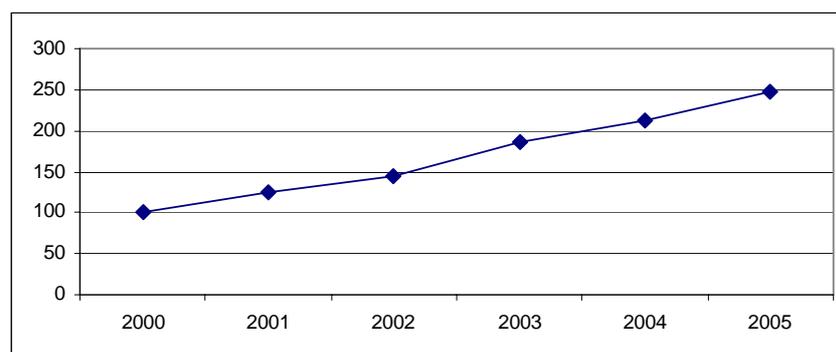
Figure 10.3: Implementation of Model 0 and increase in the number of STRs



The estimates of a possible increase in the number of STRs range from 5% (Latvia) to 30% (Portugal), the average being 12%. This tendency has been confirmed also by the Danish FIU national referent who has told Transcrime that the actual increase in the number of STRs registered in 2006 may be partly related to the implementation of the Third Directive in February 2006.

Transcrime has collected time series data on the growth in the number of STRs over the last five years in 16 EU Member States in order to separate any structural path of growth from the marginal variation in STR numbers that is assumed to arise from Model 0 implementation. Figure 10.4 shows the STR growth path from 2000 to 2005 (indexed at year 2000=100).

Figure 10.4 Number of STRs transmitted to FIUs from 2000 to 2005 (2000=100) in 16 EU Member States



In the last 5 years the Compound Annual Growth Rate of the number of STR has been 25%.

It is worth clarifying that the marginal variation in the number of STRs due to Model 0 should not be considered as part of the structural yearly trend of growth but as an additional variation to the underlying pattern.¹⁵⁸ The key question is thus: why should Third Directive BO disclosure system implementation generate this additional growth in the number of STRs? According to the Third Directive, beneficial ownership data must be gathered by intermediaries according to the level of risk of the transaction or according to client typology and then communicated to the national FIU when a transaction suspected of money laundering is detected. Clearly, in the majority of cases, it is the anomalous character of the transaction that gives raise to the STR. However, especially in the case of legal entities – which constitute the focus of this Study – the clients' information available to the intermediaries is not at all comprehensive. By making them responsible for the identification and verification of the identity of the beneficial owner Model 0 implementation obliges intermediaries to gather far more information on the shareholding structure, beneficial ownership and control structure of their client,¹⁵⁹ using a risk-based approach. This supplementary information, once collected, probably permits a better evaluation of the client risk profile, and, as a consequence, an increased ability to detect those

¹⁵⁸ As specified in paragraph 6.5.1, in the calculation of cost and benefit items, only the percentage of the variation of STRs concerning transactions carried out by private and public unlisted companies have been taken into account.

¹⁵⁹ As for disclosure duties placed on intermediaries, Art 8, par 1 (b) of the Directive 2005/60/EC reads: "Customer due diligence shall comprise: [...] identifying, where applicable, the beneficial owner and taking risk-based and adequate measures to verify his identity so that the institution or person covered by this Directive is satisfied that it knows who the beneficial owner is, including, as regards legal persons, trusts and similar legal arrangements, taking risk-based and adequate measures to understand the ownership and control structure of the customer".

transactions that become identifiable as at high risk of money laundering only thanks to a more complete knowledge of the client when the client is a private or public unlisted company.

Another result that has to be taken into account is that, from the answers to Transcrime's questionnaires and from the interviews with FIU experts in many countries, a tendency has emerged that, in recent years, the number of legal persons mentioned in suspicious transaction reports has increased. This confirms how the intermediary-based beneficial ownership disclosure system foreseen by the Third Directive may have a significant impact on the reporting of suspicious transactions. Transcrime has collected data on the percentage of STRs transmitted annually to the FIU regarding transactions carried out by legal persons, and in particular by private or public unlisted companies. The percentage provided by national FIU experts varies from the 15% in Malta to 75% in Cyprus, with most of the EU Member States indicating a percentage of 40–50%.

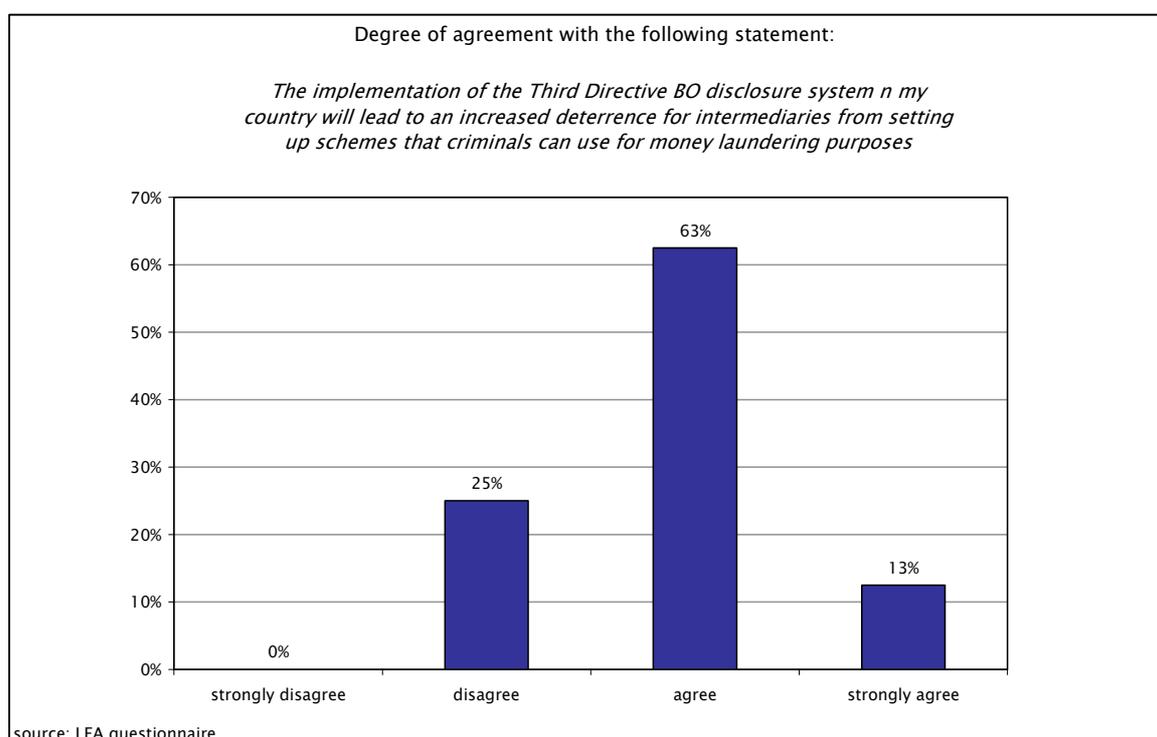
At aggregate level, the most significant cost for European FIUs arising from Model 0 implementation is that deriving from additional STR analysis, estimated at 6.7 million Euro and representing the 70% of the direct cost for this area of incidence. This figure represents the opportunity cost of the time that FIU officials must devote to the analysis of additional STRs and the verification of the information included at EU aggregate level.

Apart from this monetary estimate, with Model 0 implementation FIUs will have to deal with additional information on beneficial ownership that has to be analysed, verified and filtered with the staff and resources currently available. This constitutes a significant risk in terms of bottleneck costs, especially given that beneficial ownership data under Model 0 are not disclosed to the public, nor stored in a publicly accessible database as in Model 1. Transcrime asked to FIU officials cooperating with the Study whether they believe that, in order to cope with the increased number of STRs, their unit would need to increase the number of full-time staff devoted to anti money laundering. The results of this exercise are as follows: the 73% of the FIU officials express a need for more staff in order to deal with the implementation of the new BO disclosure system foreseen by the Third Directive that is likely to load FIUs with an additional burden of work. The average increase in staff personnel needed at EU level is about 20% and has been estimated as 3 million Euro at EU aggregate level.

As regards benefits arising from Model 0 for national FIUs, the opportunity cost of the time saved in searching information on beneficial ownership has been considered as a direct benefit. This benefit has been calculated as around 300,000 Euro, but its interpretation is quite complex. Certainly, in the framework of Model 0, beneficial ownership data, when available, have to be provided by intermediaries along with the report of suspicious transaction. In this sense, FIU staff may save some of the time currently spent in identifying the real beneficial owner of a suspected transaction regarding a legal entity. This is true only in part because also under Model 0 checking the information received is always a crucial part of FIU work.

As for indirect benefits, 76% of the respondent experts agree that Model 0 might have a positive effect in deterring intermediaries' connivance with money launderers, as reported in the Figure 10.5.

Figure 10.5: Implementation of Model 0 and deterrence on intermediaries' connivance



An increase in the level of availability of BO information is foreseen under Model 1¹⁶⁰ too, and the information on the beneficial owner is available to intermediaries also under this model. However, no increase in the number of STR has been assumed under Model 1. This is based on the assumption that, if discharged from beneficial ownership information reporting duties, intermediaries may reduce their efforts to collect BO information from their clients – as this is extremely onerous in terms of time and resources – and, as a consequence, reduce reporting to FIU cases of suspicious transactions.

According to Model 1 beneficial ownership data have to be filed by companies to the Central Registry and have to be made available online to LEA for anti money laundering investigation. The two cost items foreseen in this area of incidence are therefore the costs arising to LEA for additional investigations and the opportunity cost of the time that it assumed that LEA officers will spent in accessing and using the Companies Registry database. This last cost has been calculated at 1 million Euro.

As for LEA investigation costs, both models result in an increase in the number of LEA investigations, and thus in the investigation costs. In Model 0 this additional cost is estimated as 1.7 million Euro, while in the case of Model 1 it is estimated at about 2.1 million Euro. However, both these additional costs are subject to the availability of a sufficient number of police investigators to deal with the additional investigative work stemming from the filing of additional STRs containing BO information in the case of Model

¹⁶⁰ This increase is foreseen as higher than in Model 0, see paragraph 7.1.2 and Box 3.

0, and from direct access to companies' beneficial owners' data in the case of Model 1. So, these costs could be lower than expected due to staff limits.

10.6 INTERMEDIARIES: MAIN FINDINGS

In the BO disclosure system embodied in the Third EU AML Directive (Model 0) the duty to disclose the beneficial ownership is lodged with the category of intermediaries.¹⁶¹ Intermediaries have the duty to “identify, where applicable, the beneficial owner”,¹⁶² on a risk-sensitive basis,¹⁶³ and to “verify his identity” by taking “adequate measures to understand the ownership and control structure of the customer”;¹⁶⁴ the activity of disclosing BO is completed by collecting BO information in an internal database and by filing BO information with the competent authorities, on demand of the same authorities and/or through the activity of reporting the suspicious transactions which have been recognized at a high risk of being exploited for money laundering purposes.

It is evident that this disclosure system implies that intermediaries are being asked to play an active and responsible role: they are required not to act merely as simple receivers/users of BO information provided by other subjects/data sources, but also as collectors/investigators of this information and as detectives capable of interpreting it on the basis of internal risk assessment exercises and of informing the competent authorities every time a transaction or customer appears to be at risk of being exploited for money laundering purposes. These BO disclosure requirements produce a series of costs and certain benefits for intermediaries that this Study tries to detect, assess and compare.

In the case of Model 1, the duty to disclose private and public unlisted companies Beneficial Owners rests with the BOs themselves and with the companies themselves,¹⁶⁵ which have to act communicating this information to the competent authorities, to the market and the wider public by filing it in a central registry. It is clear that intermediaries will need this information on occasion, and that they can acquire it by accessing the central registry (used as an exclusive data source), but under Model 1 intermediaries would no longer be required to play an active role as collectors/investigators of BO information. In this sense, the activity of BO disclosure by intermediaries, as described in the first paragraph, would come to an end, thus resulting in a reduction in those direct costs arising from the Model 0 BO disclosure system; obviously those costs not specifically relating to BO disclosure activity, but more generally referring to the AML activity of intermediaries, such as suspicious transactions detecting, suspicious transaction reporting and cooperating with the competent authorities would persist; but since the object of this Study is to assess the costs and benefits exclusively arising from BO disclosure activity, it can be understood why Transcrime has decided not to take in to consideration the direct costs and expenses generated by

¹⁶¹ See chapter 6, section 6.1 and 6.2, for a description of Model 0; see box within chapter 6 for a description of the tasks and activities underlying the provision of disclosing the Beneficial Ownership.

¹⁶² Directive 2005/60/EC, art. 8, par. 1 (b).

¹⁶³ Directive 2005/60/EC, art. 8, par. 2.

¹⁶⁴ Directive 2005/60/EC, art. 8, par. 1 (b).

¹⁶⁵ See chapter 6, section 6.1 and 6.2 for a description of Model 1.

BO disclosure activity (i.e. Model 0 Intermediaries direct costs) in the assessment of Intermediaries costs and benefits for Model 1, but to consider only indirect costs and benefits which could arise from any BO disclosure system implementation.

It is possible to compare the activity of disclosing companies BO by intermediaries to a production function: the *output* would be the BO disclosure itself, as described in the previous paragraphs: collecting, verifying, communicating BO information. To produce the output some factors of production would be used: following standard economic theory, suppose two factors are used, capital (K) and labour (L). The two factors are combined in a production function in order to produce an output. So, in order to increase output two different strategies are possible: either to increase the quantity of one (or both) input(s), or to increase the efficiency (productivity) of one (or both) input(s). Pursuing this comparison, let's consider how factor productivity can be improved and how the production function can be made more flexible.

The two factors of production represent the resources used by intermediaries in disclosing clients' BO and complying with Model 0 provisions; the use of these resources implies some costs. Some regard the use of labour and thus can be considered labour costs; these are the costs arising from devoting employers' time to BO identification, verification, registration. Others concern the use of capital and thus can be considered to be infrastructural or technological costs: these are mainly ICT costs. The activity of improving factor productivity also implies costs: these are costs for factor productivity improvement, represented by employment training costs and by internal control costs. As regards the possibility of improving the production function, this could refer to the adoption of a Risk Based Approach: i.e., from an economic perspective, the possibility of making the production function flexible with respect to market demand or with respect to a particular situation (e.g. changes in the customer base, which could imply an increase in the risk for money laundering; or a particular situation of terrorist emergency which could require strengthening control over transactions or customers).

This comparison will be returned at times in order to present our findings with respect to this area of incidence.

10.6.1 BO disclosure costs

As introduced and explained in paragraph 6.6.1 this group of costs refers to the expenses faced by intermediaries arising from the implementation of Model 0 BO disclosure requirements: BO identity identification, verification and clients shareholding and ownership structure analysis (M0_1_I_CD1); BO data updating costs (M0_2_I_CD1), and BO information registration and record keeping costs (M0_3_I_CD1), which refer, respectively, to transparency requirements 1, 2 and 3 of BO models.

It should be remember that, as said in section 6.4, and repeated in the introduction to this section, these are costs which are only applicable to Model 0. It should also to be remembered, as explained in detail in section 6.6, that BO disclosure costs relate at the same time to both of the two

categories of intermediaries considered in the Study: banks and accountants. In fact, they assess the costs arising from an activity which, under Model 0 provisions, apply to all the subjects covered by the Third EU AML Directive, amongst them banks and accountants.¹⁶⁶

Following the comparison with the “BO disclosure production function”, BO disclosure costs can be considered as the expenses arising from the use of labour in the process of disclosing companies’ BO. In fact, as explained in section 6.4, these have been calculated as the opportunity cost of the time devoted by intermediaries in complying with the mentioned provisions regarding the disclosure activity.

The results of the CBA show BO disclosure costs amounting, at aggregate EU level, to approx. 261 million Euro (see section 10.2). If compared with European Credit Institutions operating costs (2005), these costs represent approximately 0.10% of Total Expenses and 0.17% of Staff Expenses.¹⁶⁷ At national level this percentage varies from 0.03% to 0.23%, as regards % of Total Expenses; as regards Staff Expenses, the share varies from 0.05% to 0.4%.

On the basis of the few studies which have been carried out on the economic impact of AML legislation on Intermediaries, and on the basis of information collected by Transcrime while carrying out this Study in terms of opinions and informal assessments, these results seem to underestimate disclosure costs.

However, two key issues have to be considered:

A) BO disclosure activity is now largely carried out using computer based and ICT technologies. Thus, most costs specifically arising from the activity of BO disclosure are included in ICT costs. This means that ICT costs should constitute the greater part of the cost to Intermediaries of BO disclosure activity. Our Study does confirm this hypothesis. In this sense, on the basis of the “BO disclosure production function” examined above, it can be said that the costs dealt with in this paragraph only represent the *labour* share of the total costs arising from the BO disclosure activity implemented by intermediaries under the Model 0 regime. Considering both the use of employees and the use of technologies in BO disclosure activity, related cost are necessarily increasing.

B) The BO disclosure costs examined here, i.e. the sum of costs relating to items MO_1_I_CD1, MO_2_I_CD1, MO_3_I_CD1, closely depend on the time devoted by intermediaries to identifying BO before the establishment of a business relationship or the carrying out of a transaction. This data, as estimated and communicated by Transcrime national referents in the area of intermediaries through questionnaires, corresponds to a time, on average, of 0.84 hours (median: 1 hour).¹⁶⁸ This data could seem, again, underestimate. In fact, if all the activities of BO identity identification, verification and clients’ shareholding and ownership structure analysis are included a longer time should be considered.

¹⁶⁶ See Directive 2005/60/EC, art. 2, par. 1.

¹⁶⁷ See Annex B for details on how EU banks Total and Staff Expenses have been calculated.

¹⁶⁸ See paragraph 7.1.1 and Annex B for further details.

To some extent this discrepancy can be explained by the fact that, as detailed in section 9.1, intermediaries, and in particular credit institutions, rely, in disclosing clients' BO, mainly on documentation provided by the clients themselves.¹⁶⁹ In this sense, in the current BO disclosure process, the active collection by intermediaries of BO information is limited, and this accounts for a certain reduction in potential BO identification costs. If implemented in an exhaustive way, Model 0 BO identification and disclosure costs are probably going to increase substantially. This hypothesis is considered and analysed in detail in the sensitivity analysis, which hypothesizes that the time to be devoted, on a risk-sensitive basis, to compliance with all the BO disclosure provisions as foreseen by Third EU AML Directive, including the identification and analysis of clients' ownership and control structure, could be on average approximately 9–10 hours.

However, the fact that the estimates of the time devoted to BO identification do not vary greatly, could be interpreted as a result of a consolidation process within the financial sector: in fact such a process implies the standardization of the regulatory procedures carried out in the banking sector, including those related to AML compliance.

10.6.2 BO disclosure duplication costs

As explained in section 6.4, BO disclosure duplication costs arise from the repetition of BO disclosure procedures on the same client by different intermediaries. As this assessment has been conceived and conducted with only two categories of intermediaries involved (credit institutions and accountants), the maximum number of times a BO disclosure process can be repeated on the same client is twice.

The results reported in the table imply a duplication ratio of 80% (i.e. 80% of the companies in the sample maintain a business relationship with both banks and accountants; the remaining 20% only with one of them). Thus it is obvious that under this hypothesis BO disclosure duplication costs are 80% of BO disclosure costs, presented in the previous paragraph, thus amounting to approx. 209 million Euro. This result provides a useful indicator of the magnitude of the problem. It has to be pointed out, however, that, as in the case of BO disclosure costs, duplication costs closely depend on an underestimate of the time devoted by intermediaries in identifying the clients' BO. The sensitivity analysis provides other relevant scenarios and estimates. In order to understand how the aggregate CBA results could vary on the basis of the variations in duplication costs, an additional sensitivity analysis has been conducted.¹⁷⁰

From a qualitative point of view, it has to be noted (as said in paragraph 6.4) that duplication costs are a function of the quantity of BO information shared amongst different intermediaries. Duplication costs closely depend on the availability of information on companies' BO which could be found in public registers or that could be exchanged amongst different intermediaries, government, law enforcement agencies and businesses. If an intermediary

¹⁶⁹ See section 9.1 for further details.

¹⁷⁰ See section 11.4.

could access a common integrated database of BO information, it could avoid implementing the same BO disclosure procedure to find out and identify a company BO already identified by another intermediary. The more integrated BO information databases, the lower the duplication costs that intermediaries have to bear. Under the provisions foreseen by the Third EU AML Directive, and thus embodied in Model 0, as it has been in partly described in section 8.2 and 9.1, no information sharing system is hypothesized. Thus, duplication costs must be assumed to be relevant.

With the introduction of the non-intermediated BO disclosure system, i.e. Model 1, all duplication costs may be assumed to disappear. This is clearly a benefit provided by Model 1, which could be defined as a “disintermediational benefit”.

Banks

While some BO disclosure costs and BO disclosure duplication costs refer both to banks and accountants, the following cost and benefit items refer exclusively to European credit institutions.

10.6.3 Banks structural costs

In complying with the Model 0 BO disclosure provisions, banks have to bear other related expenses not specifically attributable to the implementation of BO disclosure transparency requirements, but concerned with supplying the human and technological capital necessary to fulfil Third Directive obligations. These have been defined Banks structural costs, and are the following: employment training costs (M0_1_B_CD1), internal control costs (M0_1_B_CD2) and ICT costs (M0_3_B_CD1) related to Model 0 implementation.

Banks structural costs represent the core costs for banks and intermediaries in our CBA, amounting approximately, at EU level, 6.5 billions Euro, the 1.9%, on average, of EU 27 Credit Institutions Total Expenses.¹⁷¹

More specifically:

As regards **ICT costs** it should be said that this item constitutes the most part structural costs, representing 1.12% of banks Total Expenses. Following the paragon comparing the BO disclosure process to a production function, it can be said that ICT costs coincide to some extent to the capital related costs, in the sense that, in the BO disclosure activity, ICT technologies, along with intermediaries’ employment work (i.e. the labour), represent the second ‘factor of production’ used in the process (i.e. the capital). In particular, this item includes the costs of all the activities which, during the entire Model 0 BO disclosure process, are carried out mainly utilizing ICT technologies.

After introducing the issue in section 6.6, it is useful to remember here that the fight against money laundering is not only a policy or legal concern, “it is also an information technology challenge”.¹⁷² Most financial institutions in

¹⁷¹ Banks Total Expenses estimated from ECB data 2005. See Annex B, variable X28 for details.

¹⁷² PriceWaterhouseCoopers Global Technology Centre (2002: 19–22).

Europe use computer systems to comply with AML legislation and to detect suspicious transactions. These systems apply software and technologies which are used to distinguish between those transactions carried out by or advised by banks at high risk of being exploited for ML purposes and those evaluated at low risk on the basis of some particular criteria. The improvements can be foreseen in these systems using technologies such as sequence matching, rule-based systems, data mining and neural networks.

The introduction, along with the Third EU AML Directive, of the duty to disclose BOs when dealing with private and public unlisted companies, makes it imperative to collect and integrate new information and data. This results in a new challenge for banking ICT divisions, and, on the basis of our assessments, an increase in ICT costs. For example, new software is desirable which can collate shareholder information, construct a picture of the ownership structure and identify company BOs. The evolution of such information systems would be encouraged by the development of an integrated European companies' registry. This would mean that the AML information challenge within the single intermediary firm would be supported by an overall improvement in corporate information sharing at EU aggregate level.

In conclusion, the results of the CBA with regard to these items shows that private and public unlisted companies BO disclosure process carried out by banks and other intermediaries is mainly a capital-intensive process. The massive use of ICT is reflected by the significance of ICT costs in total AML costs. This result could vary depending on the time devoted by banks and other intermediaries to the identification of Beneficial Owners. The sensitivity analysis will show that an increase in the time required for BO identification and verification, would rebalance the role of labour and capital in the BO disclosure "production function", making the process less capital intensive than that assessed in the CBA.

Banks' Internal control costs (MO_1_A_CD2) and Banks' Training costs (MO_1_B_CD1) represent the costs to be borne to improve the efficiency and the productivity of the factors involved in Model 0 BO disclosure. As regards Banks' Internal checks on employee compliance with Model 0 BO disclosure requirements, the related costs have been assessed, at EU 27 aggregate level, as approx. 2.2 billion Euro, 0.64% of Total banks' expenses, even though the impact largely varies between the EU 27 countries.

Internal checks on employee compliance with current regulations represent a key feature of the risk-assessment process in banks. As regards money laundering, for example, such checks significantly reduce the possibility of banks being exposed to exploitation by ML schemes, and thus reduce their financial (frauds, capital losses) and legal risks (prosecutions) and the risk of loss of reputation which could be a consequence of unintentional involvement in ML activity. In this sense, internal checks can be interpreted as being essentially about improving bank productivity in dealing with BO disclosure related processes.

Banks training costs represent, on one hand, a cost sustained by banks in order to counteract financial and legal risks that would arise from the non-compliance of employees with Model 0 provisions due to a lack of information and instruction; on the hand they represent a means of improving employee productivity when dealing with AML laundering issues.

The growing importance and the increasing use of these instruments of risk-management and risk-hedging is reflected by the results of our CBA, which shows Banks' training costs on Model 0 BO disclosure provisions amounting to more than 800 million Euro, 0.16% of 2005 EU Credit Institutions Total Expenses. It should be noted that 14 out of the 27 the national Bankers' Associations contacted have provided estimates of the average number of hours per employee annually devoted to training on BO disclosure requirements. On average at EU level, 6.3 hours per employee per year (median = 5 hours) are devoted to the issue.

10.6.4 Banks other costs

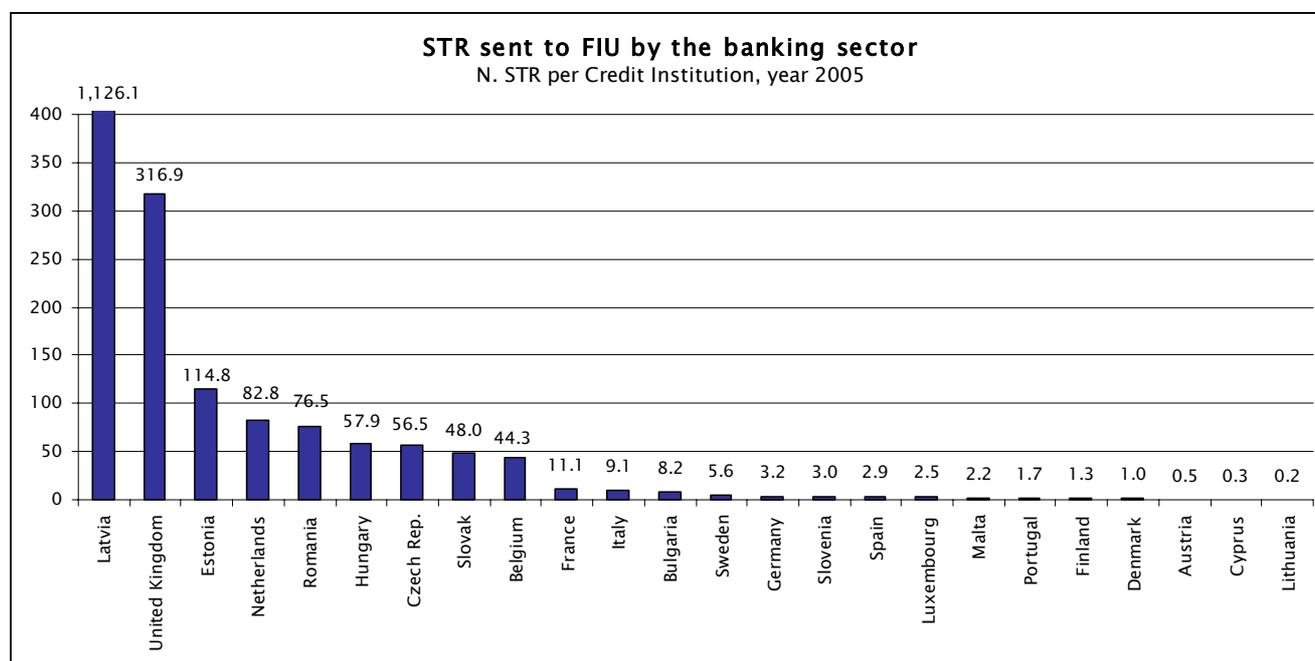
Banks other costs represent a negligible part of their Model 0 related costs.

As regards **Banking sector lobbying costs** only a few data are available, due to the strictly confidential nature of the item which prevented most national Bankers' Associations from providing us with figures. Thus no estimate has been provided in the table, since the aggregate result would have reflected the lobbying costs of only two countries.

BO data addition to STR costs for banks (M0_4_B_CD1) and **STR sending costs** for banks (M0_4_B_CD1) are not to be considered to be relevant items, mainly because these items dependent on the number of STRs currently sent by banks to FIUs and on the channels used to file these reports: a massive use of ordinary mail is relevant in terms of cost, while the utilization of other channels (such as e-mail and other computer based network) would significantly reduce costs. Since 13 on 27 countries don't foresee the use of ordinary mail, and only three 3 of the remaining 14 rely entirely on ordinary post as their only channel of transmission, STR sending costs are assumed to be of no relevance.

However, information collected on the STRs sent by banks and accountants allows us to elaborate some comparisons among EU 27 countries in terms of STRs sent per bank and, where possible, per accounting firm.

Figure 10.6: STR sent to FIU by the banking sector



Notes to Figure 10.6: As regards the UK and the Netherlands, data refers to the number of SAR; as regards the Netherlands, data refers to 2004; as for Greece, Ireland, Poland, n. STR sent to FIU by the banking sector is not available.

10.6.5 Banks' clientele loss cost

A private or public unlisted company that is unwilling to disclose its Beneficial Ownership before the establishment of a business relationship or the conducting of a transaction, when required to do so, has two options open to it if it wants to carry out the transaction:

- the first is that it could leave the national financial sector, interrupting possible business relationships with one or more national intermediaries and carry out the transaction or create the business relationship abroad, under a regulatory regime not compliant with company BO disclosure provisions;
- alternatively it could adopt a new less transparent legal or corporate scheme which would allow the company and/or the BO to remain in the country, and to conduct the transaction without providing a complete disclosure of its BO.

The aim of this paragraph is to present the results of a study conducted by Transcrime which analyses the feasibility of the first option and to assess the impact on banks when companies adopt this strategy.

The hypothesis underlying Model 0 is that banks' clients could decide to leave the national financial sector so as to avoid BO disclosure requirements. From the perspective of a bank this would mean the loss of a client. It should

be noted that banks can decide to refuse the execution of some transactions when they consider them too risky in terms of ML, or simply because the customer is unwilling to disclose BO. In both cases, this means the interruption of the business relationship between the bank and the client; if the customer decides to leave the national financial sector, this constitutes a capital outflow in favour of a foreign banking sector. It is assumed that this cost is coherent with the results and findings of other analyses and Studies of impact of AML requirements on banks and financial intermediaries,¹⁷³ though this hypothesis requires confirmation on the basis of agreements/disagreements between the banks themselves.¹⁷⁴

The hypothesis underlying Model 1 accepts the same assumptions as of Model 0, but foresees that an increase in clientele loss for two reasons:

Firstly because Model 1, which envisages a BO disclosure system without intermediaries, could make it more difficult for beneficial owners who don't want to disclose their BO: they would no longer be able to rely on non-compliant intermediaries in order to preserve their BO concealment.

Secondly, because the Model 1 system of disclosure does not employ a Risk Based Approach which means that all private and public unlisted companies are obliged to file their BO information within the central registry, without having any choice in the matter, i.e. the BO disclosure requirement applies not only to those companies identified by intermediaries as being at risk of ML transactions but to all the companies registered in a country.¹⁷⁵

As a consequence, under Model 1 loss of banking clientele is assumed to be greater than in Model 0.

In this paragraph only the qualitative results of the analysis of this subject, i.e. the responses of national Bankers' Associations to the possibility of clientele losses and capital outflows due to Model 0 implementation, are presented. As regards the quantitative results, i.e. estimates concerning likely capital outflows, they are presented in two different parts of the study:

- when presenting the main results for each EU 27 country (chapter 9).
- in discussing 'European Union and Member States' Area of incidence (section 10.10), where an assessment of the total estimated capital outflow from the European banking sector towards extra-EU countries will be provided.

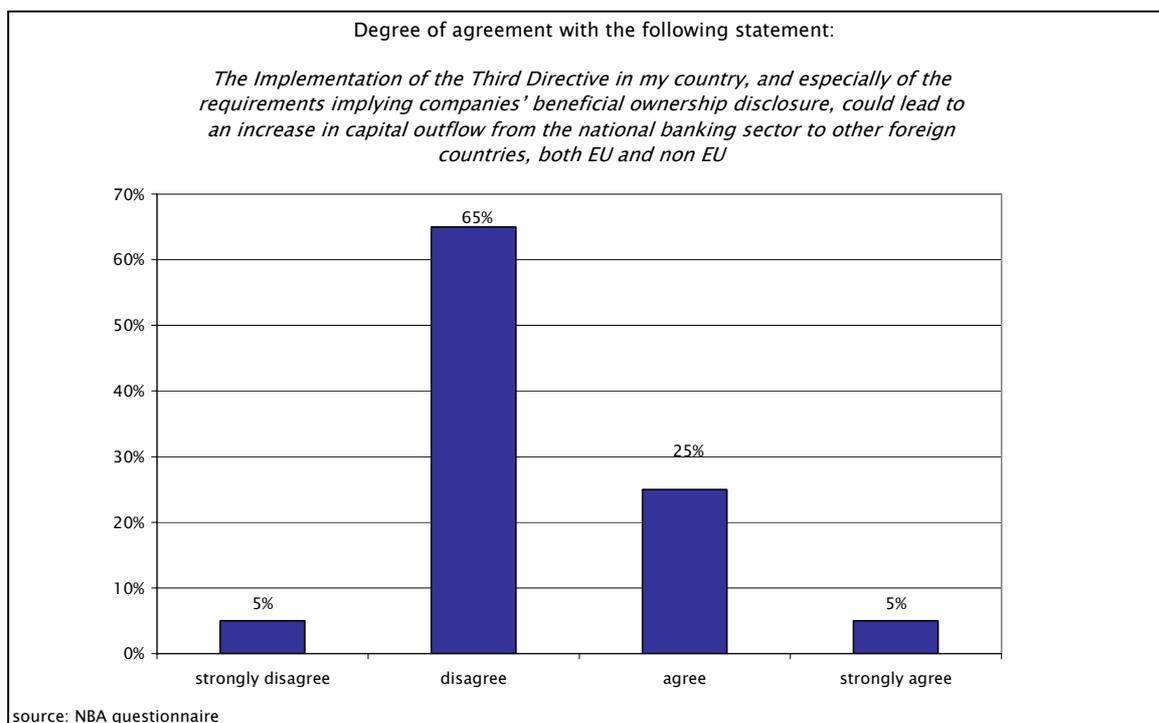
¹⁷³ See, for example, Gill and Taylor (2004: 582–594).

¹⁷⁴ On the specific use of agreement/disagreement in justifying and giving strong support to Transcrime assumptions/results see Annex C.

¹⁷⁵ See paragraph 6.1.

As regards the qualitative results of the study, 66% of the national Bankers' Associations¹⁷⁶ interviewed did not agree that the introduction of Model O would have a negative effect in terms of clientele loss / capital outflow from the national banking sector, while the remaining 34% consider this possibility as feasible.¹⁷⁷

Figure 10.7 Capital outflows from the national banking sector



The national Bankers' Associations that agreed/strongly agreed with the hypothesis were the Austrian, Estonian, Latvian, Slovak and Slovenian Bankers Associations; as for Italy, the Italian Bankers Association considered both the hypotheses to be plausible (capital outflow hypothesis/non capital outflow hypothesis), and it has been decided to consider the country amongst those which would be affected by some loss of banking clientele's loss because concern have been reported to that effect;¹⁷⁸ as regards UK, on the basis of Gill and Taylor (2004), which reports that British Credit Institutions are concerned about the possibility of client alienation due to AML related customer identification,¹⁷⁹ the hypothesis of capital outflows from the national banking sector has been privileged.

¹⁷⁶ Specifically 62% disagree while 5% strongly disagree.

¹⁷⁷ Specifically 29% agree and 5% strongly agree.

¹⁷⁸ The reason of the double answers could be explained by the fact that Italian national Bankers' Association (ABI) has disseminated the questionnaire amongst Italian banking groups, and has received different answers, comments and estimates from the credit institutions interviewed.

¹⁷⁹ See Gill and Taylor (2004: 587): "Over half of respondents believed that KYC (Know Your Customer procedures) could result in client alienation (and therefore a lost customer from that institution point of view) and only about a third disagreed".

The estimate of capital outflows from the banking sector has been carried out only for those countries that agreed with the statement, while in the case of countries not agreeing or not giving any answers to the question, no estimate has been made. As explained above, an estimate at EU aggregate level will be found when this study deals with 'European Union and Member States' area of incidence, while national estimates, for those members which expressed their agreement with the hypothesis, will be found under country profiles. It has to be taken into account that, since British banking assets represent a very significant part of total EU 27 banking assets (approx., on 2005 data, 25% of EU 27 Credit Institutions Total Assets), the British result impacts substantially on the total European aggregate result. Thus, estimates, analyses and comments provided by public institutions such as the Bank of England and the British Bankers' Association might make it necessary to reconsider the quantitative assessment conducted in this CBA.

In the case of Model 1 similar difficulties are encountered in estimating a likely increase in capital outflow, mainly because of poor feedback from the Company/Corporate field, the subjects most concerned with the issue (as explained in section 8.2). However a quantitative assessment has in any case been made. The result is linked with the main findings for Model 0 in the sense that capital outflows due to Model 1 introduction are hypothesized only for those countries, above mentioned, whose national Bankers' Association have agreed that capital loss due to BO disclosure provisions implementation is a possibility. This means that the quantitative assessment reflects the position of only one counterpart (the banking/intermediary sector) but doesn't fully reflect the position of the company/corporate field, which has not provided reliable data with which to support the estimate. In short, in order to provide a more comprehensive assessment of Model 1 BO disclosure impact on the sector more feedback is necessary from the Business sector.

10.6.6 Accountants structural and other costs

As explained in detail in section 8.2.1, due to insufficient financial figures regarding Accountants at national aggregate level, no quantitative estimates of Accountants' structural and other costs (training costs, internal control costs, ICT costs, lobbying costs, STRs related costs) can be provided.¹⁸⁰

However, as regards the mentioned cost items, from a qualitative point of view the same conclusions and findings that can be drawn for banks can also be applied to the accounting sector. In particular, as regards **ICT costs**, it should be noted that technologies and computer-based systems are also intensively used in the accounting profession in order to comply with AML and Model 0 BO disclosure implementation. In the case of global accounting firms, which are competing in different business sectors, such as the auditing activity, legal consultancy, tax and corporate advisory, the exchange of client information within the same firm through an integrated computer-based network has become essential. Thus it can be hypothesized that ICT costs cover the bulk of accounting industry BO disclosure related costs.

¹⁸⁰ See section 8.2, in particular paragraph 8.2.1 for further details.

The role of information sharing within accounting firms has emerged as a key issue in AML activity. For example, in the case of a company C, which already has a business relationship with a global accounting firm W, information about its ownership and control structure could be transferred from the department which provides the company with auditing services to a department in another business sector such as tax advisory or corporate legal advisory.¹⁸¹ In fact, due to legal provisions and/or to internal regulation measures and in order to hedge against financial or fraud risks, auditing departments are usually required to collect and record information about company ownership and control structures, including information about the company Beneficial Owner. This information could be transferred to other firms' department thus improving the collection of BO data foreseen by Model 0 implementation.

However, in accounting, as in the banking sector, Information and Communication Technology is not perceived as the unique solution which could resolve all the problems arising from the introduction of BO disclosure, thus abating all related costs: taking into account informal assessments and other analyses, even if not quantitatively assessable, it seems that Model 0 BO disclosure costs will impact significantly in negative terms on labour costs, requiring accountants to devote time to the collection and verification of BO information by using client documentation and official companies registries. In this sense, the need for a more integrated system and more detailed information from companies' registries offices within Europe has been identified as an essential key issue on which to intervene.¹⁸²

10.6.7 Accountants clientele loss cost

As in the case of banks, it has been assumed that the accounting industry could suffer a potential reduction in the number of its clients as a result of the introduction of Model 0 and Model 1 BO disclosure systems. When companies or corporate vehicles not willing to disclose their BO they could decide to interrupt the business relationship with the accountant in favour of an accountant abroad or an account who does not comply with BO disclosure regulations. This hypothesis has some evidence to back it up: according to FATF “[...] legal and accounting professions often cite concerns about confidentiality or the fear of losing a client as the reason for not wishing to be subject to STR requirements”.¹⁸³

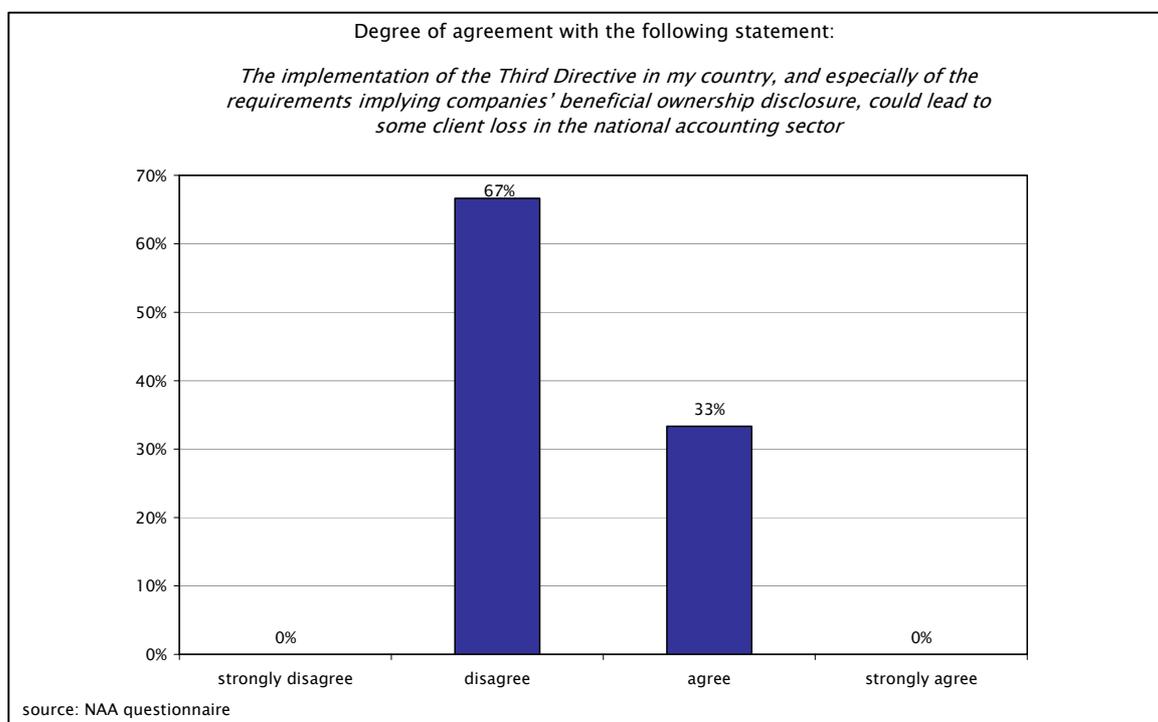
This hypothesis has been evaluated by the accounting firms themselves with the following results:

¹⁸¹ This solution is a natural consequence of an integrated and comprehensive risk-management system within a firm. The exchange of information between branches or departments is a basic condition to shelter the company against risks and additional costs. The availability of some information about company-client ownership structure and beneficial owners which could be exchanged, if legally permitted, amongst different firm departments has been highlighted and suggested as an efficient solution by Mr. Angelo Pascali and Ms. Monica Zancan, KPMG Italy.

¹⁸² This point of view refers to Mr. Angelo Pascali and Ms. Monica Zancan (KPMG Italy) remarks and suggestions.

¹⁸³ FATF (2002a: 85).

Figure 10.8: Accountants clients loss costs



It should be noted that the percentage of countries not agreeing is similar to that in the case of the banking sector.

As regards quantitative assessments, as explained in detail in paragraph 8.2.1, only an approximate estimate has been made because of the lack of financial figures for the accounting industry at national and European level. In fact, as explained in 8.2.1, no reliable data is available on which to back a comprehensive assessment, thus limiting the results of the CBA to qualitative statements.

However those national associations of accountants that agreed with the possibility of a possible clientele's loss due to Model 0 and Model 1 implementation have provided a few estimates of clients' losses: they range from 2% to 10% of the current accounting sector revenues.

10.6.8 Banking and Accounting sectors' clientele gain

There is general agreement amongst intermediaries, both banks and accountants, on the fact that company BO disclosure systems could improve customer information in the hands of intermediaries, thus strengthening their financial situation by enabling them to offer more "customized" financial products, and more generally by enhancing market transparency and market efficiency. However, this has not been perceived as automatically leading to an increase in client numbers for financial institutions and other intermediaries, even if the above mentioned advantages could all represent

good reasons for new customers or new investors wanting to access the national financial market and to establish new business relationships with national banking intermediaries.

As reported in our results, focused on the banking industry, half of the national Bankers' Association interviewed believe that, as a result of the implementation of the two models of disclosure, a clientele gain could occur; the other half contacted believe that a clientele gain would not be likely.

Again, since results are substantially affected by the data referring to British banking industry, the main findings as regards this benefit item could be reconsidered in the light of possible estimates, analysis and comments which could be provided by official institutions such as the Bank of England and the British Bankers' Association.

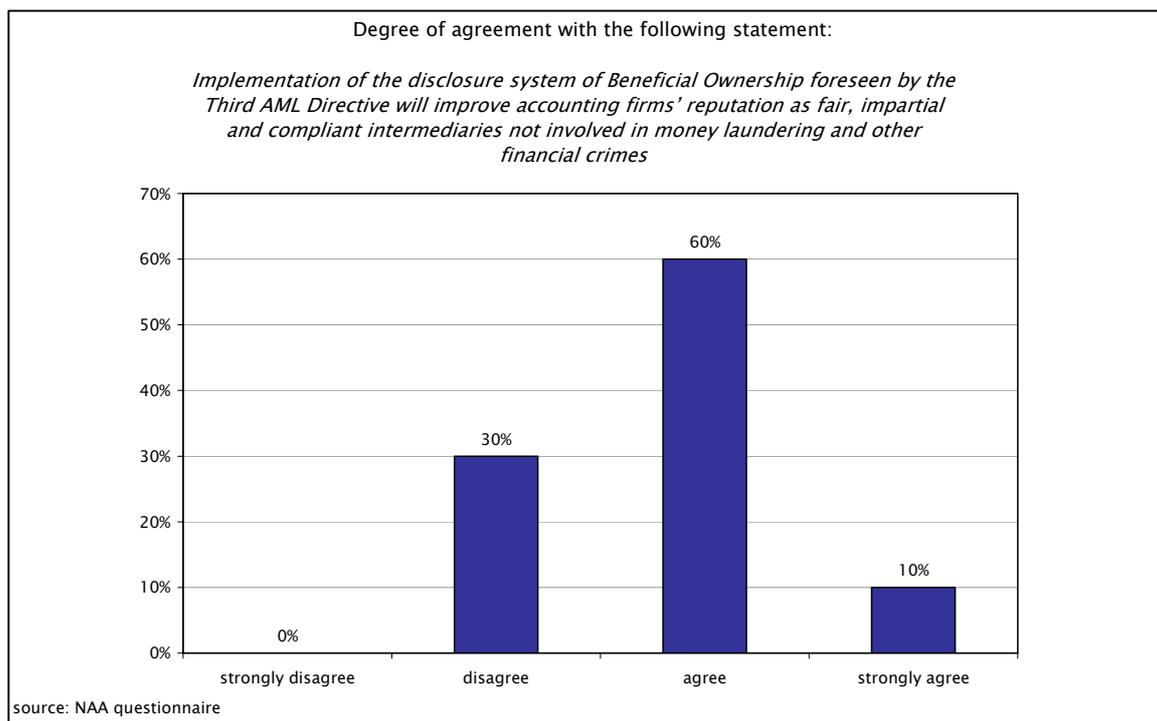
10.6.9 Banks and Accountants reputational benefits

Model 0 requires banks and accountants to cover a key role in the fight against money laundering, asking from them a deeper involvement in the detection of money laundering schemes and demanding from them an active role in identifying which operations could be considered at high risk of ML.¹⁸⁴ Some benefits could therefore arise from a consequent improvement in banks' reputation as fair, impartial and compliant intermediaries who are not involved in money laundering and other financial crimes and this shall be taken into account. This item has not, however, been quantitatively assessed.

Like credit institutions, accountants could benefit in terms of improvement in their reputation as a result of their anti-money laundering role. Our study highlights how the reputation issue is perceived as a key factor in the accounting industry at EU 27 level.

¹⁸⁴ For a further discussion on this issue see section 10.6 at the beginning of this chapter.

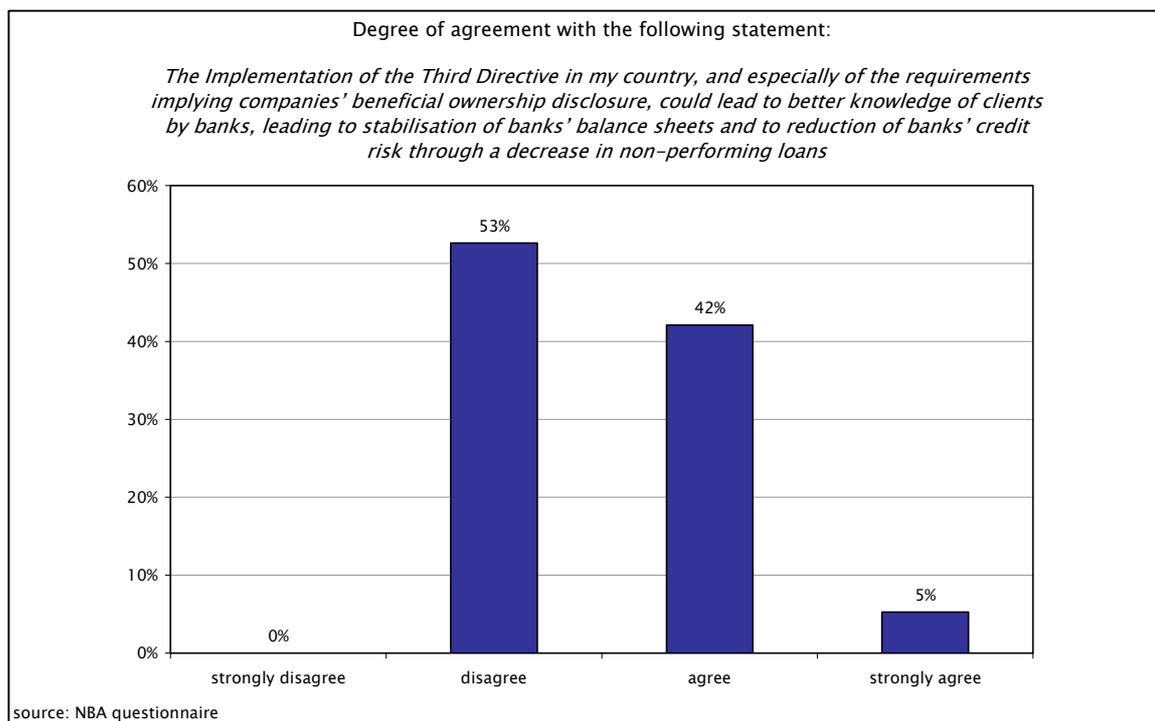
Figure 10.9: Accounting firms' reputational benefits



10.6.10 Banks clientele information benefits – Financial stabilisation

The Study has pointed out a second benefit for banks arising from the increase in BO information, both under Model 0 regime and Model 1. This is the positive effect on credit institutions' financial situation, in terms of a more grounded balance sheet and in terms of a reduced credit risk. Half of the national bankers' associations contacted by Transcrime have highlighted the importance of clients' BO information in order to strengthen financial stability of the credit institution.

Figure 10.10: Information benefits – Financial Stabilization



These results are partially reflected by one of the main findings which emerged from an analysis of the questionnaires transmitted by national Bankers Associations to Transcrime. While Anti Money Laundering requirements represent the most important reason for collecting information about clients ownership structure and BO information, risk assessment requirements (such as Basel II requirements) and banking strategies in hedging against the financial risk are also important. These results confirm the idea that BO information could be used also for financial stabilisation purposes.

10.6.11 Intermediaries information benefits – Services quality

Although implying costs, the implementation of both Model 0 and Model 1 seems to provide intermediaries with some significant benefits in terms of deeper and better information on their clients.

Information gathered to comply with anti-money laundering duties can also be also used to improve marketing strategies and they make it possible to offer wider and more “customized” services and products, both financial and advisory.

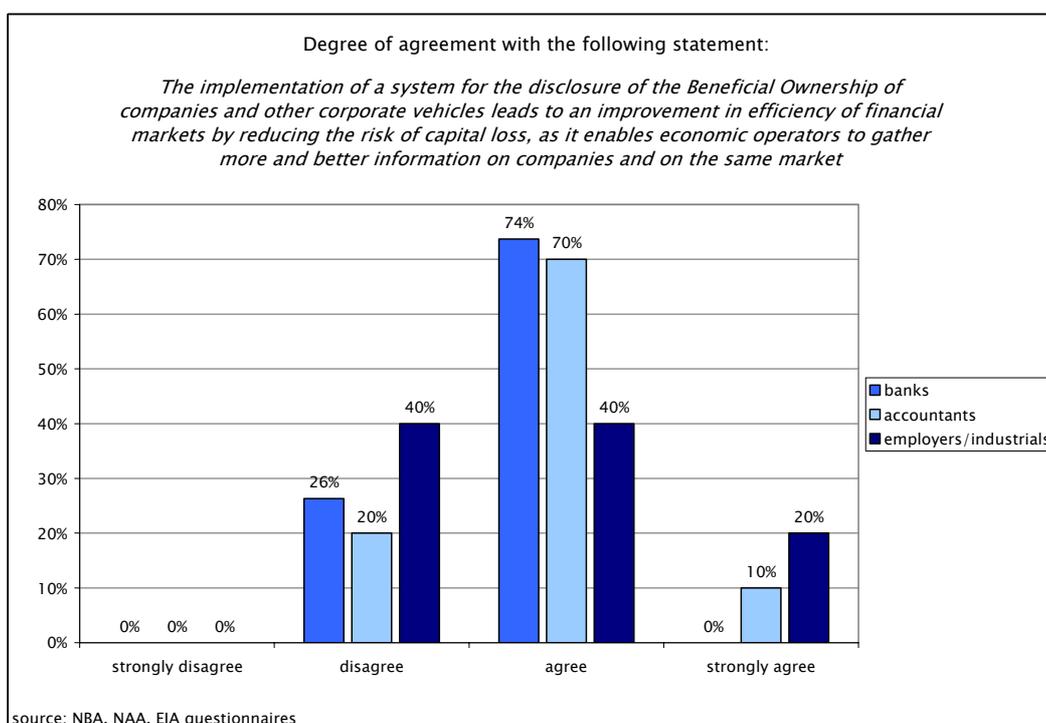
In this sense, both Model 0 and Model 1 as BO disclosure systems generate indirect benefits for intermediaries enhancing Customer Relationship Management (CRM) processes.¹⁸⁵ For example, it is likely that after the

¹⁸⁵ “Customer Relationship Management (CRM) refers to the methodologies and tools that help businesses manage and optimize their relationships with customers in an organized way. It includes: processes that help identify and target their best customers, and plan and implement

implementation of the Third Directive, banks' front offices will have more clients' information at their disposal on which to base their planning sales and marketing campaigns.

On the basis of the answers it has received to its questionnaires Transcrime finds these assumptions verified. As reported in Figure 10.11, 74% of the EU Bankers' Associations' representatives (from 21 countries) who answered our questionnaire agree that an increase in the level of corporate transparency is likely to positively the efficiency of their business. It seems that accounting firms could also benefit from an increase in the volume and quality of information about their clients. As Figure 10.11 shows, the 70% of accounting associations' representatives answering the Transcrime questionnaire agreed with the statement on the direct relationship between clients' information gathered through anti money laundering issue and efficiency of their business.

Figure 10.11 Companies' beneficial ownership disclosure leads to an improvement of financial market transparency and efficiency



marketing campaign with clear [...] objectives; processes that help to improve customer satisfaction [...]; processes that provide employees with the information they need to know their customers' wants and needs, and build relationships between the company and its customers", in <http://sbinfocanada.about.com/cs/marketing/g/crm.htm>.

10.7 INDIVIDUALS: MAIN FINDINGS

Cost and Benefit items for Individuals have been expressed in monetary terms only for Model 1. The disclosure of beneficial ownership information to public authorities in this Model is a process involving fundamentally three steps: the first step concerns individuals, the second concerns companies (see section 10.8), and the third involves Government and Law Enforcement Agencies (see sections 10.4 and 10.5). Direct costs of Model 1 falling in the individuals' area of incidence worth around 7 million Euro and constitute the 5% of Model 1 costs at EU level. It is worth specifying that this estimate of costs do not take into account any quantitative assessment of privacy costs. Privacy costs for individuals under Model 1 have been hypothesized, even if not expressed in monetary terms, as extremely relevant and are further analysed in section 10.11.

Model 1, with regard to the individuals' area of incidence, gives the beneficial owner the duty of notifying ownership to the company. Two cases may be distinguished, triggering different costs for individuals. If the beneficial owner is already registered as a shareholder detaining more than 10% of the issued capital of a private or public unlisted company, there is no notification cost. The company already keeps a record of the data needed for BO identification. If, on the other hand, the beneficial owner is not registered with the company as a shareholder, s/he will be obliged by law (under Model 1) to fill out an identification form in order to provide the company with all data necessary to identify him/her as a beneficial owner, even if the company is not registered. The cost item 'Not registered BO data filing costs' has been estimated at around 5.2 million Euro, coming out as the largest source of cost in terms of the 'Individuals' area of incidence.

Once registered, each beneficial owner also faces costs related to the ongoing updating of his/her ownership situation. S/he is charged with the duty of notifying the company of any transfer in the legal ownership of his/her shares over or under the threshold of the 10%. A cost of around 2 million Euro is associated in the CBA with this kind of activity.

As for Model 0, the implementation of the Third Directive implies no direct monetary costs for individuals, but diminishes the possibility of hiding beneficial owners' identity.

10.8 BUSINESSES: MAIN FINDINGS

The second of the three steps in the Model 1 disclosure system described in section 10.7 involves companies. Under Model 1 companies are supposed to act as record keepers for their own beneficial owners' data. Companies are also responsible for promptly updating beneficial ownership data and are charged with the duty of filing such data with the Central Registry regularly. Record keeping and data filing to the Central Registry represent a cost to business that amounts to around 100 million Euro at aggregate level. As such they are the main source of cost for Model 1. Updating costs have been estimated at approximately 10 million Euro.

Transcrime also asked for an estimate of the lobbying costs that Employers/Industrial Associations would be prepared to face in the case of the oncoming implementation of a disclosure system like the one foreseen by Model 1. None of the Associations contacted even tried to produce such an estimate. As stated in paragraph 8.2.3, businesses seem unable to foresee being involved in an active way in a beneficial ownership disclosure regime aimed at preventing anti-money laundering.

Different views have been provided by representatives of the business world as regards a possible reduction of unfair competition as a benefit arising from the implementation of Model 0 or Model 1. Although there is no well defined trend in the answers on this issue, some of the respondents have expressed views on the business sectors where market competition is most likely to be negatively affected by the existence of enterprises used for money laundering purposes. From their answers it emerges that financial intermediaries, construction and real estate industry appear to be the business sectors perceived, inside the business world itself, as the most likely to be used for money laundering purposes.

Both the costs and benefits for businesses arising from Model 0 are linked to an increase in market transparency. A negative effect of the Third Directive on companies hypothesized by Transcrime is the generation of some unfair costs, especially for Small and Medium Size Enterprises (SME). In particular, the increased transparency requested by credit institutions under Model 0 could result in increased difficulties for Small and Medium Size Enterprises in obtaining loans and credit from banks and other financial institutions. According to the answers provided, no unfair costs relating to access to credit are foreseen by Employers/Industrials Associations as a consequence of the implementation of the Third Directive, not even for Small or Medium Size Enterprises. This cost item has therefore not been considered in Model 1, where, in a non intermediary-based disclosure system, the information on the company recorded in the Companies Registry is hardly like to be so accurate as to give rise to greater difficulty in obtaining loans and credit from banks than under Model 0.

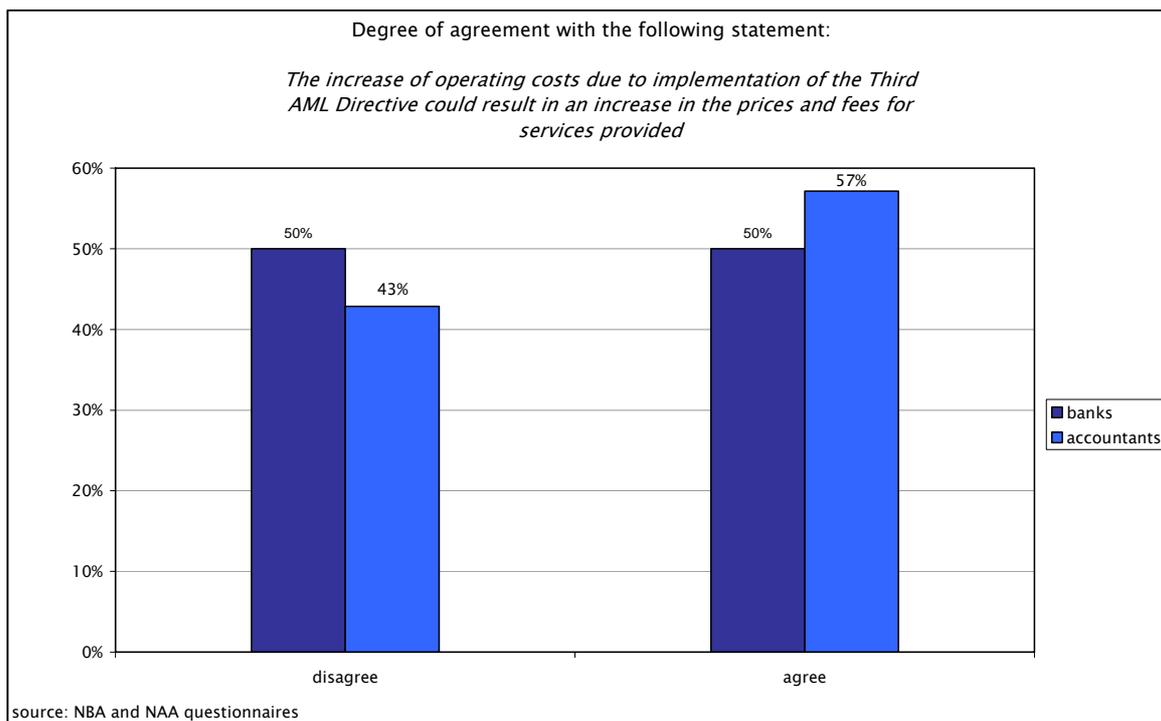
Finally, among the benefits arising from Model 0, the majority (60%) of contacted experts belonging to the Employers/Industrials Associations agree that the implementation of Model 0 disclosure system is likely to lead to an improvement in terms of transparency and information, and therefore to an improvement in market efficiency.

10.9 WIDER COSTS AND BENEFITS: MAIN FINDINGS

Three main items of costs for Model 0 and one item for Model 1 have been identified as indirect consequences of the implementation of the two Models for the economy as a whole and the European community.

The first cost item foresees a possible effect in terms of increases in prices and fees for financial products and services provided by intermediaries as a consequence of increased operating costs due to the implementation of Model 0 transparency requirements. According to the questionnaires returned to Transcrime by National Bankers' Associations (NBAs), there are two currents of opinion in the banking world. As Figure 10.12 shows, one half of the NBAs agreed that there will be an increase in prices and fees for financial products following Model 0 implementation and the related increase in operating costs. The other half of the NBAs who responded on this issue do not agree, thus excluding the possibility of an increase in prices for financial products.

Figure 10.12: NBA and NAA increase in prices and fees



Accountants, represented by the National Associations' of Accountants (NAA) have been asked to reply to the same question. The results, presented in Figure 10.12, are less evenly divided than those obtained from banks: 57% of the NAA representatives do not exclude the possibility that an increase in operating costs due to Model 0 implementation could be reflected, at least in part, in an increase in prices and fees for the services provided.

As a possible explanation of the different patterns here in the two sectors, it should be noticed that, as indicated by many of our National Banker Association respondents, the Third Directive is likely to exert some influence

on prices, fees and market structure only if combined with other regulations (Basel II, IFRS, foreign imposed tax regulation such as US Qualified Intermediary, MAD, MIFID etc.) whose number has been growing in the last few years.

The second cost item refers to the possibility that an increase in operating costs for intermediaries could result in higher barriers to entry into the market, thus worsening the degree of concentration in the banking and accounting sector market..

Indeed, the banking sector reorganization process seems to be driven by key factors other than an increase in operating costs due to new anti money laundering requirements. The European banking industry is in the middle of a huge reorganization and concentration process, with a significant number of domestic and cross-border mergers and acquisitions (2005 has seen 65 M&A at EU 25 level, 50% of which in Italy); in the context of these far more significant changes in terms of monetary assets it is difficult to distinguish the relatively marginal effect of specific anti money laundering requirements.

The two cost items described above specifically refer to intermediaries, and, as a result, do not seem to have a role in Model 1 (at least as far as effects generated by a BO disclosure system are concerned). Consequently, Model 1 wider net benefit (cost) would be probably higher (lower) than corresponding Model 0 item.

Finally, two effects deriving from the implementation of both Model 0 and Model 1 BO disclosure systems have been identified.

All the experts responding to our questionnaires, both those belonging to 'intermediaries' areas of incidence (banks and accountants) and to 'businesses' area of incidence (Employers' and Industrial Associations) stress the relationship between the increase in information due to BO disclosure system implementation and the improvement in terms of market efficiency. This could result in a better economic and financial environment in which the wider public could also participate directly in economic activity, sharing risks and liabilities with entrepreneurs and companies. In this sense, the implementation of any BO disclosure system is perceived as a positive key factor for shareholders and bondholders as well because better information reduces the risk of capital losses or financial frauds.

This positive effect in terms of market transparency and efficiency has a corresponding negative side: a potential increase in the use of less transparent legal entities by companies not willing to disclose its beneficial ownership.

A company (or a beneficial owner) that prefers to avoid Third Directive transparency duties, has two options available to it. The first is to interrupt the business relationship with the intermediary and to transfer, when this is feasible at reasonable costs, his assets to another country with a less "intrusive" identification policy. This option will be taken into account in section 10.10 that analyse in detail the issue of capital outflows and capital inflows for the European Union as a whole. The second option that companies' not willing to disclose their beneficial ownership may choose is the use of less transparent legal forms. Consulted on this issue, the 57% of the intermediaries' representatives answering Transcrime questionnaires reported that the use of less transparent legal forms could represent the

most probable strategy that companies will select in order to avoid BO disclosure.

This could potentially reduce the positive effects of an increase in information about companies, as described, for the public, shareholders and the financial market itself.

10.10 EU AND MEMBER STATES: MAIN FINDINGS

This paragraph provides two estimates, one for Model 0, one for Model 1, of the total capital outflows which could leave the European banking sector as a consequence of the implementation of Model 0 BO disclosure system and Model 1 BO disclosure system in favour of extra EU countries.

As regards Model 0, total capital outflows towards extra EU countries have been assessed by considering the share of the total capital outflows which, on the basis of Transcrime respondents' estimates, could go to extra EU financial systems. This percentage has been estimated as the 85% of the total capital outflow. Thus the resulting capital outflow directed towards non-EU countries has been estimated as approximately 10 billion Euro, corresponding to 0.31 % of EU Credit Institutions Total Assets.¹⁸⁶

With regard to capital outflows under Model 1 only an approximate assessment can be made because of lack of response from the Business sector. The calculation has been made on the basis of an estimated increase of 10% in respect to Model 0 capital outflows. Thus it is assumed that there will be an 11 billion Euro capital outflow from the European Union banking industry to extra EU countries.

It should be recalled that it has been assumed that there will be an increase in Model 1 capital outflows for two reasons: firstly because Model 1 foresees a non intermediated BO disclosure system, which could make it more difficult for beneficial owners and companies who are unwilling to disclose their BO to rely on non-compliant intermediaries in order to conceal their BO, thus increasing the probability that these companies will abandon EU in favour of regulatory regimes non-compliant with BO disclosure provisions; secondly because under the Model 1 system of disclosure, no Risk Based Approach is foreseen, which means that all private and public unlisted companies have to systematically file their BO information within the central registry, thus increasing, again, the possibility of an interruption of the business relationship with the national intermediary in order to avoid BO disclosure requirements.

As regards qualitative indicators included in this area of incidence, various sources have indicated possible costs linked to discrepancies in Third Directive's scope and interpretation across EU Member States. These costs could arise when different regimes operate in different countries in the EU, those countries which are more reluctant to implementing BO disclosure requirements may be favoured by a competitive advantage and attract investment to the detriment of those countries which are more compliant with EU regulation on anti-money laundering. Transcrime has detected, particularly in the case of categories charged with disclosure burdens, a common feeling that the implementation process of the Third Directive might run into the same problems encountered by the implementation process of the Second EU Anti Money Laundering Directive, whose transparency requirements have been implemented in different degrees and at different times in each EU Member State. Another cost for which only qualitative results are available is the political costs of implementation Model 0. The risk

¹⁸⁶ See Annex C for a detailed description of how the item has been calculated.

here is that Model 0 implementation could be perceived from those categories charged by the Directive with additional reporting duties and related costs – namely credit institutions, financial institutions and professionals – as an unjustified additional burden placed on honest businesses and their advisors. Therefore, EU institutions could suffer an erosion of political consensus if they do not succeed in transmitting to the regulated community a perception of Model 0 as a regulation adequately balanced between money laundering prevention and financial system effectiveness.

10.11 HUMAN RIGHTS AND DATA PROTECTION: MAIN FINDINGS

With regard to clients' data protection costs in Model 0, Transcrime has asked intermediaries about the costs they face in assuring the confidentiality of their clients' data. As data protection costs are always incorporated within the ICT total costs, it has been impossible to separate this item from the bulk of ICT costs and to make a monetary estimate. However, a qualitative assessment can be made taking into account the opinion of the experts we have contacted. It seems a widely accepted opinion that the implementation of the Third Directive will cause an increase in data protection costs for intermediaries. This is because Model 0 transparency requirements give intermediaries the duty of keeping records of beneficial owners' data when their client is a private or public unlisted company.

In addition to costs for intermediaries in terms of data protection, costs for individuals in terms privacy have to be taken into account. All costs related to clients' data confidentiality regimes can be viewed also as costs related to individual privacy rights. As stated in section 6.11.1, the right to privacy is considered today an international human right and is enshrined in legislation by most countries and formulated in many international human rights agreements.

Another cost that emerged with the implementation of Model 0 implementation derives from the reporting duty that has been given to intermediaries. In particular, rules on "tipping off" have been criticized because in contradiction of the EU Data Protection Directive,¹⁸⁷ giving the customer the right to obtain access to information on the disclosure of his or her personal data to other authorities and the reasons lying behind this disclosure.

In comparison with Model 0,¹⁸⁸ Model 1 gives rise to far more concerns in term of both data protection costs and individuals' privacy rights. A beneficial ownership disclosure system foreseeing that all shareholders' data – considering shareholder above the 10% shares threshold – have to be made accessible to law-enforcement agencies to enable them to trace criminal money channels, raises significant questions in terms of individuals' privacy rights. In addition, according to the fifth transparency requirement of Model 1, the data on beneficial ownership filed to the central registry by companies must be made available to the wider public,¹⁸⁹ thus entailing a far more significant cost to Government in terms of protection of all the personal data recorded in the Central Registry.

As regards benefits, Transcrime assumes that an increase in the number of persons prosecuted for money laundering due to the implementation of

¹⁸⁷ Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

¹⁸⁸ This is the rationale behind the Transcrime choice to talk about "clients' privacy" for Model 0 and "individuals' privacy" for Model 1.

¹⁸⁹ It is worth specifying here that going beyond a qualitative assessment and trying a quantitative assessment of data protection and individuals' privacy costs has not been possible so far mainly because of lack of more specific description of Model 1, the new upfront disclosure system.

Model 0 or Model 1 transparency requirements has to be considered a benefit in terms of serious crime victims' rights protection. In fact, a more effective disclosure system increases the costs faced by criminals in laundering the proceeds of crimes. If the costs of laundering dirty money increase for criminals, fewer funds will be available for criminal activities and the violation of crime victims' rights becomes less economically advantageous. The percentage annual increase in the number persons prosecuted for money laundering under Model 0 has been estimated at 3% of the current annual number of persons prosecuted in the 27 EU Member States. Under Model 1 the same increase has been evaluated slightly higher at 4%.

10.12 MONETARY COST AND BENEFIT ITEMS PER AREA OF INCIDENCE FOR THE EUROPEAN UNION

The tables below shows monetary cost and benefit items per area of incidence at EU level. It's worth specifying that qualitative cost and benefit items are not taken in consideration in this table. At a first glance, Model 0 implementation is likely to generate around 7 billion Euro of additional net direct costs and around 10 billion Euro of additional net indirect costs, while Model 1 implementation may trigger around 125 million Euro of additional net direct costs and approximately 11 billion Euro of net indirect costs.

Area of incidence		MODEL 0			MODEL 1			M1-M0
		Costs	Benefits	Net benefit (cost)	Costs	Benefits	Net benefit (cost)	
Government	direct	15,622,000	13,654,000	-1,968,000	31,235,000	20,481,000	-10,754,000	-8,786,000
	indirect	2,368,340,000	52,655,000	-2,315,685,000	2,605,174,000	52,655,000	-2,552,519,000	-236,834,000
LEA	direct	9,260,000	329,000	-8,931,000	3,270,000	0	-3,270,000	5,661,000
	indirect	3,039,000	0	-3,039,000	0	0	0	3,039,000
Intermediaries	direct	6,763,366,000	0	-6,763,366,000	0	0	0	6,763,366,000
	indirect	210,396,000	2,171,744,000	1,961,348,000	766,000	2,171,744,000	2,170,978,000	209,630,000
Individuals	direct	0	0	0	7,331,000	0	-7,331,000	-7,331,000
	indirect	0	0	0	0	0	0	0
Businesses	direct	0	0	0	104,453,000	0	-104,453,000	-104,453,000
	indirect	0	0	0	0	0	0	0
EU and MS	direct	0	0	0	0	0	0	0
	indirect	10,048,474,000	263,276,000	-9,785,198,000	11,052,670,000	263,276,000	-10,789,394,000	-1,004,196,000
TOTAL	direct	6,788,248,000	13,983,000	-6,774,265,000	146,289,000	20,481,000	-125,808,000	6,648,457,000
	indirect	12,630,249,000	2,487,675,000	-10,142,574,000	13,658,610,000	2,487,675,000	-11,170,935,000	-1,028,361,000

The table reports aggregate costs and benefits for those areas of incidence for which it has been possible to express cost or benefit items in monetary terms, namely: Government, Law Enforcement Agencies, Intermediaries, Individuals and Businesses. No monetary items have been detected for wider costs and benefits and Human Rights area of incidence, that have been expressed in qualitative terms and summarized in Annex D country by country.

0: to be intended as: no monetary item have been identified for this area of incidence

10.13 MAIN FINDINGS OF THE COST BENEFIT ANALYSIS AT AGGREGATE EU LEVEL

Two beneficial ownership disclosure systems have been analysed in this Study, namely Model 0 and Model 1, in terms of costs and benefits arising from their implementation in the 27 EU Member States. The aim of this section is to present the main findings that have emerged from the CBA with special attention to the costs and benefits related to the information flow underlying the two Models. A beneficial ownership disclosure system is in fact primarily an information flow. *Information* is the key concept used in this section to explain how the Cost Benefit Analysis has been conducted and how the main findings have been generated.

The beneficial ownership disclosure process is composed of a set of different activities: the identification of the beneficial owner, the analysis and verification of the beneficial owner's information, the ongoing updating of such information, the keeping of records on this information and the reporting of suspected money laundering to the competent authorities. This set of activities is envisaged in both Models 0 and Model 1. However, the two Models differ in how these activities are carried out and in who is charged to carry them out.

The additional costs and benefits that may arise from the implementation of Model 0 will be considered first. Under model 0 the costs of the **identification**¹⁹⁰ of beneficial owners fall on intermediaries (banks and accountants as far as this Study is concerned) and amount to 350 million Euro for the 27 EU member states. As for the costs related to **analysis and verification** of beneficial ownership data, this activity is initially carried out by intermediaries¹⁹¹ and then by FIUs and LEAs at a second stage (FIU and LEA costs related to this activity amount to around 8 million Euro at EU level). The **ongoing updating** of beneficial owners information under Model 0 relies on intermediaries for a total cost at EU level of 11 million Euro. Intermediaries are also charged with the activity of **keeping records** of beneficial owner information, this triggering a cost at EU level to the tune of 870 million Euro. Finally, **reporting** beneficial ownership data to the competent authorities is a specific duty of intermediaries and triggers a total cost, at EU level, that can be considered not very relevant, around 1.5 million Euro. The structure of the costs under Model 0 shows how some activities are carried out by more than one subject or institution. It should be taken into account the definition "intermediaries" comprehends a vast range of categories falling under Third Directive BO disclosure system duties. As a result, duplication costs represent a significant part of Model 0 costs. Duplication costs are a function of the level of information sharing foreseen in the disclosure system: more information sharing means less duplication.

The Cost Benefit Analysis has demonstrated that Model 1, a not intermediary-based system, significantly reduces the number of subjects asked to carry out the same activity thus reducing overall duplication costs.

¹⁹⁰ All costs reported in this section are to be intended as additional costs arising from the implementation of Model 0 or Model 1.

¹⁹¹ Costs at EU level included in the identification costs, see 10.6 and 10.6.1 for a deeper explanation of the identification activity as carried out by intermediaries.

As regards Model 1, the activity of **identification** of beneficial owners is carried out by the beneficial owners themselves who are required to notify their ownership to the company. Identification costs thus rely on individuals and, at EU level, come to 5 million Euro. As for the costs related to **analysis and verification** of beneficial ownership data, this activity is carried out by Law Enforcement Agencies and generates 3.5 million Euro of additional costs under Model 1 at EU level. The **ongoing updating** of beneficial owners information under Model 1 relies on individuals and on companies and amounts to a total cost at EU level of 11 million Euro. The activity of **keeping records** of beneficial owner information is carried out by companies and by the public sector through the Central Registry. According to the CBA the total cost arising from this activity under Model 1 results comes to 104 million Euro at EU level. Finally, **reporting** beneficial ownership data to the competent authorities remains also under Model 0 a specific duty of intermediaries and, as in Model 0, has not a relevant direct economic impact on the category.

Special attention has to be devoted to **ICT**, especially because of the different role it plays in the exchange of information in the two Models. With regard to Model 0, an extensive use of ICT across EU Member States' banking and accounting sector result in relevant ICT costs to the value of 3.5 billion Euro. However, despite its potential in permitting information sharing between different subjects and entities, ICT expenditure under Model 0 is mainly devoted to intermediaries' in-house data sharing. In contrast, under Model 1, ICT expenditure is aimed at building up an integrated information sharing system. Public authorities, the company/corporate field and the wider public all benefit from such an integrated information sharing system.

The two beneficial ownership information flows underlying Model 0 and Model 1 generate different **benefits** and costs for the different areas of incidence. This Analysis has pointed out how the disclosure of beneficial owners' information – with Model 0 as with Model 1 – is likely to trigger increased transparency in the European market (thus contributing also to financial stabilization and to the quality of the services provided to the public), an improvement in European market efficiency, and an increase in the capital inflow from extra EU countries. At the same time the Study has also highlighted some major **costs** arising from the BO information disclosure process at EU level: an overall increase in the capital outflows towards extra EU countries – higher in Model 1 than in model 0 – an overall increase in the clients privacy and data protection costs – again higher in Model 1 than in Model 0 – and, finally, an increase in intermediaries' prices and fees – only with the implementation of Model 0.

11.

SENSITIVITY ANALYSIS

11.1 INTRODUCTION TO THE SENSITIVITY ANALYSIS

Before applying the Cost Benefit Analysis to Model 0 and Model 1 BO disclosure systems, the structure of the CBA was developed in chapters 6 and 7. This structure can be defined as the CBA model used in this Study. A model is a mechanism that processes inputs (the variables) to obtain outputs¹⁹² (the value of cost and benefit items). Inputs are always subject to many sources of uncertainty, first of all the degree of confidence in the data processed. In this respect, the identification of a set of *sensitive variables* in chapter 7 has been carried out, as we could not assign to these variables any value having a high degree of certainty; but, depending on the value assigned to said *variables*, the results vary significantly.

There are at least two main reasons for a sensitivity analysis. The first is to assess the uncertainties associated with the results of the Study. Given that the uncertainty of the inputs may limit confidence in the results, we must carry out a sensitivity analysis on some of the variables classified as sensitive. This can be done by running the CBA model for different values of some sensitive variables and measuring the variation of the results.

The second reason to carry out a sensitivity analysis is the importance of the same variables identified as sensitive. If a variable has a significant role in the calculation of costs and benefits of a given Model, sensitivity analysis can offer precious information on the actual impact of such variable on different parts of the output (e.g. on different areas of incidence as for the scope of this Study).

Each execution of the CBA model for a different value of a sensitive variable gives rise to a different scenario. The more the scenario diverges from the *standard results* of the CBA, the more the variable whose value has been changed is *sensitive* for the outcomes of the Study.

Clearly this sensitivity analysis takes into consideration only those items that can be expressed in monetary terms. In addition, this sensitivity analysis has been carried out only at aggregate EU level.

¹⁹² Here the term output refers only to the quantifiable part of the output of this CBA.

In this final report it has been decided to focus the sensitivity analysis on the following variables:¹⁹³

Y3 = Number of shareholders per single PPUC detaining 25% shares;

Y5 = Percentage of customer due diligence transactions or clients;

Y6 = Percentage of low-risk transactions or clients;

Y7 = Percentage of high-risk transactions or clients;

Y9 = Identification of extra time for identifying beneficial owner in high-risk transactions;

Y12 = Percentage of PPUC that have a business relation with more than one intermediary.

The table below shows, for each of the sensitive variables analysed in this chapter, the value it has been assigned in the CBA standard scenario¹⁹⁴ and the values it will be assigned in this sensitivity analysis. As regards the variables Y5, Y6, Y7, these will be analysed together because they are all referred to the risk-based approach.

1) The impact of number of Model 0 Beneficial Owners per single PPUC:

Scenario 1 (CBA): Y3 = 1

Scenario 2: Y3 = 0.05

2) The impact of the Risk Based Approach

Scenario 1 (CBA): Y5 = 10% ; Y6 = 80% ; Y7 = 10%

Scenario 2: Y5 = 100% ; Y6 = 0% ; Y7 = 0%

Scenario 3: Y5 = 10% ; Y6 = 10% ; Y8 = 80%

3) The impact of different BO identification time

Scenario 1 (CBA): Y9 = 50% with: Y5 = 10% ; Y6 = 80% ; Y7 = 10%

Scenario 2 Y9 = 1000% with: Y5 = 10% ; Y6 = 80% ; Y7 = 10%

Scenario 3 Y9=1000% with: Y5 = 10% ; Y6 = 10% ; Y8 = 80%

4) The impact of duplication costs

Scenario 1 (CBA): Y12 = 80%

Scenario 2: Y12 = 0%

Scenario 3: Y12 = 100%

Scenario 4: Y12 = 200%

¹⁹³ All these sensitive variables have been introduced and described in detail in section 7.2.

¹⁹⁴ The value assigned in the "CBA standard scenario" is the one proposed, per each variable, in section 7.2.

11.2 SENSITIVITY ANALYSIS ON THE NUMBER OF MODEL 0 BENEFICIAL OWNERS PER SINGLE PPUC

The variable 'Y3' indicates the average number of registered beneficial owners per company as defined in Model 0. According to Model 0 the beneficial owner is defined as the natural person holding more than 25% of the issued capital of a private or public unlisted company (PPUC).

As explained in section 7.1.2, the value of Y3 has been fixed at 1 in order to take into account the costs arising to intermediaries for searching beneficial owner information (if any) in the framework of Model 0. Letting $Y=1$ means assuming that, on average, one beneficial owner per company exists.

Transcrime asked national Company Registry Offices (CRO), cooperating in the Study, for data on the number of shareholders holding more than 25% of the shares. Only three of the CROs have been able to provide Transcrime with such specific data. According to the data gathered only the 5% of the PPUC have a shareholder with more than 25% of the shares. In the CBA standard scenario we have assumed that 100% of the PPUC have a beneficial owner. The motivation for this assumption has already been described in section 7.1.2. However, the difference between the two data is significant, and, in this sense, a sensitivity analysis should be foreseen in order to assess how the assumption of the standard scenario influences the value of cost and benefit items under the two Models.

In this sensitivity analysis of Y3, a second scenario of costs and benefits for Model 0 and Model 1 has been calculated assigning to Y3 the value of 0.05.

This scenario can be considered as the complete opposite to $Y3=1$. If the latter ($Y3=1$) hypothesizes that intermediaries do not know anything about their clients' beneficial ownership before time is spent investigating it, the former ($Y3=0.05$) implies a perfect ex-ante knowledge by intermediaries of their clients' shareholdings.

It is probable that the value of Y allowing the most realistic assessment of costs and benefits is to be found between 0.05 and 1, but there will be no real justification for choosing one or the other value. All would have the same probability of being the best approximation. On the other side, choosing 1 or 0.05 has a specific rationale behind it.

Table 11.1: Sensitivity Analysis Y3

		MODEL 0	
		Direct net benefit (cost)	Indirect net benefit (cost)
standard	Y3 = 1	-6,772,334,910	-10,142,274,544
	Y3 = 0.05	-6,523,671,150	-9,943,343,535
Y3 = 0.05	absolute variation	248,663,760	198,931,008
	% variation	-3.7%	-2.0%

The results of the sensitivity analysis are shown in Table 11.1, and have been calculated only for Model 0 given that Model 1 foresees a different threshold in the shares held to be considered a BO of a given company.

This new scenario registers a decrease of almost 4% in direct net costs under Model 0, for a monetary value of around 240mio Euro across the 27 EU countries.

The items affected by this sensitive variable are obviously those closely related to the number of beneficial owners: the beneficial owner identification costs, updating, registration and record keeping costs. As already stated, in this scenario intermediaries are supposed to have perfect ex-ante knowledge of the shareholding of their clients. According to this interpretation, all the variation in costs can be attributed to a decrease in Intermediaries' direct costs.

Indirect costs are also affected. The sensitivity scenario of Y3=0.05 allows for a drastic reduction in the amount of duplication costs for intermediaries. The process of identification, updating and record keeping must be repeated only for a tiny fraction of the original number of beneficial owners. This gives, as a result, a decrease in indirect net costs of around the 2%, corresponding to around 200mio Euro at the EU aggregate level.

11.3 SENSITIVITY ANALYSIS ON THE RISK BASED APPROACH

The sensitivity analysis on variables Y5, Y6 and Y7 consider the different outcomes of the CBA according to different situation of risk within Model 0. The risk approach introduced by the Third Directive is considered only in the calculation of Model 0. The three variables indicate the percentages of transactions that can be classified as a standard risk (requiring the application of customer due diligence), low risk (requiring the application of simplified due diligence) and high risk of money laundering (requiring the application of enhanced due diligence).

Three scenarios have been studied in this sensitivity analysis. Each scenario is made up of a different combination of the three kinds of transactions with different levels of risk.

The first scenario has been applied in the Cost Benefit Analysis calculations. The results of the CBA as presented in chapter 10 imply the following composition of risk: 80% of transactions at low risk (Y6), 10% at high risk (Y7) and 10% to which customer due diligence should be applied. This is the scenario typical, for example, of a bank whose principal sector of activity is retail banking. Because this first scenario has been applied in the rest of the Study, the sensitivity analysis will consist of the comparison of the two following scenarios with the first one.

The second scenario is the “pre-Third Directive scenario” and assumes that customer due diligence has to be applied to all transactions (Y5=100%). This scenario has been introduced mainly to show how the implementation of risk based approach has influenced the identification costs carried by intermediaries.

The third scenario can be seen as that of a bank that mainly deals with corporations and faces a high percentage of high risk transactions (Y7=80%; Y6=10%; Y5=10%).

The results of the two comparisons are presented in the table 11.2. Two interesting conclusions can be drawn from the data:

1) The implementation of the Third Directive and the introduction of a risk based approach may allow a strong reduction in anti money laundering compliance costs for intermediaries.

Comparing the results emerging from the CBA standard scenario with the “pre-Third Directive” scenario, a decrease in direct net costs emerges, of around 100mio Euro at EU aggregate level. This decrease in direct net costs is mainly due to the significant reduction in BO identification costs for intermediaries.

2) At the same time, in this new framework the amount of anti money laundering compliance costs for intermediaries depends crucially on the characteristics of the clientele.

As table 11.2 shows, if the majority of the transactions are conducted with clients whose identification requires enhanced due diligence, direct costs for intermediaries deriving from the risk based approach may be higher than in the pre-Third Directive Scenario.

Table 11.2: Different scenarios emerging from Sensitivity Analysis on the Risk Based Approach

		MODEL 0		MODEL 1		(M1 – M0) spread	
		Direct net benefit (cost)	Indirect net benefit (cost)	Direct net benefit (cost)	Indirect net benefit (cost)	Direct net benefit (cost)	Indirect net benefit (cost)
standard	Y5=10%; Y6=80%; Y7=10%	-6,772,334,910	-10,142,274,544	-125,713,449	-11,170,934,368	6,646,621,461	-1,028,659,825
CDD Y5=100%; Y6=0%; Y7=0%	Y5=100%; Y6=0%; Y7=0%	-6,875,812,982	-10,225,057,001	-125,713,449	-11,170,934,368	6,750,099,532	-945,877,368
	absolute variation	-103,478,071	-82,782,457	0	0	103,478,071	82,782,457
	% variation	1.5%	0.8%	0.0%	0.0%	1.6%	-8.0%
High-risk Y5=10%; Y6=10%; Y7=80%	Y5=10% ; Y6=10% ; Y7=80%	-6,979,291,053	-10,307,839,458	-125,713,449	-11,170,934,368	6,853,577,604	-863,094,911
	absolute variation	-206,956,143	-165,564,914	0	0	206,956,143	165,564,914
	% variation	3.1%	1.6%	0.0%	0.0%	3.1%	-16.1%

11.4 SENSITIVITY ANALYSIS ON THE BO DISCLOSURE IDENTIFICATION TIME

To strengthen the examination of how costs and benefits can vary, depending on how intermediaries apply the BO disclosure requirements according to the different assessment of risk, this section focuses on the time devoted by intermediaries to identify the clients' beneficial ownership before the establishment of a business relationship.

Aim of this sensitivity analysis is to calculate how costs and benefits (the output) vary if variations occur in variable Y9 (the input). Y9 represents the extra time that intermediaries devote to identify and verify the beneficial owner if a customer or a transaction is assessed as at high risk of money laundering.

In the standard scenario, proposed in the CBA, the time to identify the Beneficial Owner has been assigned by the data estimated by the contacted national Bankers' Association. As for the countries which indicated no value, the EU average time was considered: 0.84 hours, i.e. 50 minutes (median: 1 hour). This value should indicate the time that an intermediary (a banking employee, an accountant, a lawyer) has to spend, in 'ordinary' customer due diligence, to identify a company beneficial owner and to verify the BO identity by gathering other BO information, when necessary, or by trying to understand the customer ownership and control structure. To do all these activities 0.84 hours could appear somewhat underestimated, although referred to a 'normal risk' transaction.

The reason for this underestimate could be the fact that, as highlighted in section 9.1, intermediaries, when collecting BO information, rely on client documentation: this could mean that intermediaries interpret the identification stage of BO disclosure as a mere attestation of the data and documents presented by customers, with limited activity in research, data collection and analysis.

But how long is needed to comply with all the BO identification activities foreseen by law in the case of a high risk? A realistic, but maybe optimistic, estimate, considering all the activities (identifying the BO with its documents, gathering BO data through other sources in order to verify his identity, analyse the data gathered), and taking into account all the problems concerned with company registry databases, could indicate 9–10 hours.

This, transposed in the model, would mean assigning Y9 with the percentage extra time of approximately 1000%: this means that the time devoted to BO identification in a high-risk transaction would be 9.2 hours.

Considering this value, results change substantially. In the Scenario 2, with Y9 = 1000%, Model 0 direct net costs increase by 4.1%, while indirect costs, affected by the change in variable Y9 through the duplication costs, reduce by 2.2%.

The spread between the two models in the case of direct net cost increases of 4.2%, while as for indirect items the spread reduces by 21.8%.

It has to be noted however that this assessment is based on a risk scenario, in terms of number of transactions/customers at high/low/normal risk, relatively low profiled, with 80% of transactions/customers assessed at low risk, 10% at high risk, and 10% at normal risk. Thus the impact of Y9 on costs

and benefits is deflated by the small percentage of high risk transaction in the adopted.

Indeed the impact of variable Y9 on Model 0 and Model 1 net costs and benefits results evident by considering likely variations in Y9 in conjunction also with variations in the risk scenario (Y5, Y6 and Y7): in particular, scenario 3 hypothesizes that the percentage of high risk transactions amount at 80% of the total transactions, while low risk and normal risk are limited to 10% each. In this case the impact of Y9 is amplified by the bigger number of high risk customers, thus affecting substantially the results of the CBA.

As regards model 0, direct costs are increasing by 36.2%, while indirect costs are increasing by 19.4%; the spread between the two models as regards direct items foresees an increase (i.e. Model 0 gets more expensive) of approx. 37%, while the relative competitiveness of Model 1 is reduced by 190%.

It should be noted that, depending on the value assigned to the variable of Y9, the relative weight of BO disclosure costs, i.e. the cost opportunity of time devoted to BO identification, verification, BO data updating and record keeping, on the total intermediaries costs largely varies, passing from 1% to 35%.

Table 11.3 Sensitivity on BO identification time

		MODEL 0		MODEL 1		(M1 - M0) spread	
		Direct net benefit (cost)	Indirect net benefit (cost)	Direct net benefit (cost)	Indirect net benefit (cost)	Direct net benefit (cost)	Indirect net benefit (cost)
Standard Y9 = 50% Y5, 6, 7 = Low risk	Y9=50%; Y5=10%; Y6=80%; Y7=10%	-6,772,334,910	-10,142,274,544	-125,713,449	-11,170,934,368	6,646,621,461	-1,028,659,825
Y9 = 1000% Y5, 6, 7 = Low risk	Y9=1000%; Y5=10%; Y6=80%; Y7=10%	-7,053,203,961	-10,366,969,784	-125,713,449	-11,170,934,368	6,927,490,512	-803,964,584
	absolute variation	-280,869,051	-224,695,241	0	0	280,869,051	224,695,241
	% variation	4.1%	2.2%	0.0%	0.0%	4.2%	-21.8%
Y9 = 1000% Y5, 6, 7 = High risk	Y9=1000%; Y5=10%; Y6=10%; Y7=80%	-9,226,243,458	-12,105,401,382	-125,713,449	-11,170,934,368	9,100,530,009	934,467,014
	absolute variation	-2,453,908,548	-1,963,126,838	0	0	2,453,908,548	1,963,126,838
	% variation	36.2%	19.4%	0.0%	0.0%	36.9%	-190.8%

11.5 SENSITIVITY ANALYSIS ON MODEL 0 DUPLICATION COSTS

The variable 'Y12' indicates the number of companies, specifically private and public unlisted companies (PPUC) that have business relationships with more than one intermediary. In our CBA model, two intermediaries are considered, banks and accountants, thus a company could keep a business relationship with, at most, two intermediaries.

Under Model 0 regime, before establishing a business relationship with a PPUC, an intermediary should identify the company beneficial ownership, and carry out all the activities related to the BO disclosure process. The application of these requirements by different intermediaries to the same client produces some repetitions, which could originate duplication costs. In this sense, duplication costs characterize Model 0, and do not characterize the disintermediated disclosure system embodied in Model 1. It has also been highlighted that duplication costs are an inverse function of the quantity of information shared between intermediaries.

Y12 is expressed as the percentage of companies having business relationships with more than one intermediary; the standard CBA was carried out by assigning to the variable the value of 80%, i.e. 80% of the PPUC considered in the calculation relate to more than one intermediary.

This sensitivity analysis aims at studying how the aggregate output of the two models, i.e. the net benefit/cost arising from Model 0 and the net benefit/cost arising from model 1 could vary depending on the number of repetitions of BO disclosure requirements to be applied to the same client by different intermediaries. It is evident that, relating exclusively to intermediaries' BO disclosure duties, variation in duplication costs does not affect Model 1 costs and benefits. Thus, no changes in Model 1 CBA results will occur as a consequence of this sensitivity analysis. Including the CBA results, four scenarios are considered:

The first refers to the standard scenario underlying the CBA results presented in chapter 9 and 10, and assigns Y12 with value 80%.

The second hypothesizes that no repetition occurs amongst intermediaries, thus reducing to 0% the percentage of companies holding a business relationship with more than one intermediary.

The third scenario foresees that each PPUC registered in the country keeps a business relationship with two intermediaries, for example a bank and an accounting/auditing firm.

The fourth scenario goes beyond the two-category distinction, assuming that a company could held a business relationship, subject to Model 0 BO disclosure requirements, with three different subjects: for example a bank, an auditing firm and a legal adviser, or two credit institutions and one accounting firm.

The Cost Benefit Analysis is carried out for each of the four scenarios described. The results, shown in table 11.4, are then presented and discussed.

Table 11.4: Sensitivity Analysis on Duplication Costs

		MODEL 0		MODEL 1		(M1 – M0) spread	
		Direct net benefit (cost)	Indirect net benefit (cost)	Direct net benefit (cost)	Indirect net benefit (cost)	Direct net benefit (cost)	Indirect net benefit (cost)
standard	Y12 = 80%	-6,772,334,910	-10,142,274,544	-125,713,449	-11,170,934,368	6,646,621,461	-1,028,659,825
Y12 = 0%	Y12 = 0%	-6,772,334,910	-9,932,873,482	-125,713,449	-11,170,934,368	6,646,621,461	-1,238,060,886
	absolute variation	0	209,401,061	0	0	0	-209,401,061
	% variation	0.0%	-2.1%	0.0%	0.0%	0.0%	20.4%
Y12 = 100%	Y12 = 100%	-6,772,334,910	-10,194,624,809	-125,713,449	-11,170,934,368	6,646,621,461	-976,309,559
	absolute variation	0	-52,350,265	0	0	0	52,350,265
	% variation	0.0%	0.5%	0.0%	0.0%	0.0%	-5.1%
Y12 = 200%	Y12 = 200%	-6,772,334,910	-10,456,376,136	-125,713,449	-11,170,934,368	6,646,621,461	-714,558,233
	absolute variation	0	-314,101,592	0	0	0	314,101,592
	% variation	0.0%	3.1%	0.0%	0.0%	0.0%	-30.5%

Scenario 2: Y12 = 0%;

As was predictable, a reduction in Model 0 indirect costs occurs, while no variations are estimated for Model 0 direct costs/benefits. The reduction can be estimated at 2.1% of Model 0 indirect costs (CBA standard scenario). The variations are mainly attributable to the intermediary area of incidence reduction in indirect costs;

As regards Model 1, no variation has been reported: this could be understood easily as Model 1 does not foresee any BO disclosure requirement for intermediaries;

As for the spread between the two Models, scenario 2 foresees a possible 20.4% increase in the difference between indirect net benefit/costs of the two Models. The negative spread, which the CBA approximately estimated at 1,02 billion Euro (i.e. Model 1, in terms of indirect items, costs 1,02 billion more than Model 0) is supposed to grow to 1,24 billion Euro.

Scenario 3: Y12 = 100%;

On the contrary, the increase in the number of repetitions up to two business relationships for each PPUC (Scenario 2), is estimated to increase Model 0 indirect costs by 0.5%;

While not affecting Model 0 results, the introduction of Scenario 2 reduces the spread between the two models by 5.1%, since the difference between Model 1 and Model 0 indirect net cost/benefit passes from 1 billion to 970 million Euro.

Scenario 4: Y12 = 200%

The introduction of a scenario with three different intermediaries carrying out the disclosure on the same company/client, we predict will increase Model 0 indirect costs by 3.1%, exclusively as to on intermediary costs;

As regards the spread between the two models, a substantial reduction of the comparative advantage of Model 0 with respect to Model 1, as regards only indirect costs and benefits, will appear, with Model 0 costs increasing relatively to Model 1 by 30.5%. (i.e. passing from the *standard* scenario to scenario 4, Model 0 loses part of its cost advantage with respect to Model 1).

In conclusion, it could be said that the increase in the repetitions of BO disclosure activities applied by intermediaries to their clients when detecting risk of money laundering could substantially increase Model 0 indirect costs, and reduce the comparative advantage, in terms of indirect costs and benefits of Model 0 with respect to Model 1.

However, as has been introduced in section 10 and will be discussed in chapter 12, the reduction of repetitions of BO disclosure activities is not a sufficient condition to reduce intermediary duplication costs and, more generally, Model 0 costs. Duplication costs are an inverse function of information sharing. Reshaping the system of information exchange between the subjects involved in the AML fight could be necessary to make the disintermediation process benefit really effective.

12.

CONCLUSIONS AND POLICY IMPLICATIONS

Corporate transparency is the availability of company information to those outside the company.¹⁹⁵ Stressing the support that corporate transparency could provide in the fight against money laundering implies assigning the information issue a central role in the topic. In this sense money laundering is not, strictly speaking, a policy or legal concern; it is an information challenge.¹⁹⁶

Increasing the transparency of the beneficial ownership of companies and other corporate vehicles has been increasingly recognized as a key measure to counteract money laundering. The lack of information on the beneficial ownership of companies does make it possible for criminals to hide behind a corporate shield, reducing the possibilities for the financial system to identify its clients and for law enforcement agencies to successfully investigate and prosecute their crimes.

The Study, aimed at assessing the costs and benefits of two different systems for disclosure of company beneficial ownership (Model 0 and Model 1), adopted this point of view, considering a process of BO disclosure, mainly as a system of information exchange between the various subjects involved in the AML fight.

Aim of this section is to present some considerations descending from the results of the Cost Benefit Analysis, as described in chapter 9, 10 and 11. Policy makers may find here some key elements that can be used to improve the efficiency of both Model 0 and Model 1 BO disclosure systems.

Developing a companies' information sharing system at European level

One of the main findings that has been highlighted by this Study is that a wider system of information sharing could substantially reduce the costs of BO disclosure at aggregate level, by abating the duplication costs which can arise from the repetition of the same disclosure tasks by different subjects: identifying the BO, verifying/analysing his identity, storing the information, filing the information with the counterpart (the public or the competent authority).

In this sense, Model 1, which foresees a proposal for an integrated Central Registry, where data should be collected and made available to the public, could be supposed, on the basis of our findings, to be more efficient in disseminating BO information than a decentralized system of information exchange such as Model 0.

However we have to note here that, at the current state, an integrated system of sharing corporate information at EU level does not exist. As explained in section 8.2. and 9.1, major obstacles have to be overcome in order to create an integrated platform where company data, collected at national level, can

¹⁹⁵ Bushman et al. (2004).

¹⁹⁶ PriceWaterhouseCoopers Global Technology Centre (2002).

be exchanged. The interoperability amongst national company registries has emerged only recently as a key issue in improving corporate transparency and in eliminating administrative barriers to the freedom of establishment and of movement of companies and services across the European Union.¹⁹⁷ Important projects such as Project BRITE¹⁹⁸ funded by European Commission, DG Information Society & Media, are substantially to achieve these results, but could also help in strengthening the dissemination of company BO information, thus enhancing corporate transparency and supporting the fight against money laundering and other financial crime.¹⁹⁹

Three areas of intervention can be identified to develop an integrated EU system for sharing information on company beneficial ownership and ownership structure:

1) Increasing the use of ICT in BO information sharing

The Study highlights how ICT is massively used by subjects burdened by BO disclosure provisions in order to comply with AML regulation; in particular, referring to Model O BO disclosure system, the results show that ICT costs represent the greater part of intermediary BO disclosure costs, indicating the capital-intensive nature of the process. This confirms the idea that the BO disclosure process is mainly an exchange of information. Unfortunately in Model O, the massive use of ICT is confined to the single intermediary/firm, thus increasing duplication costs. If, on the contrary, ICT were used in integrated way, the costs of BO disclosure would be reduced and the efficiency of the process of information sharing would be improved.

ICT could turn out to be useful instrument. On the one hand it could boost the process of convergence of languages, protocols and reporting standards amongst European Company Registries and other databases of corporate information.²⁰⁰ On the other hand, it could extend the use of systems applying technologies such as sequence matching, rule-based systems, data mining and neural networks for detecting and combating money laundering and terrorist financing. In fact, since only ICT could allow a deep analysis of complex networks, these technologies could substantially improve the identification of complex criminal organisations and money laundering schemes across different countries and jurisdictions.

¹⁹⁷ On the growing number of incorporations carried out in European countries different from the one where the company see Becht (2006).

¹⁹⁸ BRITE Project aims "to develop, implement and demonstrate an advanced, innovative interoperability model, ICT service platform and management instrument for Business Registers (BRs) to interact across the EU", from www.briteproject.net.

¹⁹⁹ "Regulations to promote transparent financial markets, to facilitate free movement of companies and services, to prevent financial crime and money-laundering are examples of coordinated laws impacting several administrative domains. To implement, enforce, amend and maintain these laws in respect of the declared objective will require an unprecedented degree of cross-border and cross-domain interoperability of systems, services and organisations, both public and private", from www.briteproject.net.

²⁰⁰ In this sense it could be recognized an increasing attention, by public institutions, private business and non profit organization on the convergence of information protocols and reporting standards in order to increase the quality and the quantity of financial and business data. See for example the project XBRL – eXtensible Business Reporting Language, www.xbrl.org.

2) Harmonizing company registration duties

The second area of intervention suggested by the Study²⁰¹ refers to the harmonization of company registration duties among all EU countries: currently there are differences, reflecting discrepancies in government policies, legal systems, societal preferences and national culture, that persist in the terms under which corporate vehicles have to register and which information must be filed in national company registries at the time of registration;²⁰² The harmonization of these duties has been long since recognised as a benefit in that it can stop criminals and money launderers exploiting, for their illicit purposes, the shortcomings of some jurisdictions and registration regimes.

3) Integrating databases of different nature

The third area of intervention is the possibility of strengthening the links between company/corporate registries, financial databases and criminal specific databases in order to share company beneficial ownership information in more areas of impact. For example, an emerging issue in the anti-money laundering debate is the increasing number of cases in which ML crimes are accompanied by 'traditional' corporate crime such as insider trading, market abuse, and other misleading financial information;²⁰³ in this sense, a system to share information on company beneficial ownership and ownership structure among financial, company and criminal databases could help both in preventing ML crimes and in hedging against financial risk and capital loss.²⁰⁴

One important element that has to be noted, however, is that improvement of the company BO information sharing process would not benefit only the Model 1 disclosure system but also intermediary-based systems, such as Model 0, since, as was highlighted by the Study, intermediaries now, when collecting BO information, rely primarily on their clients' documentation and on national and foreign company registries. The availability, at European level, of an integrated corporate database could allow financial institutions and other intermediaries to access a detailed BO information database at reduced expense, thus reducing BO disclosure costs.

A BO disclosure system in which intermediaries cooperate with company registries and businesses in collecting company BO information that is made available to the public (a hybrid system derived both from Model 0 and Model 1) could be hypothesized, even though this may create certain problems in terms of free-riding.

²⁰¹ See section 9.1.2.

²⁰² As for the heterogeneity of information requested when incorporating and registering a limited company, see Figure 9.3; as for two interesting analysis of the differences in registration duties amongst EU 27 countries see The Swedish Companies Registration Office (2007: 76–78).

²⁰³ See FATF (2003: 11–18).

²⁰⁴ On the relationship between BO information, anti money laundering fight and financial stabilisation see also chapter 10.

Improving businesses awareness on BO disclosure requirements

Little awareness of BO disclosure requirements, as foreseen by the Third EU AML Directive, was shown by the Company/Corporate representatives contacted by Transcrime in carrying out the CBA. The results of the Study indicate that the European Employers/Industrial Associations are not aware of the possible impact of BO disclosure on the same company sector in terms of changing their corporate governance and corporate information policies. This finding applies both to Model 0 and Model 1 BO disclosure systems. Besides posing some problems in estimating the effects of BO disclosure implementation on European companies, for example in terms of capital outflow and transferring businesses abroad, weak corporate awareness of the topic could cause some concern to policy makers, in the sense that company complaints, against the introduction of a system of BO disclosure, could be expected with some delay, thus upsetting the political agenda.

On the contrary, as regards Model 0, the overall results of the Study show that intermediaries rely on a deeper consciousness of what could be the impact of BO disclosure on their activity. Some distinctions must be made between financial and legal intermediaries²⁰⁵ but, in general, it can be said that this constitutes an advantage for policy makers in the sense that they can better plan and refine their policies by taking into account intermediaries' stances.

Added value of the Study

To conclude, a few words on the added value of the analysis carried out under Objective 1 of this Study, and on the scenarios that it opens to European and national policy makers, to practitioners of sectors addressed by the analysis, and, finally, to the research community.

The first added value consist in framing different information coming from different sources in one output, the CBA analysis. Practitioners could read vertically the different pieces of information sector by sector finding information they sometimes do not have and suggestions for improving the efficiency of their action. National and supranational policy makers could read this report horizontally by comparing the costs and benefits of the two Models for the different areas of incidence, so as to orient their decisions about what to do, where and how. Such cross sector comparative analysis could be carried out across countries, too.

The second added value of this Study is the methodology developed and the way in which it has been implemented. As always happens, in this Study we made assumptions and choices. It may happen that expert readers do not share our approach or a part of it. Transcrime researchers will be very happy to receive criticism and suggestions for amending and/or improving the methodology developed.

The third added value derives from the first and the second and refers to the continuity of this exercise. This Study comes directly from a recommendation included in the Transcrime Report "Transparency and Money Laundering" prepared for the EU Commission in 2001. The knowledge produced by the

²⁰⁵ See section 8.2.2.

research community during these six years is relevant in terms of information, even if it is still not complete. A mechanism should be found that will allow continuity in producing information and increasing its quality and continuity in research on the processes that determine opacity in the corporate world. A possible research line could include a pilot study on money laundering through corporate vehicles, conducted using "link analysis". This is an application of concepts that originated in the field of social network analysis, which recently has been used intensively to map and measure information flows between people, institutions, regions etc.²⁰⁶ Link analysis uncovers the patterns in people's interactions and extracts associations among them. Applied to anti-money laundering, it can be used to analyse the relationships (between individuals, organizations, locations, assets, financial events, and parties to transactions) and to create profiles of the parties by analysing money flow data (business reports, filings, accounting trails, banking activity, and financial statements).²⁰⁷ These profiles are then applied to transaction logs or database entries, and to wire transfer records in particular, to reveal links among businesses, suspicious activity such as financial manipulations, financial system bypassing and money laundering.

²⁰⁶ Maggioni and Uberti (2007).

²⁰⁷ PriceWaterhouseCoopers Global Technology Centre (2002).

PART 2

FINDINGS FROM OBJECTIVE 2 (TO HIGHLIGHT: A) THE EU MEASURES THAT MAY BE APPROPRIATE IN ADDRESSING THOSE WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING/TERRORIST FINANCING ARRANGEMENTS, ESPECIALLY PROFESSIONAL SERVICE PROVIDERS, TO CONTRIBUTE TO A MORE EFFECTIVE DETERRENCE OR (IF NOT) SUITABLE PUNISHMENT, AND B) ANY ISSUES AND APPROACHES LIKELY TO HELP IMPROVE THE REGULATION OF CHARITIES, TRUSTS, ASSOCIATIONS AND FOUNDATIONS WITH REGARD TO AML AND CFT)

13.

SUPRANATIONAL STANDARDS AIMED AT DETERRING AND/OR PUNISHING PROFESSIONAL SERVICE PROVIDERS WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING/TERRORIST FINANCING ARRANGEMENTS

13.1 INTRODUCTION

In recent years, the international community has become more aware of the dangers that money laundering poses to the financial system's integrity and stability and more sensitive to the development of new techniques and methods employed by money launderers to carry out their illicit operations. Increasing attention has been paid especially to a new trend, that is the use of professionals in money laundering schemes: professional service providers, in fact, turn out to be more and more involved (either knowingly or unwittingly) in money laundering patterns.²⁰⁸

This trend is mirrored in the evolution of money laundering over recent decades. This evolution passed through the following stages:

- *monetary money laundering*: in this first phase (1970s), money launderers mainly used huge amounts of cash;
- *banking money laundering*: during the 1980s money launderers relied heavily on the banking system to conceal the proceeds from crime, taking advantage of the few restrictions imposed on capital movement and financial services in order to realize the European single market;
- *financial money laundering*: in the 1990s the main channel exploited by criminals to launder dirty money deriving from their activities is represented by financial companies;
- *extra-financial money laundering*: the actual phase (from the late 1990s onwards) is characterized by an increasing resort to the services of professionals to set up money laundering schemes.

Professionals serve as a sort of gatekeeper, because the functions they perform are the gateway through which the launderers must pass to enter the financial legal system. If criminals don't already have specialised professional expertise themselves, they must turn to the advice of such gatekeepers to help them move and conceal illicit proceeds and to set up complex patterns which enable them to circumvent money laundering counter-measures.

²⁰⁸ Ample literature exists on this topic. To quote just a few examples, see: Schneider (2006: 27-47); Ping He (2006: 62-70); Levi and Reuter (2006: 289-375); Levi, Nelen and Lankhorst (2005: 117-121); Middleton and Levi (2005: 123-161); Lankhorst and Nelen (2005: 163-188); Chevrier (2005: 189-200); Di Nicola and Zoffi (2005: 201-225); Gilmore (2004: 42-43); Vrije Universiteit (2003: 3-4, 53-55); Bell (2002: 17-26); Savona and De Feo (1997: 21, 24, 25, 30, 64).

Professionals are thought to be particularly vulnerable to exploitation for money laundering purposes because of certain characteristics of the professions they practice, which render them susceptible to manipulation or active participation and help satisfy many of the inherent objectives pursued by launderers.

First of all, professionals perform a wide range of services in the economic sphere which can be useful for money launderers. Criminals can take advantage, for example, of the professional's ability to create corporate vehicles, trusts and other legal arrangements which may be used to shield illicit activities and to put up a smoke screen to hide dubious operations. Among the many functions that could be particularly useful for the potential launderer, some deserve a specific mention: the purchase or sale of property, the performance of financial transactions, financial and tax advice in complex transactions, the creation of false documents, the establishment of off-shore accounts; furthermore, it is worth mentioning professionals' ability to act as intermediaries and to anonymously move considerable amounts of money.

Secondly, professionals enjoy a respectable social status: consequently, their involvement can lend a veneer of legitimacy and respectability to the entire operation, giving an impression of trust and confidence.²⁰⁹ Participation of a professional in a transaction can actually provide money laundering activities with a certain amount of credibility and help minimize suspicions surrounding them.

Thirdly, another feature which renders professionals especially attractive to money launderers is the protection afforded by professional secrecy: lawyers, notaries and other professionals are in fact bound by duties of confidentiality and of loyalty to their clients. Criminals may therefore hide behind the cloak of legal privilege and exploit it in order to obscure any connection between them and the proceeds of crime and to make illegal transactions more difficult to detect.

There are basically two ways whereby a professional can become involved in a criminal activity: he can either act as an accessory in the commission of the crime, or, in a broader sense, he can facilitate it by failing to exercise due care in preventing misuse of his services.

As has been outlined above, it is possible to identify an evolution in money laundering schemes: for a long time, criminals took advantage of credit and financial institutions to carry out their illicit operations. As a consequence, traditional measures adopted in the fight against money laundering focused on banks and other financial service providers. The provision of severe restraints and stricter controls on the activities of the latter produced a displacing effect, forcing criminal groups to find another entry point into the financial system and to exploit new channels and new intermediaries for

²⁰⁹ The professional could, for example, provide introductions to financial institutions, or guarantee that the money is secure, thus offering legal credentials which contribute to the appearance of legitimacy of the overall transaction. See for an example in this respect Egmont group (1999: 51): *"A number of member FIUs expressed the view that the frequently reported use of professionals such as lawyers and accountants can be understood by a criminal desire for funds to be associated with such well-respected businesses"*.

conducting their business. Hence the misuse of lawyers, notaries, accountants, tax consultants, real estate agents and other professional service providers for criminal purposes. In a nutshell, criminals had to find alternative methods for laundering dirty money, moving from well regulated financial institutions to non-regulated businesses and professions, that is to those areas with a less stringent regulatory regime.

The potential risk of professionals being abused for illicit purposes is remarkable and calls for special consideration: this is why the recent trend in anti-money laundering legislation is to expand existing counter-measures to a significant group of professional service providers, both at the international and at the European level. The evolution of money laundering techniques and the increasing number of cases involving professionals has in fact prompted competent authorities to bring professionals under anti-money laundering obligations, especially when they are involved in particularly vulnerable lines of business.²¹⁰

The following sections will deal with the actions taken by the main supranational bodies in order to prevent and minimize the collusion between professionals and criminal groups, focusing on the specific standards set out to this end.

13.2 INTERNATIONAL STANDARDS

13.2.1 UN

As stated above, international organizations have recently devoted much attention to the problem of the role played by professionals in providing assistance to the criminal world, showing a growing awareness of the urgent need to take adequate measures against their compromising conduct.

At the UN level this awareness has not yet resulted in the adoption of provisions specifically designed for professionals, rather it remains, at present, just a string of generic references within UN instruments. Anyway, it could be useful to mention them for the purposes of this Study.

First of all, the UN Convention against Transnational Organized Crime, signed in Palermo in December 2000, should be highlighted. Article 7, paragraph 1(a), dealing with measures to combat money-laundering, states that "Each State Party shall institute a comprehensive domestic regulatory and supervisory regime for banks and non-bank financial institutions *and*,

²¹⁰ The inclusion of professionals in anti-money laundering regulations is also due to the consideration of the role of these subjects as gatekeepers, which puts them in a key position to detect and report illegal activities and thus to contribute to the fight against the laundering of ill-gotten gains. See, for example, the conclusions reached at the Ministerial Conference of the G-8 Countries on Combating Transnational Organized Crime held in Moscow in 1999, in which member countries agreed to bring their "anti-money laundering regimes into closer alignment and to consider putting certain responsibilities, as appropriate, on those professionals, such as lawyers, accountants, company formation agents, auditors, and other financial intermediaries who can either block or facilitate the entry of organized crime money into the financial system".

where appropriate, other bodies particularly susceptible to money-laundering, within its competence, in order to deter and detect all forms of money-laundering, which regime shall emphasize requirements for customer identification, record-keeping and the reporting of suspicious transactions". Article 31, dedicated to the prevention of transnational organized crime, suggests at paragraph 2(b) "the promotion of the development of standards and procedures designed to safeguard the integrity of public and relevant private entities, as well as *codes of conduct for relevant professions, in particular lawyers, notaries, tax consultants and accountants*".

Professionals are also mentioned in the 1999 UN Convention for the Suppression of the Financing of Terrorism (given the close connection existing between money laundering and terrorist financing): article 18, paragraph 1(b) includes among the preventive measures "measures requiring financial institutions *and other professions involved in financial transactions* to utilize the most efficient measures available for the identification of their usual or occasional customers, as well as customers in whose interest accounts are opened, and to pay special attention to unusual or suspicious transactions and report transactions suspected of stemming from a criminal activity".

It is worth noting that the issue of possible exploitation of professionals by money launderers had been addressed previously, almost prophetically, in the Political Declaration and Global Action Plan against Organized Transnational Crime adopted at the World Ministerial Conference on Organized Transnational Crime held in Naples from 21 to 23 November 1994 (UN General Assembly Resolution GA/49/159): within this declaration (paragraph 39) it was stated that "States should accord high priority to measures designed to prevent the displacement of money-laundering activity from tightly supervised banks to *non-supervised businesses and professions which offer financial services*. For this purpose, States should endeavour to undertake research and studies to identify those businesses which may serve as money launderers and to determine the feasibility of extending reporting and other requirements to possible areas other than banking and financial institutions".

Besides, the 1998 Report of the UN Office for Drug Control and Crime Prevention on financial havens, banking secrecy and money laundering also referred to the frequent role of lawyers and accountants as crime facilitators, stressing the exploitation of professional secrecy.²¹¹

13.2.2 FATF

The leading standard-setter in the field of anti-money laundering is the FATF (Financial Action Task Force): since its creation, the FATF has established a

²¹¹ See UN (1998: 86): "*Money launderers frequently use lawyers and accountants to help them hide funds. All too frequently, unscrupulous lawyers provide advice on money laundering to their clients on the assumption that they will be protected by the rules of privilege that protect the confidentiality of the lawyer/client relationship*". See also references to professionals in UN (1998: 2, 3, 41, 68, 69).

set of forty recommendations (FATF, 2004), which set out the basic framework for anti-money laundering legislation and provide a series of preventive standards intended to be of universal application.²¹² These recommendations, first established in 1990, were revised and updated over time (respectively in 1996 and in 2003) to reflect new trends and techniques in money laundering activities.

The FATF monitors the implementation of these standards by each country and conducts typology exercises, publishing annual reports on money laundering methods and trends. The reports of the past several years have repeatedly underlined the increasing involvement of legal and financial professionals in money laundering cases.

This topic has been discussed in detail especially in the context of reports 2000–2001 (FATF, 2001: 12–15) and 2003–2004 (FATF, 2004a: 24–27). The FATF experts have pointed out how criminal groups seek the advice or services of specialised professionals to help carry out their financial operations: through the analysis of several case studies the FATF tried to understand how the services of these professionals may be misused for money laundering purposes and which characteristics of the professions considered make them vulnerable and at risk of exploitation by criminals.

The FATF has recently issued a report focusing its attention on misuse of corporate vehicles and those who provide trust and company services (FATF, 2006a: 1, 5, 14).²¹³ According to the FATF working group on typologies, this is the natural response by criminals to the money laundering defences put in place by banks and other financial institutions. The cases analysed show multiple evidence of specialised financial intermediaries being involved, to a greater or lesser extent, in facilitating the formation of a corporate entity and exploiting the opportunities presented by foreign jurisdictions to conceal true beneficial ownership. These intermediaries (trust and company service providers, lawyers, notaries, accountants) commonly play a significant role in the creation, administration and management of corporate vehicles, with a varying degree of awareness of the illicit purposes underlying their client's activities, and consequently of complicity.

In the light of the considerations stated above and keeping into account the growing concern about the risk of professionals' involvement in money

²¹² These standards have been directly endorsed by more than 150 jurisdictions around the world, as well as by the Boards of the International Monetary Fund and the World Bank and their importance has been noted by many international bodies: for example, the UN Security Council, in its Resolution 1617 adopted in July 2005, "*strongly urges all Member States to implement the comprehensive international standards embodied in the FATF's Recommendations*".

²¹³ The potential for abuse of corporate vehicles had already been addressed in OECD (2001), from which many findings of FATF (2006) were drawn: the OECD Report underlines that a critical factor in misusing corporate vehicles is the degree of anonymity they allow, that is the possibility to obscure beneficial ownership and control by using the screen of the corporate entity. Professionals acting as intermediaries in the setting up of these entities are in a key position to know the beneficial owners and controllers: they could therefore constitute a valuable resource for authorities seeking information, were they subjected to an obligation to keep records on beneficial ownership and control and to grant access to such records for investigating and regulatory purposes.

laundering operations, it is no wonder that the FATF has recently extended the scope of the Forty Recommendations so as to encompass also professional service providers, bringing them under the same anti-money laundering obligations as were originally devised for banks and financial institutions. As stated in the Introduction to the FATF document on the Forty Recommendations,²¹⁴ *“money laundering methods and techniques change in response to developing counter-measures. In recent years, the FATF has noted increasingly sophisticated combinations of techniques, such as [...] an increased use of professionals to provide advice and assistance in laundering criminal funds. These factors [...] led the FATF to review and revise the Forty Recommendations into a new comprehensive framework for combating money laundering and terrorist financing”*.

The subsequent paragraphs will analytically examine the specific standards established by the FATF Recommendations with regard to professionals. For the sake of convenience, the relevant standards have been grouped into six main thematic areas:

- A. customer identification;
- B. record-keeping;
- C. suspicious transaction reporting;
- D. special programmes;
- E. sanctions;
- F. supervision by competent authorities.

Before analysing in detail the provisions concerning professional service providers, a few clarifications are necessary.

First, the standard-setting activity of the FATF considers both money laundering and terrorist financing, so the standards set out in the Recommendations apply to both criminal activities, these activities being closely related.²¹⁵

Second, the standards we are about to examine apply to “designated non-financial businesses and professions” as defined in the Glossary attached to the Forty Recommendations, that is:

- a) casinos (which also includes internet casinos);

²¹⁴ This document, as well as the FATF reports, is available online at <http://www.fatf-gafi.org>.

²¹⁵ In October 2001 the FATF expanded its mandate to deal with the issue of the financing of terrorism and later created the Nine Special Recommendations on Terrorist Financing. These recommendations are complementary to the revised Forty Recommendations: together they form a comprehensive and consistent framework of measures for combating money laundering and terrorist financing. In particular the Second Special Recommendation stresses the links between money laundering and terrorism, requiring that the financing of terrorism be designated as a money laundering predicate offence.

The close connection between money laundering and international terrorism has been highlighted also by the UN Security Council Resolution 1373/2001, adopted in the aftermath of the terrorist attacks of 9/11.

- b) real estate agents;
- c) dealers in precious metals;
- d) dealers in precious stones;
- e) lawyers, notaries, other independent legal professionals and accountants – this refers to sole practitioners, partners or employed professionals within professional firms. It is not meant to refer to “internal” professionals that are employees of other types of businesses, nor to professionals working for government agencies, who may already be subject to measures that would combat money laundering;
- f) trust and company service providers refers to all persons or businesses that are not covered elsewhere under the FATF Recommendations, and which as a business provide any of the following services to third parties:
 - acting as a formation agent of legal persons;
 - acting as (or arranging for another person to act as) a director or a secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;
 - providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;
 - acting as (or arranging for another person to act as) a trustee of an express trust;
 - acting as (or arranging for another person to act as) a nominee shareholder for another person.

Third, the requirements set out for non-financial businesses and professions are not described directly, but they are established by analogy with the ones previously determined for financial institutions: specific Recommendations (Recommendation 12 and Recommendation 16) are designed to provide for the extension of these obligations also to professionals and non-financial businesses, under certain circumstances, thus subjecting them to the same anti-money laundering obligations.²¹⁶ So, when we refer to the standard set

²¹⁶ Recommendation 12 specifies the situations in which the customer identification and record-keeping requirements set out in Recommendations 5, 6 and 8 to 11 apply to non-designated businesses and professions:

- a) casinos – when customers engage in financial transactions equal to or above the applicable designated threshold;
- b) real estate agents – when they are involved in transactions for their client concerning the buying and selling of real estate property;
- c) dealers in precious metals and dealers in precious stones – when they engage in any cash transaction with a customer equal to or above the applicable designated threshold;
- d) lawyers, notaries, other independent legal professionals and accountants when they prepare for or carry out transactions for their client concerning the following activities:
 - buying and selling of real estate;

out by a Recommendation, we have to bear in mind that this standard was originally addressed to financial institutions, but it was then made applicable also to the subjects considered in this Study.

After these explanations, we can now move to the analysis of each standard.²¹⁷

A) CUSTOMER IDENTIFICATION

Recommendation 5 establishes a detailed list of obligations concerning customer identification. As has just been clarified, the Recommendation directly addresses financial institutions, but its application is extended to non-financial businesses and professions by Recommendation 12.

First of all, after prohibiting the keeping of anonymous accounts, the Recommendation subjects them to a series of strict customer due diligence (henceforth CDD) measures, including identifying and verifying the identity of their customers; these measures are then thoroughly specified.²¹⁸

-
- managing of client money, securities or other assets;
 - management of bank, savings or securities accounts;
 - organisation of contributions for the creation, operation or management of companies;
 - creation, operation or management of legal persons or arrangements, and buying and selling of business entities;
- e) trust and company service providers when they prepare for or carry out transactions for a client concerning the activities listed in the definition in the Glossary.

Recommendation 16 extends the requirements set out in Recommendations 13 to 15 and 21 to all designated non-financial businesses and professions subject to the following qualifications:

- a) lawyers, notaries, other independent legal professionals and accountants should be required to report suspicious transactions when, on behalf of or for a client, they engage in a financial transaction in relation to the activities described in Recommendation 12(d). Countries are strongly encouraged to extend the reporting requirement to the rest of the professional activities of accountants, including auditing;
- b) dealers in precious metals and dealers in precious stones should be required to report suspicious transactions when they engage in any cash transaction with a customer equal to or above the applicable designated threshold;
- c) trust and company service providers should be required to report suspicious transactions for a client when, on behalf of or for a client, they engage in a transaction in relation to the activities referred to Recommendation 12(e).

²¹⁷ For the purposes of this research, the relevant section of the Forty Recommendations is section B, providing "Measures to be taken by financial institutions and non-financial businesses and professions to prevent money laundering and terrorist financing".

²¹⁸ According to the Recommendation, the CDD measures to be taken are as follows:

- a) identifying the customer and verifying the customer's identity using reliable, independent source documents, data or information;
- b) identifying the beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner such that the professional is satisfied that he/she knows who the beneficial owner is. For legal persons and arrangements this should include professionals taking reasonable measures to understand the ownership and control structure of the customer;

Interestingly, CDD measures may be applied on a risk sensitive basis, depending on the type of customer, business relationship or transaction: this means that for higher risk categories enhanced due diligence should be performed, whereas reduced or simplified measures may be applied if there are low risks of money laundering/terrorist financing (for example, where information on the identity of the customer is publicly available, or where adequate checks and controls exist elsewhere in national systems).

It's preferable that the verification of the identity of the customer occurs before or during the course of the business relationship/transaction, unless money laundering risks are effectively managed and it's essential not to interrupt the normal conduct of business: in this case the verification may be completed later.

In case CDD measures cannot be satisfied, Recommendation 5 discourages the professional from opening the account, commencing business relations or performing the transaction; if the relationship has already been undertaken, it should be terminated and a suspicious transaction report should be filed in relation to that customer.

CDD measures apply to all new customers, but the Recommendation specifies that professionals should, at appropriate times, conduct due diligence on existing relationships as well. The CDD measures set out in Recommendation 5 do not imply that professionals have to repeatedly identify and verify the identity of each customer every time a customer conducts a transaction: a professional is entitled to rely on the identification and verification steps that he/she has already undertaken unless he/she has doubts about the veracity of that information.

Recommendation 6 provides for additional due diligence measures in relation to politically exposed persons.²¹⁹

-
- c) obtaining information on the purpose and intended nature of the business relationship;
 - d) conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the professional's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds.

These measures should be undertaken by professionals when:

- establishing business relations;
- carrying out occasional transactions: (i) above the applicable designated threshold; or (ii) that are wire transfers in the circumstances covered by the Interpretative Note to Special Recommendation VII;
- there is a suspicion of money laundering or terrorist financing; or
- the professional has doubts about the veracity or adequacy of previously obtained customer identification data.

²¹⁹ Politically exposed persons are individuals who hold prominent public functions in their own country. In relation to this category of persons, professionals should, in addition to performing normal due diligence measures:

- a) have appropriate risk management systems to determine whether the customer is a politically exposed person;

Recommendation 8 deals with money laundering threats that may arise from new technologies that might favour anonymity, imposing a duty of special attention upon professionals in order to prevent their use in money laundering schemes (especially with regard to non-face to face business relationships or transactions).

Finally, Recommendation 9 allows professionals, under certain circumstances, to rely on intermediaries or other third parties to perform CDD measures. Anyway, the ultimate responsibility for customer identification and verification remains with the professional.

B) RECORD-KEEPING

Recommendation 10 requires professionals to keep, for at least five years, all records on transactions as well as on the identification data obtained through the customer due diligence process, account files and business correspondence.

Such records should be made available to domestic competent authorities upon request.

Recommendation 11 then establishes a special attention duty in relation to all complex, unusually large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose: the background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help competent authorities and auditors. The same attention should be paid, under Recommendation 21, to transactions with persons from countries which do not or insufficiently apply the FATF Recommendations.

C) SUSPICIOUS TRANSACTION REPORTING

According to Recommendation 13, if a professional suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing, he/she should report promptly his/her suspicions to the Financial Intelligence Unit (FIU), by filing a suspicious transaction report (henceforth STR).

All suspicious transactions should be reported regardless of the amount of the transactions and regardless of whether they are also thought to involve tax matters (considering that, in order to deter professionals from reporting a suspicious transaction, money launderers may state that their transactions relate to tax matters).

-
- b) obtain senior management approval for establishing business relationships with such customers;
 - c) take reasonable measures to establish the source of wealth and source of funds;
 - d) conduct enhanced ongoing monitoring of the business relationship.
-

Recommendation 14 introduces an immunity clause for professionals who have reported their suspicions in good faith to the FIU, protecting them from criminal and civil liability for breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually occurred.

Furthermore, the Recommendation above prohibits professionals from disclosing the fact that a STR or related information is being reported to the FIU (so called tipping-off). In fact, the customer's awareness of a possible STR could compromise the future investigation of the suspected illegal activity. The risk of tipping-off should therefore be taken into account when the professional performs the CDD process, and could lead to the decision not to pursue that process.

Interpretative note to the examined Recommendation adds that where lawyers, notaries, other independent legal professionals and accountants acting as independent legal professionals seek to dissuade a client from engaging in illegal activity, this does not amount to tipping-off.

Recommendation 16 pays attention to the confidentiality duties that must be fulfilled by these professionals, stating that they are not required to report their suspicions if the relevant information was obtained in circumstances where they are subject to professional secrecy or legal professional privilege. It is for each jurisdiction to determine the matters that would fall under legal professional privilege or professional secrecy.²²⁰

Countries may allow lawyers, notaries, other independent legal professionals and accountants to send their STR to the appropriate self-regulatory organisation, provided that there are appropriate forms of co-operation between these organisations and the FIU.

²²⁰ This would normally cover information that lawyers, notaries or other independent legal professionals receive from or obtain through one of their clients:

- a) in the course of ascertaining the legal position of their client, or
- b) in performing their task of defending or representing that client in, or concerning judicial, administrative, arbitration or mediation proceedings.

D) SPECIAL PROGRAMMES

Recommendation 15 encourages the development by professionals of programmes against money laundering and terrorist financing. These programmes should include:

- a) the development of internal policies, procedures and controls, including appropriate compliance management arrangements, and adequate screening procedures to ensure high standards when hiring employees;
- b) an ongoing employee training programme;
- c) an audit function to test the system.

The type and extent of measures to be taken should be appropriate having regard to the risk of money laundering and terrorist financing and the size of the business.

E) SANCTIONS

Recommendation 17 requires countries to establish effective, proportionate and dissuasive sanctions, whether criminal, civil or administrative, for failure to comply with anti-money laundering or terrorist financing obligations.

F) SUPERVISION BY COMPETENT AUTHORITIES

Recommendation 24 sets out the regulatory and supervisory measures to which designated non-financial businesses and professions should be subject.

In particular, countries should ensure that the professionals are subject to effective systems for monitoring and ensuring their compliance with requirements to combat money laundering and terrorist financing. This should be performed on a risk-sensitive basis, by a government authority or by an appropriate self-regulatory organisation, provided that such an organisation can ensure that its members comply with their obligations to combat money laundering and terrorist financing.

With regard to casinos, they should be licensed and subject to a comprehensive regulatory and supervisory regime (aimed, for example, at preventing criminals or their associates from holding or being the beneficial owner of a significant or controlling interest, holding a management function in, or being an operator of a casino).

Recommendation 25 states that the competent authorities should establish guidelines and provide feedback to assist persons subject to the Recommendations in applying national measures to combat money laundering and terrorist financing (in particular, in detecting and reporting suspicious transactions).

Finally, it's important to mention the residual provision contained in Recommendation 20 which, apart from encouraging the development of modern and secure techniques of money management that are less vulnerable to money laundering, invites countries to extend the application of all the Recommendations just analysed to businesses and professions, other than designated non-financial businesses and professions, that pose a money laundering or terrorist financing risk.

13.3 EUROPEAN STANDARDS

This section provides an overview of the measures taken at the European level against money laundering and terrorist financing, with specific regard to obligations applicable to professional service providers.

13.3.1 Council of Europe

The Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, signed in Warsaw on 16 May 2005, even though it doesn't mention professionals explicitly, contains a general provision which can be applied also to the subjects who are the focus of this research.

Article 13 of the Convention, dedicated to measures to prevent money laundering, states: "Each Party shall adopt such legislative and other measures as may be necessary to institute a comprehensive domestic regulatory and supervisory or monitoring regime to prevent money laundering and shall take due account of applicable international standards, including in particular the recommendations adopted by the Financial Action Task Force on Money Laundering (FATF). In that respect, each Party shall adopt, in particular, such legislative and other measures as may be necessary to:

- a) require legal and natural persons which engage in activities which are particularly likely to be used for money laundering purposes, and as far as these activities are concerned, to:
 - identify and verify the identity of their customers and, where applicable, their ultimate beneficial owners, and to conduct ongoing due diligence on the business relationship, while taking into account a risk based approach;
 - report suspicions on money laundering subject to safeguard;
 - take supporting measures, such as record keeping on customer identification and transactions, training of personnel and the establishment of internal policies and procedures, and if appropriate, adapted to their size and nature of business;
- b) prohibit, as appropriate, the persons referred to in sub-paragraph a from disclosing the fact that a suspicious transaction report or related information has been transmitted or that a money laundering investigation is being or may be carried out;

- c) ensure that the persons referred to in sub-paragraph a are subject to effective systems for monitoring, and where applicable supervision, with a view to ensure their compliance with the requirements to combat money laundering, where appropriate on a risk sensitive basis.”

13.3.2 EU

In formulating a strategy to tackle money laundering activities, the EU has followed a prevention-oriented approach, rather than limiting itself to set out repressive measures:²²¹ this strategy has been deeply influenced by the international standards enshrined in the Forty FATF Recommendations.

The FATF Recommendations, in fact, constitute the basis on which the core of anti-money laundering European legislation was built, namely the three Directives on money laundering.

It may be useful to outline the evolution that led to the enactment of these Directives, in order to have a better understanding of the topic we are dealing with, that is the provision of anti-money laundering obligations specifically designed for professionals.

Council Directive 91/308/EEC of 10 June 1991 on prevention of the use of the financial system for the purpose of money laundering (hereinafter First Directive) represents the first step in combating money laundering at Community level. The scope of this Directive is rather narrow, as it applies only to banks and financial institutions and focuses on the laundering of the proceeds of drug-related crimes.

Intensification of controls in the financial sector prompted money launderers to try out alternative methods, like the exploitation of non-financial entities. Awareness of this new trend resulted in the amendment to the First Directive, by means of Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001 (hereinafter Second Directive). The Second Directive responded to the need to update existing anti-money laundering legislation in order to reflect best international practices in this field and to keep on guaranteeing a high standard for the protection of the financial system's integrity and stability.

Apart from elevating anti-money laundering standards, the Second Directive broadens the scope and applicability of the pre-existing Directive in two respects: on the one hand it gives a much wider definition of money-laundering based on a broader range of predicate offences, including not only drug-related offences but all serious crimes; on the other hand it extends the coverage of the 1991 Directive (limited to the financial sector) to

²²¹ See Vrije Universiteit (2003: 45): *“In recent years the European Union has devoted considerable attention to this non-criminal, prevention-oriented approach. The strategy aims to make service providers more resistant and so prevent them from furnishing services to implement or shield illegal activities, due to naivety or profit seeking. Hence, the steps taken against money laundering for example, are primarily preventative actions against the financial service providers, rather than targeted repressive actions against the actual launderers”.*

a number of non-financial activities and professions that are particularly vulnerable to misuse by money launderers. The Second Directive has therefore expanded both the objective and the subjective scope of the original text.

Finally, the 2003 revision of the FATF Recommendations also brought about the reform of the EU discipline. A new Directive, in fact, has recently been enacted, in order to match the new international standards: Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (hereinafter Third Directive) actually incorporates into EU law the 2003 revision of the FATF Recommendations, setting a new systematic and organic framework.

The Third Directive is to be implemented into the national law of the Member States by no later than 15 December 2007: for the sake of clarity, the 1991 Directive, as amended in 2001, will be repealed and replaced by this new Directive upon its effective entry into force.

Consistent with changes occurring recently on the international stage, the 2005 Directive extends the prohibition of money laundering to also cover financing of terrorism, which is now included among the money laundering predicate offences.

This Directive establishes more specific and detailed provisions than pre-existing ones, further extending the scope of anti-money laundering legislation, in particular by supplementing and expanding obligations upon professional service providers.

As we have noticed with reference to the international level, also at the European level concern about the exploitation of professionals to facilitate money laundering schemes has caused the EU institutions to turn their attention to this category when they considered changes to the Directives on money laundering.

The subsequent paragraphs will deal with the standards set out by the Third Directive regarding professionals. Considering that the act is based largely on the FATF Recommendations, the same division of standards into six thematic groups has been maintained as illustrated before.

For the purposes of this Study, Article 2, paragraph 1 defines the professionals to whom the Directive applies. The norm reads: "This Directive shall apply to [...] the following legal or natural persons acting in the exercise of their professional activities:

- a) auditors, external accountants and tax advisors;
- b) notaries and other independent legal professionals, when they participate, whether by acting on behalf of and for their client in any financial or real estate transaction, or by assisting in the planning or execution of transactions for their client concerning the:
 - buying and selling of real property or business entities;

- managing of client money, securities or other assets;
 - opening or management of bank, savings or securities accounts;
 - organisation of contributions necessary for the creation, operation or management of companies;
 - creation, operation or management of trusts, companies or similar structures;
- c) trust or company service providers not already covered under points (a) or (b);
- d) real estate agents;
- e) other natural or legal persons trading in goods, only to the extent that payments are made in cash in an amount of EUR 15 000 or more, whether the transaction is executed in a single operation or in several operations which appear to be linked;²²²
- f) casinos”.

Article 4 then provides for the possible extension of the scope of the Directive to professionals, other than the ones cited above, who engage in activities which are particularly likely to be used for money laundering or terrorist financing purposes.

We can now start to examine the relevant standards set out by the Directive.

A) CUSTOMER IDENTIFICATION

Chapter 2 of the Directive introduces the so called “know-your-customer” rule, reinforcing the identification requirements established by the previous Directives and adopting the customer due diligence obligation devised by the FATF Recommendations.

Those subject to the Directive need to identify and verify the identity of their customer and of its beneficial owner, and to monitor their business relationship with their customer. Articles 7 and 8 specify the measures to be taken and when they should be put in place.²²³

²²² This provision stems from the observation that the use of large-scale cash payments has repeatedly proven to be highly vulnerable to money laundering and terrorist financing.

²²³ Article 7 provides for the application of CDD measures in the following cases:

- when establishing a business relationship;
- when carrying out occasional transactions amounting to EUR 15 000 or more, whether the transaction is carried out in a single operation or in several operations which appear to be linked;
- when there is a suspicion of money laundering or terrorist financing, regardless of any derogation, exemption or threshold;
- when there are doubts about the veracity or adequacy of previously obtained customer identification data.

According to Article 9, the identity verification duty must be fulfilled before the establishment of a business relationship or the carrying-out of the transaction: by way of derogation, verification of the identity of the customer and of the beneficial owner may be completed during the establishment of a business relationship if this is necessary in order to avoid interrupting the normal conduct of business and there are low risks of money laundering or terrorist financing.

If the person or institution subject to the Directive is unable to comply with the identification requirements set out by Article 8, the Directive prohibits them from carrying out the transaction or establishing a business relationship, or, where the relationship has already been undertaken, it compels them to terminate that relationship and to make a report to the Financial Intelligence Unit. Anyway, an exemption is provided for, in relation to notaries, independent legal professionals, auditors, external accountants and tax advisors when they are in the course of ascertaining the legal position for their client or performing their task of defending or representing that client in, or concerning judicial proceedings (including advice on instituting or avoiding proceedings).

CDD measures should be applied not only to new customers, but also at appropriate times to existing customers on a risk-sensitive basis.

The Third Directive, following the pattern set by the FATF recommendations, has adopted a flexible approach as regards customer identification requirements, allowing Member States to gauge and adapt the intervention depending on the risk associated to the type of customer, business relationship, product or transaction. This means that, given that the money laundering risk is not always the same, simplified CDD procedures could be applied under certain circumstances where such a risk is low; on the contrary, additional requirements and safeguards are needed for situations of higher risk (e.g. when the customer is not physically present for identification purposes, or in respect of transactions or business relationships with politically exposed persons²²⁴).

Article 8, paragraph 1 explains what the CDD measures consist of:

- a) identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source;
- b) identifying, where applicable, the beneficial owner and taking risk-based and adequate measures to verify his identity so that the institution or person covered by this Directive is satisfied that it knows who the beneficial owner is, including, as regards legal persons, trusts and similar legal arrangements, taking risk-based and adequate measures to understand the ownership and control structure of the customer;
- c) obtaining information on the purpose and intended nature of the business relationship;
- d) conducting ongoing monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's or person's knowledge of the customer, the business and risk profile, including, where necessary, the source of funds and ensuring that the documents, data or information held are kept up-to-date.

²²⁴ Articles 11 and 13 deal, respectively, with simplified and enhanced CDD, listing the situations in which these derogatory measures apply and what they consist of. Furthermore, Commission

It is possible, pursuant to Article 14, for persons subject to the Directive to rely on third parties to meet the CDD requirements, on the understanding that the ultimate responsibility remains with the person or institution which relies on the third party.

B) RECORD-KEEPING

Article 30 of the Directive sets the obligation to keep for a period of at least five years all customer identification data and records on transactions and business relationships, in order to make them available for use in any investigation into possible money laundering or terrorist financing by the FIU or by other competent authorities.

C) SUSPICIOUS TRANSACTION REPORTING

Chapter 3 of the Directive deals with reporting obligations. It first imposes, under Article 20, a special attention duty with reference to any activity which appears to be particularly likely, by its nature, to be related to money laundering or terrorist financing and in particular complex or unusually large transactions and all unusual patterns of transactions which have no apparent economic or visible lawful purpose.

Article 22 calls for an active collaboration by persons and institutions subject to the Directive: where they suspect or have reasonable grounds to suspect that money laundering or terrorist financing is being or has been committed or attempted, they should promptly inform the FIU, on their own initiative. In any case, they should promptly furnish the FIU, at its request, with all necessary information.

It is possible, according to Article 23, that for certain categories of professionals²²⁵ an appropriate self-regulatory body be designated as the authority to be informed in the first instance in place of the FIU: the designated self-regulatory body shall in such cases forward the information to the FIU promptly and unfiltered.

The same Article then exempts such professionals from the above-mentioned reporting obligation with regard to information they receive from or obtain on one of their clients, in the course of ascertaining the legal position for their client or performing their task of defending or representing that client in, or concerning judicial proceedings, including advice on

Directive 2006/70/EC of 1 August 2006 lays down implementing measures for Directive 2005/60/EC giving, *inter alia*, the definition of politically exposed persons and providing for technical criteria for simplified CDD procedures.

Actually under Article 40 of the Directive the Commission may establish technical criteria for assessing whether situations represent a high or low risk of money laundering or terrorist financing.

²²⁵ Namely: auditors, external accountants, tax advisors, notaries and other independent legal professionals.

instituting or avoiding proceedings, whether such information is received or obtained before, during or after such proceedings.²²⁶

Article 24 imposes upon professionals, as well as other institutions covered by the Directive, the duty to refrain from carrying out transactions which they know or suspect to be related to money laundering or terrorist financing until they have fulfilled the reporting obligation. If it's impossible to refrain, or it's likely to frustrate efforts to pursue the beneficiaries of suspected money laundering or terrorist financing operation, the FIU shall be informed immediately afterwards.

An immunity clause is provided for by Article 26, according to which the disclosure in good faith of the information related to a suspicious transaction does not constitute a breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, and shall not give cause to liability of any kind.

Taking note of the fact that there has been a number of cases of persons who reported their suspicions of money laundering being subjected to threats or hostile action, Article 27 states that all appropriate measures should be taken to protect these persons from such threats, in order not to undermine the effectiveness of the anti-money laundering and anti-terrorist financing regime.

Finally, Article 28 forbids so called tipping-off, that is it prohibits professionals and other persons and institutions subject to the Directive from disclosing to the customer or to other third persons the fact that information about a suspicious transaction has been transmitted to the FIU or that a money laundering or terrorist financing investigation is being or may be carried out. Anyway, when auditors, external accountants, tax advisors, notaries and other independent legal professionals seek to dissuade a client from engaging in illegal activity, this does not constitute a disclosure within the meaning of Article 28.

D) SPECIAL PROGRAMMES

Pursuant to Article 34, appropriate preventive systems against money laundering should be adopted by professionals, such as:

- a) establishing adequate internal preventive policies and procedures of customer due diligence, reporting, record keeping, internal control, risk assessment, risk management, compliance management and communication;

²²⁶ By establishing such exemption, the Directive allows legal advice to remain subject to the obligation of professional secrecy unless the legal counsellor is taking part in money laundering or terrorist financing, the legal advice is provided for money laundering or terrorist financing purposes or the lawyer knows that the client is seeking legal advice for money laundering or terrorist financing purposes.

- b) ensuring the proper training of persons subject to the Directive, including participation in special ongoing programmes aimed at helping them recognize operations which may be related to money laundering or terrorist financing and at instructing them on how to proceed in such cases;
- c) ensuring that persons subject to the Directive have access to up-to-date information on the practices of money launderers and terrorist financiers and on indications leading to the recognition of suspicious transactions;
- d) ensuring that timely feedback on the effectiveness of and follow-up to reports of suspected money laundering or terrorist financing is provided.

E) SANCTIONS

Effective, proportionate and dissuasive sanctions shall be imposed, under Article 39, on those subject to the Directive for infringements of its provisions (as translated into national law).

F) SUPERVISION BY COMPETENT AUTHORITIES

Article 37 states that competent authorities shall effectively monitor and take the necessary measures with a view to ensuring compliance with anti-money laundering and anti-terrorist financing requirements. To this end, competent authorities shall have the power to compel the production of any information that is relevant to monitoring compliance by and perform checks on persons covered by the Directive.

Supervision on certain categories of professionals²²⁷ could be performed by self-regulatory bodies, as long as they have the same monitoring powers as the competent authorities mentioned above.

As far as trust and company service providers are concerned, according to Article 36 they must be licensed or registered in order to operate their business legally. Licensing or registration may be refused if competent authorities are not satisfied that the persons who will direct the business are fit and proper persons. The same requirement applies also to casinos, for which enhanced supervisory powers are provided for (for instance, the power to conduct on-site inspections).

13.4 SYNOPTIC TABLE

Table 13.1 below sums up the supranational standards aimed at deterring and/or punishing professional service providers who aid and abet/facilitate

²²⁷ See note 225 above.

corporate money laundering/terrorist financing arrangements, together with the name of supranational institution/s who developed them:

TABLE 13.1 SUPRANATIONAL STANDARDS AIMED AT DETERRING AND/OR PUNISHING PROFESSIONAL SERVICE PROVIDERS WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING/TERRORIST FINANCING ARRANGEMENTS

<p>1. Existence of a legal provision requiring professionals to identify and verify the identity of their clients and of their beneficial owners, in pursuance of customer due diligence (CDD) measures</p> <p>Mentioned by: FATF (Rec. 5), EU Directive 2005/60 (art. 7–8), 2005 Council of Europe Warsaw Convention (art. 13), 2000 UN Palermo Convention (art. 7), 1999 UN New York Convention (art. 18)</p>
<p>2. Existence of a legal provision providing for the implementation of customer identification requirements on a risk-sensitive basis, with the application of simplified/enhanced CDD procedures</p> <p>Mentioned by: FATF (Rec. 5), EU Directive 2005/60 (art. 11–13), 2005 Council of Europe Warsaw Convention (art. 13)</p>
<p>3. Existence of a legal provision requiring professionals to perform the identification procedures before commencing the relationship/transaction with their client (unless money laundering risks are low and when it is essential not to interrupt the normal conduct of business)</p> <p>Mentioned by: FATF (Rec. 5), EU Directive 2005/60 (art. 9)</p>
<p>4. Existence of a legal provision prohibiting professionals from commencing a relationship or carrying out the transaction (or, alternatively, requiring them to terminate it and to file a suspicious transaction report) in case CDD measures cannot be satisfied</p> <p>Mentioned by: FATF (Rec. 5), EU Directive 2005/60 (art. 9)</p>
<p>5. Existence of a legal provision exempting certain categories of professionals from the prohibition under n. 4 while ascertaining the legal position for their client or representing him/her in legal proceedings</p> <p>Mentioned by: EU Directive 2005/60 (art. 9)</p>
<p>6. Existence of a legal provision requiring professionals to apply CDD measures to all new customers and, at appropriate times, to existing customers as well</p> <p>Mentioned by: FATF (Rec. 5), EU Directive 2005/60 (art. 9)</p>
<p>7. Existence of a legal provision prohibiting professionals from keeping anonymous accounts</p> <p>Mentioned by: FATF (Rec. 5)</p>
<p>8. Existence of a legal provision imposing on professionals a special attention duty in relation to money laundering threats that may arise from new technologies that might favour anonymity</p> <p>Mentioned by: FATF (Rec. 8)</p>
<p>9. Existence of a legal provision allowing professionals to rely on intermediaries or other third parties to perform CDD measures</p> <p>Mentioned by: FATF (Rec. 9), EU Directive 2005/60 (art. 14)</p>
<p>10. Existence of a legal provision requiring professionals to keep, for a minimum period, all customer identification data and records on transactions and business relationships</p> <p>Mentioned by: FATF (Rec. 10), EU Directive 2005/60 (art. 30), 2005 Council of Europe Warsaw Convention (art. 13), 1999 UN New York Convention (art. 7)</p>
<p>11. Existence of a legal provision imposing on professionals a special attention duty in relation to complex and unusual transactions with no apparent economic or visible lawful purpose</p> <p>Mentioned by: FATF (Rec. 11–21), EU Directive 2005/60 (art. 20), 1999 UN New York Convention (art. 18)</p>
<p>12. Existence of a legal provision requiring professionals to file a suspicious transaction report with competent authorities if they suspect a possible money laundering/terrorist financing operation</p> <p>Mentioned by: FATF (Rec. 13), EU Directive 2005/60 (art. 22), 2005 Council of Europe Warsaw Convention (art. 13), 2000 UN Palermo Convention (art. 7), 1999 UN New York Convention (art. 18)</p>
<p>13. Existence of a legal provision allowing professionals to file the suspicious transaction report mentioned under n. 12 to appropriate self-regulatory bodies, who will then forward it to competent authorities</p> <p>Mentioned by: FATF (Rec. 16), EU Directive 2005/60 (art. 23)</p>

13. Supranational Standards aimed at Deterring and/or Punishing Professional Service Providers Who Aid and Abet/Facilitate Corporate Money Laundering/Terrorist Financing Arrangements

<p>14. Existence of a legal provision requiring professionals to provide competent authorities, upon request, with all necessary information about suspected money laundering/terrorist financing operations Mentioned by: EU Directive 2005/60 (art. 22)</p>
<p>15. Existence of a legal provision protecting professionals from any kind of liability when informing in good faith competent authorities of the suspicious transaction Mentioned by: FATF (Rec. 14), EU Directive 2005/60 (art. 26)</p>
<p>16. Existence of a legal provision prohibiting professionals from disclosing the fact that information about a suspicious transaction has been reported to competent authorities or that a money laundering/terrorist financing investigation is being carried out Mentioned by: FATF (Rec. 14), EU Directive 2005/60 (art. 28), 2005 Council of Europe Warsaw Convention (art. 13)</p>
<p>17. Existence of a legal provision exempting certain categories of professionals from the reporting obligation under n. 12 if the information was obtained in circumstances where they are subject to professional secrecy Mentioned by: FATF (Rec. 16), EU Directive 2005/60 (art. 23)</p>
<p>18. Existence of a legal provision requiring professionals to refrain from carrying out transactions suspected to be related to money laundering/terrorist financing until they have fulfilled the reporting obligation under n. 12 (or, where this is not possible, requiring them to inform competent authorities immediately afterwards) Mentioned by: EU Directive 2005/60 (art. 24)</p>
<p>19. Existence of a legal provision protecting professionals who reported suspicious transactions from threats or hostile actions Mentioned by: EU Directive 2005/60 (art. 27)</p>
<p>20. Existence of a legal provision requiring professionals to adopt appropriate preventive measures (including training programmes, access to up-to-date information on money laundering and terrorist financing techniques, internal policies, procedures and controls) Mentioned by: FATF (Rec. 15), EU Directive 2005/60 (art. 34), 2005 Council of Europe Warsaw Convention (art. 13)</p>
<p>21. Existence of a legal provision subjecting professionals who fail to comply with anti-money laundering and anti-terrorist financing obligations to effective, proportionate and dissuasive sanctions Mentioned by: FATF (Rec. 17), EU Directive 2005/60 (art. 39)</p>
<p>22. Existence of a legal provision subjecting professionals to monitoring and checks by competent authorities Mentioned by: FATF (Rec. 24), EU Directive 2005/60 (art. 37), 2005 Council of Europe Warsaw Convention (art. 13)</p>
<p>23. Existence of a legal provision requiring trust and company service providers to be licensed or registered in order to operate their business legally Mentioned by: EU Directive 2005/60 (art. 36)</p>
<p>24. Existence of a legal provision requiring casinos to be licensed or registered in order to operate their business legally Mentioned by: FATF (Rec. 24), EU Directive 2005/60 (art. 36)</p>
<p>25. Existence of a legal provision subjecting casinos to a comprehensive regulatory and supervisory regime Mentioned by: FATF (Rec. 24), EU Directive 2005/60 (art. 37)</p>

14.

NATIONAL MEASURES AIMED AT DETERRING AND/OR PUNISHING PROFESSIONAL SERVICE PROVIDERS WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING/TERRORIST FINANCING ARRANGEMENTS

14.1 INTRODUCTION

This chapter aims at:

- a) *providing a comparative overview of the counter-measures (both regulation and self-regulation) adopted by EU Member States to avoid the use of professionals for money laundering and terrorist financing purposes, with a view to assessing the degree of compliance of the Member States with the relevant supranational standards which have been set out in the previous chapter.* In order to perform this analysis, a review of current national (at MS level) measures (regulation & self-regulation) aimed at deterring and/or punishing those who aid and abet/facilitate corporate money laundering/terrorist financing arrangements, especially professional service providers, was carried out. This was accomplished by using both primary and secondary sources.

The primary sources were the replies to a questionnaire administered to two experts for each MS, selected from the two following bodies/professional categories: a) for regulation, national bodies responsible for enforcement in the areas of drugs, terrorism, and other serious crime; b) for self-regulation the professions, accountants in particular.²²⁸

The secondary sources consisted of a variety of documents, namely:

- FATF and Moneyval evaluation reports;²²⁹
- the relevant pieces of legislation on anti-money laundering;
- reports of the national Financial Intelligence Units;²³⁰
- articles drawn from specialized journals and reviews;²³¹

²²⁸ The list of experts contacted can be found in the acknowledgments at the beginning of this report. Both questionnaires employed in the Study are available in Annex E to this report.

²²⁹ FATF (2004b); FATF (2005); FATF (2006b); FATF (2006c); FATF (2006d); FATF (2006e); FATF (2006f); FATF (2006g); International Monetary Fund (2003); Moneyval (2002); Moneyval (2003); Moneyval (2003a); Moneyval (2003b); Moneyval (2003c); Moneyval (2004); Moneyval (2004a); Moneyval (2004b); Moneyval (2005); Moneyval (2005a); Moneyval (2005b); Moneyval (2006); Moneyval (2006a); Moneyval (2006b); Moneyval (2006c).

²³⁰ Belgian Financial Intelligence Processing Unit (2005); Bundeskriminalamt (2005); Cellule de Renseignement Financier – Parquet de Luxembourg (2005); Financial Intelligence Analysis Unit – Malta (2005); Finnish National Bureau of Investigation (2005); Finnish National Bureau of Investigation (n.d.); SEPBLAC (2004); Lander (2006); Tracfin (2005).

- codes of ethics and other pieces of self-regulation;²³²
 - documents issued by the national associations of accountants;²³³
 - any other relevant literature.²³⁴
- b) *mapping the obstacles and best practices in the implementation of current national (at MS level) measures (regulation & self-regulation) aimed at deterring and/or punishing those who aid and abet/facilitate corporate money laundering/terrorist financing arrangements, especially professional service providers.*

This was accomplished by including in the same questionnaire mentioned under letter a) above questions aimed at mapping obstacles and best practices in the implementation of current national (at MS level) measures (regulation & self-regulation) aimed at deterring and/or punishing those who aid and abet/facilitate corporate money laundering/terrorist financing arrangements, especially professional service providers.

- c) *finally, on the basis of previous activities, drawing a set of recommendations to assist the EU Commission in drafting the most appropriate EU measures aimed at deterring and/or punishing those who aid and abet/facilitate corporate money laundering/terrorist financing arrangements, especially professional service providers.*

14.2 CURRENT MS REGULATION AIMED AT DETERRING AND/OR PUNISHING PROFESSIONAL SERVICE PROVIDERS WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING/TERRORIST FINANCING ARRANGEMENTS, AND OBSTACLES AND BEST PRACTICES IN ITS IMPLEMENTATION

This paragraph analyses the regulation adopted by EU Member States to avoid the use of professionals for money laundering and terrorist financing purposes (section 14.2.1), together with the main obstacles and best practices in its implementation (section 14.2.2). Finally, on the basis of the analysis carried out, a set of recommendations to assist the EU Commission

²³¹ Alexander (2004); Blöcker (2002); Rhodes and Palastrand (2004); Roule (2002); Shaughnessy (2002); Tóth and Gál (2004); Vella-Baldacchino (2005).

²³² IFAC (2005); Conseil Supérieur de l'Ordre des Experts Comptables (n.d.); Consiglio Nazionale dei Dottori Commercialisti (2004); The Institute of Chartered Accountants in England and Wales (2006); The Institute of Chartered Accountants in Ireland (2006).

²³³ Consultative Committee of Accountancy Bodies-Ireland (2005); Consultative Committee of Accountancy Bodies-Ireland (2005a); The Association of Chartered Certified Accountants (2006); The Auditing Practices Board (2007); The Chartered Institute of Management Accountants (2004); The Institute of Chartered Accountants in England and Wales (2004); The Institute of Chartered Accountants in England and Wales (2006a); The Institute of Chartered Accountants in England and Wales (2006b); The Institute of Chartered Accountants in Ireland (2005); The Malta Institute of Accountants (2005); The Malta Institute of Accountants (2006).

²³⁴ Consiglio Nazionale Forense (2006); Danovi (2006); Minervini (2006); Ministero dell'Economia e delle Finanze (n.d.); Ministry of Finance of the Republic of Poland (2006); The European Union's Phare Programme for Lithuania (2005); The British Institute of International and Comparative Law (2006).

in drafting the most appropriate EU regulatory measures aimed at deterring and/or punishing those who aid and abet/facilitate corporate money laundering/terrorist financing arrangements, especially professional service providers, are drawn (section 14.2.3).

14.2.1 Regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

This section analyses the regulation adopted by EU Member States to avoid the use of professionals for money laundering and terrorist financing purposes. This examination has been carried out by taking the relevant supranational standards set out in chapter 1 as benchmarks for the analysis of national regulation, and has therefore resulted in an assessment of the MSs legislation's degree of compliance with the supranational rules.

As the relevant supranational standards that are herein used as benchmarks for the analysis of the national regulation were grouped in chapter 1 into six categories (i.e. A) customer identification; B) record – keeping; C) suspicious transaction reporting; D) special programmes; E) sanctions; F) supervision by competent authorities), the same six categories have been used again, here. The analysis of the degree of compliance of the MSs' regulation with supranational standards is concluded, for each of the six above-mentioned categories, by use of a synoptic table summing up the main findings of the analysis for a given category.

A) CUSTOMER IDENTIFICATION²³⁵

The adoption of customer identification procedures (standard n. 1) is the core of anti-money laundering obligations and the basic features of the “know your customer” principle seem to be envisaged by the legislation of all EU Member States. In fact, even if the requirement to carry out appropriate customer due diligence procedures is implemented differently by the various States (for example, as regards what constitutes the relevant documentation to be provided in order to identify the client, or the threshold to be reached prior to the identification obligation being triggered), all of them have enacted provisions requiring professionals to identify and verify the identity of prospective clients (few of them have extended the obligation also to existing clients – standard n. 6), usually before the start of the relationship or the undertaking of the transaction (standard n. 3), as well as to exercise

²³⁵ For the analysis of this standard the following are the relevant materials which have been consulted. For Belgium: FATF (2005: 130–135); artt. 4, 5, 5bis, 6 of Law of 11 January 2003 on preventing use of the financial system for purposes of laundering money and terrorism financing, as amended by Law of 12 January 2004. For Bulgaria: artt. 3, 4, 5, 5a, 6, 7, 7a of Law on measures against money laundering of 24 July 1998, last amended on 21 July 2006. For Cyprus: Moneyval (2006: 127–135); artt. 58, 62, 63, 64, 65 of The prevention and suppression of money laundering activities law No. 185/2004. For Czech Republic: art. 2 of Act No. 61/1996 Coll. on some measures against the legalisation of the proceeds of crime (with amendments). For Denmark: FATF (2006c: 147–151); artt. 11, 12, 13, 14, 15, 17, 18, 19, 20, 21, 22 of Act No. 117/2006 on measures to prevent money laundering and financing of terrorism. For Estonia: sections 6, 7, 9, 10, 11 of the Money laundering and terrorist financing prevention act of 3 December 2003. For Finland: Finnish National Bureau of Investigation (n.d.: 7–11, 12–13, 20–21); sections 6, 7, 9, 11a of Act No. 68/1998 on preventing and clearing money laundering, as amended by Act No. 365/2003. For France: Tracfin (2005: 22). For Germany: sections 2, 3, 6, 7, 8 of Act on the improvement of the suppression of money laundering and combating the financing of terrorism of 8 August 2002. For Hungary: Moneyval (2005: 78–80); Moneyval (2005b: 6–8); sections 3, 3a, 4, 5, 6, 14 of Act XV of 2003 on the prevention and combating of money laundering. For Ireland: FATF (2006d: 117–121); section 32 of Criminal Justice Act 1994 (with amendments). For Italy: FATF (2006e: 84–86); art. 3 of Legislative Decree No. 56/2004; artt. 3, 4 of Ministerial Decree No. 141/2006. For Latvia: sections 6, 7, 8, 9, 10 of Law of 18 December 1997 on the prevention of the laundering of proceeds derived from criminal activity, as amended by Law of 18 December 2003. For Lithuania: artt. 10, 11 of Law on prevention of money laundering No. VIII–275/1997 as amended by Law No. IX–1842/2003. For Luxembourg: art. 3 of Law of 12 November 2004 on the fight against money laundering and against the financing of terrorism. For Malta: regulations 3, 5, 5B, 5C, 6, 7, 8 of Legal Notice No. 199/2003 (Prevention of money laundering and funding of terrorism regulations), as amended by Legal Notice No. 42/2006. For Poland: art. 9 of Law of 16 November 2000 on counteracting introduction of property values originating from illegal or undisclosed sources to financial transactions and on counteracting financing of terrorism (with 2004 amendments). For Portugal: FATF (2006b: 115–120); artt. 3, 4, 22, 23, 24, 25, 26, 27, 28 of Law No. 11/2004 establishing the regime for prevention and repression of the laundering of unlawful proceeds, as amended by law No. 27/2004. For Romania: artt. 9, 10, 12 of Law No. 656/2002 on the prevention and sanctioning of money laundering and on the initiation of measures for the prevention and fighting against terrorist activities, as amended by Law No. 36/2006. For Slovakia: Moneyval (2006a: 112–114); sections 5, 6 of Act No. 367/2000 on protection against legalisation of incomes from illegal activities, as amended by Act No. 445/2002. For Slovenia: Moneyval (2005a: 113–116); artt. 4, 5, 7, 8, 9, 9a, 28a of Law on the prevention of money laundering (changes and amendments) No. 59/2002. For Spain: FATF (2006f: 128–130); artt. 3, 4, 16 of Royal Decree No. 925/1995 approving the Regulations to Law No. 19/1993 concerning specific measures to prevent money laundering, as amended by Royal Decree No. 54/2005. For Sweden: FATF (2006g: 117–120); sections 4, 4a, 6, 7 of Act on measures against money laundering No. 768/1993 as amended by Act No. 1182/2004. For UK: Alexander (2004: 79–86); Rhodes and Palastrand (2004:14); regulations 4, 5, 8 of Statutory Instrument No. 3075/2003 (The money laundering regulations 2003).

ongoing monitoring of the business relationship so as to detect any unusual activities.

In most cases, where satisfactory evidence of identity is not obtained, the law imposes a duty to refrain from acting, that is the business relationship must not proceed any further (standard n. 4). Few States have availed themselves of the faculty to exempt from the said prohibition certain categories of professionals while performing specific services (standard n. 5).

It is important to remark that, while the identification process for ordinary customers can be considered to be in line with the main supranational standards, this is not the case as far as beneficial owner identification is concerned. Indeed, the identification of the beneficial owner remains a difficult issue, given that sometimes significant differences exist between the data collected on direct clients as opposed to those pertaining to the beneficial owner of the transaction: when a client states that he/she is acting on behalf of another party who is the actual owner of the assets in question, the professional often has to collect only a limited amount of information concerning that subject.

Both the FATF and EU revised standards have introduced a risk-based approach in relation to customer identification requirements (standard n. 2): this implies the need to take into account the greater potential for money laundering and terrorist financing which arises in some situations identified as higher risk, such as when the customer is not physically present (in non face-to-face transactions), when he/she is a politically exposed person, or when the professional does business with someone coming from countries that are on the FATF blacklist (non reputable jurisdictions). Pursuant to this new approach, anti-money laundering measures should be applied after performing a risk assessment of both the customer and the transaction, so as to adapt such measures to the perceived risk and to decide accordingly on the type and intensity of the action to take. In some countries, anti-money laundering obligations are already fulfilled on a risk-sensitive basis, thus anticipating the transposition of the new provisions of the Third Directive: several measures are in fact devised in a way that gives room for the obliged entities to decide the level of intensity of the measures based on their own estimation of risk and their assessment of the risk profile of the customer and/or of the transaction. Anyway, in general there is no possibility to graduate obligations on the basis of risk, nor to tailor internal procedures in a consequent manner: non-financial professions need more experience in implementing the current regime before deciding how to address issues of risk. The transposition of the Third Directive provides an opportunity for the adoption of appropriate procedures of risk assessment and risk management, that will allow for extra care to be taken when dealing with certain customers or performing certain transactions.

As regards the other standards referable to the customer identification obligation (namely, the prohibition from keeping anonymous accounts and the special attention duty to new technologies that might favour anonymity – standards n. 7, 8), few Member States have them already included in their legislation: again, they can take advantage of the forthcoming

implementation of the Third Directive to adapt their legal instruments and bring them into line with supranational standards.

Finally, the analysis shows that a small number of Member States have exercised the faculty of relying on intermediaries or other third parties to perform customer identification procedures (standard n. 9).

Table 14.1 below sums up the main findings of the above analysis.

TABLE 14.1 DEGREE OF COMPLIANCE OF MSS' REGULATION WITH SUPRANATIONAL STANDARDS ON CUSTOMER IDENTIFICATION

	1. CDD measures	2. risk-sensitive approach	3. CDD before start of relationship	4. duty to refrain from acting if CDD not performed	5. exemption from 4) for certain professionals	6. identification of new and existing customers	7. no anonymous accounts	8. attention to new technologies	9. reliance on third parties to perform CDD
AUSTRIA	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
BELGIUM	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
BULGARIA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
CYPRUS	Yes	No	Yes	Yes	No	Yes	Yes	No	No
CZECH REP.	Yes	No	No	Yes	No	No	Yes	No	Yes
DENMARK	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
ESTONIA	Yes	Yes	No	Yes	No	No	No	No	No
FINLAND	Yes	Yes	Yes	Yes	No	No	No	No	Yes
FRANCE	Yes	No	No	No	No	No	No	No	No
GERMANY	Yes	No	No	Yes	No	No	No	No	No
GREECE	Yes	Yes	No	No	No	No	No	No	No
HUNGARY	Yes	No	Yes	Yes	No	Yes	Yes	No	No
IRELAND	Yes	No	Yes	No	No	No	No	No	No
ITALY	Yes	No	Yes	No	No	No	No	No	Yes
LATVIA	Yes	No	No	No	No	No	No	No	No
LITHUANIA	Yes	No	Yes	Yes	No	No	No	No	No
LUXEMBOURG	Yes	Yes	No	No	No	No	No	No	Yes
MALTA	Yes	Yes	Yes	Yes	No	No	Yes	No	No
POLAND	Yes	No	No	No	No	No	No	No	No
PORTUGAL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
ROMANIA	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No
SLOVAKIA	Yes	No	No	Yes	No	No	No	No	No
SLOVENIA	Yes	No	No	No	No	No	No	No	No
SPAIN	Yes	No	Yes	Yes	Yes	Yes	No	No	No
SWEDEN	Yes	No	No	No	No	No	Yes	No	No

14. National Measures aimed at Deterring and/or Punishing Professional Service Providers Who Aid and Abet/Facilitate Corporate Money Laundering/Terrorist Financing Arrangements

THE NETHERLANDS	N/a								
UK	Yes	No	Yes	Yes	No	No	No	No	No

LEGENDA:

Yes = existence of the standard in the MS regulation

No = absence of the standard in the MS regulation

N/a = data not available

B) RECORD – KEEPING²³⁶

All national laws on money laundering require that professionals keep documents pertaining to the business relationship or transaction and to customer identification data, as well as that they update them when changes occur (standard n. 10). The duty to keep records of relevant documents is sometimes established for a longer period than the five-year period required by the FATF and EU standards (from the date when the relationship with the client was terminated or the transaction completed). Record-keeping, apart from its use as evidence of compliance with anti-money laundering obligations, is a key factor of the audit trail that anti-money laundering legislation seeks to establish in order to assist in any financial investigation and to ensure that criminal funds may be detected and confiscated by the authorities. Professionals should therefore maintain appropriate systems for retaining records and making them available when required to do so by the authorities.

Table 14.2 below sums up the main findings of the above analysis.

²³⁶ For the analysis of this standard the following are the relevant materials which have been consulted. For Belgium: FATF (2005: 135); art. 7 of Law of 11 January 2003 on preventing use of the financial system for purposes of laundering money and terrorism financing, as amended by Law of 12 January 2004. For Bulgaria: artt. 8, 9 of Law on measures against money laundering of 24 July 1998, last amended on 21 July 2006. For Cyprus: Moneyval (2006: 133–134); artt. 58, 66 of The prevention and suppression of money laundering activities law No. 185/2004. For Czech Republic: art. 3 of Act No. 61/1996 Coll. on some measures against the legalisation of the proceeds of crime (with amendments). For Denmark: FATF (2006c: 150); art. 23 of Act No. 117/2006 on measures to prevent money laundering and financing of terrorism. For Estonia: section 12 of the Money laundering and terrorist financing prevention act of 3 December 2003. For Finland: Finnish National Bureau of Investigation (n.d.: 11–13); section 8 of Act No. 68/1998 on preventing and clearing money laundering, as amended by Act No. 365/2003. For France: Tracfin (2005: 22). For Germany: section 9 of Act on the improvement of the suppression of money laundering and combating the financing of terrorism of 8 August 2002. For Hungary: Moneyval (2005: 80); section 10 of Act XV of 2003 on the prevention and combating of money laundering. For Ireland: FATF (2006d: 120); section 32 of Criminal Justice Act 1994 (with amendments). For Italy: artt. 5, 6, 7 of Ministerial Decree No. 141/2006. For Latvia: section 10 of Law of 18 December 1997 on the prevention of the laundering of proceeds derived from criminal activity, as amended by Law of 18 December 2003. For Lithuania: art. 12 of Law on prevention of money laundering No. VIII-275/1997 as amended by Law No. IX-1842/2003. For Luxembourg: art. 3 of Law of 12 November 2004 on the fight against money laundering and against the financing of terrorism. For Malta: regulations 3, 9 of Legal Notice No. 199/2003 (Prevention of money laundering and funding of terrorism regulations), as amended by Legal Notice No. 42/2006. For Poland: art. 8 of Law of 16 November 2000 on counteracting introduction of property values originating from illegal or undisclosed sources to financial transactions and on counteracting financing of terrorism (with 2004 amendments). For Portugal: FATF (2006b: 118); art. 5 of Law No. 11/2004 establishing the regime for prevention and repression of the laundering of unlawful proceeds, as amended by law No. 27/2004. For Romania: art. 13 of Law No. 656/2002 on the prevention and sanctioning of money laundering and on the initiation of measures for the prevention and fighting against terrorist activities, as amended by Law No. 36/2006. For Slovakia: Moneyval (2006a: 113); section 6 of Act No. 367/2000 on protection against legalisation of incomes from illegal activities, as amended by Act No. 445/2002. For Slovenia: Moneyval (2005a: 115); artt. 6, 34, 37, 38 of Law on the prevention of money laundering (changes and amendments) No. 59/2002. For Spain: FATF (2006f: 129–130); artt. 6, 16 of Royal Decree No. 925/1995 approving the Regulations to Law No. 19/1993 concerning specific measures to prevent money laundering, as amended by Royal Decree No. 54/2005. For Sweden: FATF (2006g: 120); section 8 of Act on measures against money laundering No. 768/1993 as amended by Act No. 1182/2004. For UK: Alexander (2004: 86–88); Rhodes and Palastrand (2004:15); regulation 6 of Statutory Instrument No. 3075/2003 (The money laundering regulations 2003).

TABLE 14.2 DEGREE OF COMPLIANCE OF MSS' REGULATION WITH SUPRANATIONAL STANDARDS ON RECORD – KEEPING

	10. record-keeping
AUSTRIA	Yes (7 yrs)
BELGIUM	Yes (5 yrs)
BULGARIA	Yes (5 yrs)
CYPRUS	Yes (5 yrs)
CZECH REP.	Yes (10 yrs)
DENMARK	Yes (5 yrs)
ESTONIA	Yes (5 yrs)
FINLAND	Yes (5 yrs)
FRANCE	Yes (5 yrs)
GERMANY	Yes (6 yrs)
GREECE	Yes (5 yrs)
HUNGARY	Yes (5 yrs)
IRELAND	Yes (5 yrs)
ITALY	Yes (10 yrs)
LATVIA	Yes (5 yrs)
LITHUANIA	Yes (5 yrs)
Luxembourg	Yes (5 yrs)
MALTA	Yes (5 yrs)
POLAND	Yes (5 yrs)
Portugal	Yes (5/10 yrs)
ROMANIA	Yes (5 yrs)
SLOVAKIA	Yes (5 yrs)
SLOVENIA	Yes (10 yrs)
SPAIN	Yes (6 yrs)
SWEDEN	Yes (5 yrs)
THE NETHERLANDS	N/a
UK	Yes (5 yrs)

LEGENDA:

Yes = existence of the standard in the MS regulation

No = absence of the standard in the MS regulation

N/a = data not available

yrs = years

C) SUSPICIOUS TRANSACTION REPORTING²³⁷

Among the several “gatekeeping” obligations professionals are called upon to discharge, the obligation to report suspicious transactions deserves special consideration, being the most contentious one for reasons that will be better explained below.

The legislation of all EU Member States, in line with the recently revised relevant supranational standards, imposes on professional service providers a general duty to file a report with competent authorities in respect of information that comes to them in the course of their business, where they know or suspect (or have reasonable grounds for knowing or suspecting) that their client is engaged in money laundering or terrorist financing activities (standard n. 12). In most countries the reporting obligation is reinforced by

²³⁷ For the analysis of this standard the following are the relevant materials which have been consulted. For Belgium: FATF (2005: 136–144); artt. 8, 11, 12, 13, 14, 14bis, 14ter, 15, 17, 18, 19, 20 of Law of 11 January 2003 on preventing use of the financial system for purposes of laundering money and terrorism financing, as amended by Law of 12 January 2004. For Bulgaria: artt. 3, 11, 11a, 12, 13, 14, 15, 15a of Law on measures against money laundering of 24 July 1998, last amended on 21 July 2006. For Cyprus: Moneyval (2006: 135–139); artt. 58, 67 of The prevention and suppression of money laundering activities law No. 185/2004. For Czech Republic: artt. 4, 6, 7 of Act No. 61/1996 Coll. on some measures against the legalisation of the proceeds of crime (with amendments). For Denmark: FATF (2006c: 152–154); artt. 6, 7, 8, 26, 27 of Act No. 117/2006 on measures to prevent money laundering and financing of terrorism. For Estonia: sections 15, 16, 17, 20, 21, 22 of the Money laundering and terrorist financing prevention act of 3 December 2003. For Finland: Finnish National Bureau of Investigation (n.d.: 5–6, 13–18, 20–21); sections 10, 11, 11a, 12, 15 of Act No. 68/1998 on preventing and clearing money laundering, as amended by Act No. 365/2003. For France: Tracfin (2005: 18–21, 31). For Germany: sections 10, 11, 12 of Act on the improvement of the suppression of money laundering and combating the financing of terrorism of 8 August 2002. For Hungary: Moneyval (2005: 80–81); Moneyval (2005b: 9–15); sections 8, 8a, 9, 14, 15 of Act XV of 2003 on the prevention and combating of money laundering. For Ireland: FATF (2006d: 121–125); section 57 of Criminal Justice Act 1994 (with amendments). For Italy: FATF (2006e: 86–87); art. 2 of Legislative Decree No. 56/2004; artt. 9, 10, 11, 12 of Ministerial Decree No. 141/2006. For Latvia: sections 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 25, 26, 36 of Law of 18 December 1997 on the prevention of the laundering of proceeds derived from criminal activity, as amended by Law of 18 December 2003. For Lithuania: artt. 7, 9, 13, 16 of Law on prevention of money laundering No. VIII–275/1997 as amended by Law No. IX–1842/2003. For Luxembourg: artt. 5, 7 of Law of 12 November 2004 on the fight against money laundering and against the financing of terrorism. For Malta: regulations 3, 5, 11, 12, 13 of Legal Notice No. 199/2003 (Prevention of money laundering and funding of terrorism regulations), as amended by Legal Notice No. 42/2006. For Poland: artt. 6, 11, 12, 13a, 16, 16a, 17, 18, 19, 20, 20a, 20b, 20c, 29, 33, 34 of Law of 16 November 2000 on counteracting introduction of property values originating from illegal or undisclosed sources to financial transactions and on counteracting financing of terrorism (with 2004 amendments). For Portugal: FATF (2006b: 118–125); artt. 6, 7, 8, 9, 10, 12, 30 of Law No. 11/2004 establishing the regime for prevention and repression of the laundering of unlawful proceeds, as amended by law No. 27/2004. For Romania: artt. 3, 4, 5, 6, 7, 18 of Law No. 656/2002 on the prevention and sanctioning of money laundering and on the initiation of measures for the prevention and fighting against terrorist activities, as amended by Law No. 36/2006. For Slovakia: Moneyval (2006a: 114–115); sections 7, 8, 9, 10, 12 of Act No. 367/2000 on protection against legalisation of incomes from illegal activities, as amended by Act No. 445/2002. For Slovenia: Moneyval (2005a: 117–120); artt. 10, 11, 15, 16, 17, 18, 22, 28, 28b, 31, 32, 33 of Law on the prevention of money laundering (changes and amendments) No. 59/2002. For Spain: FATF (2006f: 130–132); artt. 5, 7, 8, 9, 10, 13, 15, 16, 26 of Royal Decree No. 925/1995 approving the Regulations to Law No. 19/1993 concerning specific measures to prevent money laundering, as amended by Royal Decree No. 54/2005. For Sweden: FATF (2006g: 120–128); sections 9, 9a, 9b, 10, 11 of Act on measures against money laundering No. 768/1993 as amended by Act No. 1182/2004. For UK: Rhodes and Palastrand (2004:11–13, 15–17).

the prohibition from carrying out the suspicious transaction until the obligation is fulfilled (standard n. 18), as well as by the duty to cooperate with competent authorities by providing them, at their request, with all necessary additional information which could be of help in a money laundering investigation (standard n. 14).

The procedures for reporting suspicious transactions vary widely (in terms of timing and methods²³⁸) and so do the circumstances under which an STR should be made: some Member States, for example, require all transactions above a certain threshold be reported, regardless of whether or not they raise suspicions of money laundering or terrorist financing.

Most of the emphasis seems to be upon identifying and reporting suspicious transactions rather than unusual ones (in relation to which supranational standards impose a special attention duty – standard n. 11): even if some States establish a separate provision for suspicious and unusual transactions, in the majority of cases it appears that they are treated as if they were equivalent and interchangeable. More clarity in this regard would be desirable. As the analysis shows, roughly half of EU Member States have availed themselves of the faculty of involving the self-regulatory bodies of some professions in the reporting process, by allowing the respective affiliated members to report suspicious transactions to the professional organization they belong to instead of reporting directly to the FIU (standard n. 13). These self-regulatory bodies have a duty to cooperate with the authorities and to promptly forward the STRs to them, often acting as a sort of filter in the reporting chain: this filtering activity basically consists of an assessment of the information received from the professional in order to ascertain whether such information falls under the legal privilege protection and, should this be the case, to block the report. The role of self-regulatory bodies in the reporting process is ambivalent: in fact it could be viewed either as a delaying factor of the process or as a safeguard for the confidentiality of privileged information.

An important corollary of the reporting obligation is the adoption of so called “safe harbour” provisions (standard n. 15): all national laws on money-laundering indeed include specific provisions indemnifying reporting professionals against legal action for breaches of confidentiality requirements imposed by law or contract. The protection covers any communication or disclosure in good faith of suspected money laundering or terrorist financing, even where the suspicions are later proved to be ill-founded: such a disclosure does not constitute an infringement of the duty of professional secrecy, the latter being lifted for the sake of the public interest in combating crime, justifying a breach of confidence. The reporting of suspicious transactions thus takes precedence over client confidentiality considerations. The same protection of the reporting professional from any kind of liability applies also in relation to the suspension of the transaction

²³⁸ Competent authorities have often arranged standard disclosure forms to be filled in: even if their use is not mandatory, these forms are the preferred format for reporters to submit a disclosure and may assist both the reporters, in ensuring that the report's content is appropriate, and the FIU, in making efficient use of the material for intelligence purposes.

and/or the freezing of accounts subsequent to the report of the suspicious transaction.

Another key aspect of the reporting system which is largely present in the legislation of EU Member States is the prohibition of tipping-off (standard n. 16): such an offence will arise where disclosures are made likely to prejudice an investigation which might be conducted following a suspicious transaction report. In the vast majority of countries the professional is not then allowed to disclose to his/her client or to other third parties that a report has been transmitted to competent authorities or that a money laundering investigation is being carried out. Clearly, STRs would be of limited value to law enforcement if suspected money launderers were tipped off while being monitored. As a consequence, the conflict between the ban on tipping-off and the right of the customer to be told about any information held about him/her is resolved in favour of the former: the fight against money laundering is deemed to have priority and overrides personal data protection and privacy issues.

In order to facilitate the effective implementation of the reporting regime, consideration should be given to the problem that professionals who report a suspicious transaction or activity may be at risk of losing business or real physical harm, if the fact that they have made an STR is revealed to a client or a third party: they may consequently keep themselves from reporting for fear of the negative effects which could stem from their compliance with the obligation. For the purpose of overcoming such reluctance, many countries provide for the adoption of adequate forms of protection of the reporting person from threats or hostile action (standard n. 19): this goal is generally achieved by imposing on authorities receiving the report an obligation of confidentiality in the handling of said report, that is by requiring them to guarantee the anonymity of the reporter. The identity of the reporting subject shall not be disclosed (unless a disclosure is required by a court order in the course of a judicial proceeding) and the information received shall be kept confidential. Where the protection of the reporter is not prescribed in explicit terms, it could be indirectly inferred from those provisions permitting the use of disclosed information only in connection with a money laundering/terrorist financing investigation or for other purposes established by law. The greater the protection afforded to the reporting entities against risks of reprisals (that is serious commercial and physical harm), the stronger their confidence in the disclosure system and the more willing they will be to cooperate with the public authorities.

As has been anticipated above, the reporting obligation is the most controversial element of the anti-money laundering regime: this is especially true with regard to the application of such an obligation to legal professionals, which seems to be an issue of concern. In fact, this obligation deeply affects the relationship between the lawyer and the client, a relationship traditionally built on confidentiality: by requiring a lawyer to become an informer and to act on behalf of the State, the reporting duty breaks the principle of trust with the client, which the legal profession considers of paramount importance, and undermines the lawyer/client

relationship, thus endangering also the public's confidence in the legal system.²³⁹

However, it is important to highlight that the reporting obligation is not an absolute one: special provisions are adopted for legal professionals to acknowledge their peculiar position as trusted advisers. Actually, almost all Member States have opted for the flexibility provided by supranational standards to exempt lawyers from the reporting obligation in situations subject to legal privilege (standard n. 17), so that the core of the legal profession is still safeguarded from intrusion from the authorities. Lawyers are subjected to the reporting obligation only to the extent that they arrange, in the name and on behalf of their clients, certain financial, real estate and corporate related activities: this means that the obligation applies to legal professionals exclusively where they offer financial services to their clients, without providing any legal advice or acting in respect of litigation. There is thus a clear-cut distinction between financial services and legal services. Information received in privileged circumstances, that is information collected by the professional while assessing the legal position of the client or defending him/her within a judicial proceeding, is exempted from the reporting requirement and remains covered by professional secrecy. The legal privilege exception can only be overridden where the information is given with the intention of furthering a criminal purpose. In this way, the lawyer-client privilege and secrecy duties seem to have generally been taken into account.

These features differentiate the legal professions from other liberal professions, since for the latter, anti-money laundering obligations are generally applied in the exercise of their entire professional activity, not only in specific circumstances. Anyway, notwithstanding the legal privilege exemption, lawyers still believe that the reporting obligation is inappropriate, as it contradicts the fundamental rights of citizens and the role of the legal profession and they are badly placed for intelligence gathering as regards financial transactions.

The effectiveness of the reporting system also depends on the subjective perception of professionals of the usefulness and proportionality of the obligation: the hostility shown by some professionals towards the reporting

²³⁹ It is worth noting that, given the special circumstances surrounding the legal profession, the Second Directive on money laundering required the Commission of the European Communities to carry out a particular examination of aspects relating to the specific treatment of lawyers and other independent legal professionals. The Commission undertook this examination in the autumn of 2005 and conducted a study about the impact of anti-money laundering regulation to such professionals. The results of this study have been recently released with a Commission staff working document (European Commission, 2006). See, for example, at pp. 11–12: *"Lawyers (and also notaries) are no longer 'safe harbours' for clients as the information they transmit to the legal professional in the context of their professional relationship may be disclosed to the public authorities in certain circumstances [...] Since the process leading to the adoption of Directive 2001/97/EC began, they have repeatedly expressed the view that the reporting obligation runs contrary to the essence of the profession and presents ethical problems. Indeed, they consider that the reporting obligation is in conflict with the fundamental rights of the EU citizens to consult a lawyer in full confidentiality, without the lawyer reporting on them to government authorities. They consider that this has a negative impact on the citizen's access to justice. As a result, they are of the view that the reporting obligation should be removed"*.

requirement can thus have a negative impact on the implementation of the anti-money laundering regime and can be one of the main reasons for the negligible number of STRs submitted by professionals, notably compared to the reports made by financial institutions. As far as legal professionals are concerned, the low number of reports may reflect a tension between their reporting obligation and traditional lawyer-client privilege and the extensive interpretation of the legal privilege exception is indicative of a basic discomfort with the reporting function.

It is beyond the scope of this paper to further address the implications that mandatory reporting measures will have on solicitor-client privilege. It could just be suggested that the exemptions for legal privilege provided for by the majority of EU Member States domestic laws could be considered as an attempt at striking a balance and reconciling contradictory values: on the one hand the reporting obligation consciously violates the principle of professional privilege in the name of the public interest (that is, the fight against organized crime²⁴⁰); on the other hand, as far as possible it respects it, by introducing an exclusion in the form of an exemption for lawyers providing legal advice.

The low level of reporting from professional service providers raises significant questions, but at this stage it is only possible to make assumptions and speculate as to why: the relevant legislation is new and largely untested, so there are few objective results one can work on and the ongoing impact and implementation of the regime is still unclear. Indeed, another reason which might explain the substantial lack of reporting by non-financial professions is the relative novelty of anti-money laundering obligations in these sectors: such obligations are quite new, having been introduced just recently for professional service providers, and the short period of application of the rules has not allowed for sufficient expertise in this regard. Time is needed in order that they fully apprehend these new obligations: in particular active outreach, training and awareness-raising activities (by authorities, professional organizations and supervisory bodies) are required to improve the quantity and quality of the reporting.²⁴¹

²⁴⁰ In fact, alongside the interests of the client, legal professionals must also take account of their social responsibilities. See on this point Vrije Universiteit (2003: 57): *"The issue of professional/client confidentiality should be challenged in the light of the changing role that lawyers and notaries play in society. Absolute confidentiality seems to be clearly disproportionate in some circumstances. Although legal confidentiality is and should remain a fundamental right, mechanisms should be put in place to ensure that lawyers and notaries are accountable and that their dishonest clients cannot abuse confidentiality as a shield to their wrongdoing"*.

²⁴¹ A Commission working document (European Commission, 2006) mentioned above suggests other concurring reasons for factors which seem to have an adverse impact on the rate of reporting (especially) from independent legal professionals. Among them are practical difficulties in applying the rules, stemming from a certain ambiguity (due to lack of clarity and legal certainty) in the interpretation of the law. The main difficulties experienced relate to the recognition of suspicious transactions, the delimitation of the legal privilege and the behaviour to adopt with the client after having submitted a report (where lawyers find themselves in the difficult situation of trying to carry on the normal duties and relationship with clients without committing a tipping-off offence). The document also provides an explanation for the different (high) figures of STRs in the UK, which could be attributable to a precautionary and defensive attitude on the part of professionals, due to

Table 14.3 below sums up the main findings of the above analysis.

the severe penalties foreseen by the legislation in case of non reporting and to a committed enforcement policy from the authorities.

TABLE 14.3 DEGREE OF COMPLIANCE OF MSS' REGULATION WITH SUPRANATIONAL STANDARDS ON SUSPICIOUS TRANSACTION REPORTING

	11. attention to unusual transactions	12. duty to file an STR	13. STR to self-regulatory bodies	14. information to authorities on request	15. no liability if STR in good faith	16. no tipping-off	17. exemption for privileged information	18. duty to refrain from acting if STR not submitted	19. protection from threats/hostile actions
AUSTRIA	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
BELGIUM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
BULGARIA	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
CYPRUS	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes
CZECH REP.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DENMARK	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
ESTONIA	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
FINLAND	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
FRANCE	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
GERMANY	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No
GREECE	No	Yes	No	Yes	Yes	Yes	Yes	No	Yes
HUNGARY	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
IRELAND	No	Yes	No	No	Yes	Yes	Yes	No	Yes
ITALY	No	Yes	No	Yes	Yes	Yes	Yes	No	Yes
LATVIA	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes
LITHUANIA	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
LUXEMBOURG	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
MALTA	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
POLAND	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
PORTUGAL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
ROMANIA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SLOVAKIA	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
SLOVENIA	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
SPAIN	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SWEDEN	No	Yes	No	Yes	Yes	Yes	Yes	No	Yes
THE NETHERLANDS	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a

14. National Measures aimed at Deterring and/or Punishing Professional Service Providers Who Aid and Abet/Facilitate Corporate Money Laundering/Terrorist Financing Arrangements

UK	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
----	-----	-----	----	-----	-----	-----	-----	-----	-----

LEGENDA:

Yes = existence of the standard in the MS regulation

No = absence of the standard in the MS regulation

N/a = data not available

D) SPECIAL PROGRAMMES²⁴²

All EU Member States include in their legislation the provision where professionals must adopt appropriate measures for the prevention of money laundering (standard n. 20). Following is an overview of the most common measures provided for by the national laws on money laundering.

- *the conduct of ongoing training programmes* to ensure that employees receive necessary information about money laundering and terrorist financing risks and are familiar with the requirements of the law. These programmes should be aimed at educating personnel whose duties include the handling of relevant financial business in the current laws and regulations concerning money laundering, in the procedures that the institution has in place to prevent it, in the recognition and processing of suspicious transactions. This goal could be achieved, for example, by periodically organizing training sessions whose attendance for staff is mandatory, in order to enable them to discharge their responsibilities on a day-to-day basis. Training may also be provided by using a

²⁴² For the analysis of this standard the following are the relevant materials which have been consulted. For Belgium: FATF (2005: 144–145); artt. 9, 10 of Law of 11 January 2003 on preventing use of the financial system for purposes of laundering money and terrorism financing, as amended by Law of 12 January 2004. For Bulgaria: art. 16 of Law on measures against money laundering of 24 July 1998, last amended on 21 July 2006. For Cyprus: Moneyval (2006: 139–142); artt. 58, 67 of The prevention and suppression of money laundering activities law No. 185/2004. For Czech Republic: art. 9 of Act No. 61/1996 Coll. on some measures against the legalisation of the proceeds of crime (with amendments). For Denmark: FATF (2006c: 154); art. 25 of Act No. 117/2006 on measures to prevent money laundering and financing of terrorism. For Estonia: sections 13–14 of the Money laundering and terrorist financing prevention act of 3 December 2003. For Finland: Finnish National Bureau of Investigation (n.d.: 13). For Germany: section 14 of Act on the improvement of the suppression of money laundering and combating the financing of terrorism of 8 August 2002. For Hungary: Moneyval (2005: 81–82); sections 8, 11 of Act XV of 2003 on the prevention and combating of money laundering. For Ireland: FATF (2006d: 122–125); section 32 of Criminal Justice Act 1994 (with amendments). For Italy: FATF (2006e: 87); art. 8 of Legislative Decree No. 56/2004. For Latvia: section 20 of Law of 18 December 1997 on the prevention of the laundering of proceeds derived from criminal activity, as amended by Law of 18 December 2003. For Lithuania: art. 15 of Law on prevention of money laundering No. VIII–275/1997 as amended by Law No. IX–1842/2003. For Luxembourg: art. 4 of Law of 12 November 2004 on the fight against money laundering and against the financing of terrorism. For Malta: regulations 3, 10 of Legal Notice No. 199/2003 (Prevention of money laundering and funding of terrorism regulations), as amended by Legal Notice No. 42/2006. For Poland: art. 28 of Law of 16 November 2000 on counteracting introduction of property values originating from illegal or undisclosed sources to financial transactions and on counteracting financing of terrorism (with 2004 amendments). For Portugal: FATF (2006b: 122, 125); art. 11 of Law No. 11/2004 establishing the regime for prevention and repression of the laundering of unlawful proceeds, as amended by law No. 27/2004. For Romania: artt. 14, 15, 16 of Law No. 656/2002 on the prevention and sanctioning of money laundering and on the initiation of measures for the prevention and fighting against terrorist activities, as amended by Law No. 36/2006. For Slovakia: Moneyval (2006a: 115); section 6 of Act No. 367/2000 on protection against legalisation of incomes from illegal activities, as amended by Act No. 445/2002. For Slovenia: Moneyval (2005a: 121); art. 12 of Law on the prevention of money laundering (changes and amendments) No. 59/2002. For Spain: FATF (2006f: 131–132); artt. 11, 12, 14 of Royal Decree No. 925/1995 approving the Regulations to Law No. 19/1993 concerning specific measures to prevent money laundering, as amended by Royal Decree No. 54/2005. For Sweden: FATF (2006g: 126–127); section 13 of Act on measures against money laundering No. 768/1993 as amended by Act No. 1182/2004. For UK: Alexander (2004: 88–90); Rhodes and Palastrand (2004:14); regulations 3, 7 of Statutory Instrument No. 3075/2003 (The money laundering regulations 2003).

combination of other tools, such as electronic learning resources, video presentations and staff manuals. Comprehensive records should then be retained of training given. Training is an essential component of a successful anti-money laundering strategy: in fact, one of the most important controls over the prevention and detection of money laundering is to have staff who are alert to the risks of money laundering/terrorist financing, well aware of their obligations and adequately trained in the identification and handling of suspicious transactions and activities.

- *the establishment of internal control procedures* over the performance of anti-money laundering duties, for example by the designation of an internal control unit within the organization which has a duty to prepare an annual report, delivered to the FIU regularly, which shows the progress and developments over the year in respect of money laundering compliance and the adequacy of the resources available to meet anti-money laundering obligations. In many EU Member States, the law provides for the appointment of a person responsible for the fulfilment of such obligations (especially in larger firms): a money laundering compliance officer, charged with the task of organizing the implementation of measures for the prevention of money laundering (e.g. by providing anti-money laundering training and advice to staff) and of maintaining contacts with the FIU. This subject (a senior employee, for instance) is responsible for the oversight and development of the firm's anti-money laundering policies and procedures and should serve as a liaison with competent authorities.
- *the establishment of internal reporting procedures and records*: the money laundering compliance officer could also serve as a central point of reference for the reporting of suspicious transactions. He/she should then be entitled to receive internal reports from colleagues of suspected or known money laundering activities, to assess them and (if they are substantiated) to pass them on to the FIU by making an external report. It's essential to secure that the information contained in an internal report of suspicion transmitted to the money laundering compliance officer is forwarded to the FIU (after being analysed by him/her): to this end, adequate measures should be taken for the communication and centralization of information. In particular, a clear reporting chain should be established under which employees must report suspicions of money laundering to the designated unit in the form of an internal report: said unit is then required to consider the internal report in relation with all relevant information available to the firm and, if it justifies the suspicion, a suspicious transaction report must be reported to the FIU without delay. Reporting lines should be as short as possible, with the minimum number of people between the reporting employee and the officer, in order to ensure speed, confidentiality and accessibility to the compliance officer.
- *the establishment of a client acceptance policy*, that is a policy for taking on new clients, which should include a description of the type of client who represents a major threat on the basis of money laundering risk.

- *the implementation of staff selection procedures*, that is screening procedures when hiring employees to ensure that personnel authorized to execute financial transactions is trustworthy.
- *the conduct of an audit* of internal control and reporting procedures by an outside expert.

Table 14.4 below sums up the main findings of the above analysis.

TABLE 14.4 DEGREE OF COMPLIANCE OF MSs' REGULATION WITH SUPRANATIONAL STANDARDS ON SPECIAL PROGRAMMES

	20. ML preventive measures
AUSTRIA	Yes
BELGIUM	Yes
BULGARIA	Yes
CYPRUS	Yes
CZECH REP.	Yes
DENMARK	Yes
ESTONIA	Yes
FINLAND	Yes
FRANCE	N/a
GERMANY	Yes
GREECE	Yes
HUNGARY	Yes
IRELAND	Yes
ITALY	Yes
LATVIA	Yes
LITHUANIA	Yes
LUXEMBOURG	Yes
MALTA	Yes
POLAND	Yes
PORTUGAL	Yes
ROMANIA	Yes
SLOVAKIA	Yes
SLOVENIA	Yes
SPAIN	Yes
SWEDEN	Yes
THE NETHERLANDS	N/a
UK	Yes

LEGENDA:

Yes = existence of the standard in the MS regulation

No = absence of the standard in the MS regulation

N/a = data not available

E) SANCTIONS²⁴³

Sanctions for violations of anti-money laundering obligations are provided for by all national laws (standard n. 21): usually they are administrative sanctions (e.g. fines), unless a more severe punishment is incurred under the criminal law (imprisonment) for major infringements. Disciplinary sanctions are applied as well, where there are self-regulatory bodies empowered to impose them on their members: such penalties range from a simple reprimand to disbarment.

Table 14.5 below sums up the main findings of the above analysis.

²⁴³ For the analysis of this standard the following are the relevant materials which have been consulted. For Belgium: FATF (2005: 145–152); artt. 22, 23 of Law of 11 January 2003 on preventing use of the financial system for purposes of laundering money and terrorism financing, as amended by Law of 12 January 2004. For Bulgaria: artt. 23, 24 of Law on measures against money laundering of 24 July 1998, last amended on 21 July 2006. For Cyprus: Moneyval (2006: 142–145); art. 58 of The prevention and suppression of money laundering activities law No. 185/2004. For Czech Republic: artt. 10, 12, 13 of Act No. 61/1996 Coll. on some measures against the legalisation of the proceeds of crime (with amendments). For Denmark: art. 37 of Act No. 117/2006 on measures to prevent money laundering and financing of terrorism. For Estonia: section 26 of the Money laundering and terrorist financing prevention act of 3 December 2003. For Finland: Finnish National Bureau of Investigation (n.d.: 18); sections 16, 16a of Act No. 68/1998 on preventing and clearing money laundering, as amended by Act No. 365/2003. For Germany: section 17 of Act on the improvement of the suppression of money laundering and combating the financing of terrorism of 8 August 2002. For Hungary: Moneyval (2005: 82–83). For Ireland: FATF (2006d: 120, 125, 126); sections 32, 57 of Criminal Justice Act 1994 (with amendments). For Italy: FATF (2006e: 88–89); art. 7 of Legislative Decree No. 56/2004. For Lithuania: art. 19 of Law on prevention of money laundering No. VIII–275/1997 as amended by Law No. IX–1842/2003. For Luxembourg: art. 9 of Law of 12 November 2004 on the fight against money laundering and against the financing of terrorism. For Malta: regulation 3 of Legal Notice No. 199/2003 (Prevention of money laundering and funding of terrorism regulations), as amended by Legal Notice No. 42/2006. For Poland: artt. 35, 36, 37, 37a of Law of 16 November 2000 on counteracting introduction of property values originating from illegal or undisclosed sources to financial transactions and on counteracting financing of terrorism (with 2004 amendments). For Portugal: FATF (2006b: 123–125); artt. 34, 45, 46, 47, 50, 51 of Law No. 11/2004 establishing the regime for prevention and repression of the laundering of unlawful proceeds, as amended by law No. 27/2004. For Romania: artt. 21, 22, 24 of Law No. 656/2002 on the prevention and sanctioning of money laundering and on the initiation of measures for the prevention and fighting against terrorist activities, as amended by Law No. 36/2006. For Slovakia: Moneyval (2006a: 116); section 13 of Act No. 367/2000 on protection against legalisation of incomes from illegal activities, as amended by Act No. 445/2002. For Slovenia: Moneyval (2005a: 125); artt. 45, 46, 47, 48 of Law on the prevention of money laundering (changes and amendments) No. 59/2002. For Spain: FATF (2006f: 135); artt. 17, 18 of Royal Decree No. 925/1995 approving the Regulations to Law No. 19/1993 concerning specific measures to prevent money laundering, as amended by Royal Decree No. 54/2005. For Sweden: FATF (2006g: 128–135); section 14 of Act on measures against money laundering No. 768/1993 as amended by Act No. 1182/2004. For UK: regulation 3 of Statutory Instrument No. 3075/2003 (The money laundering regulations 2003).

TABLE 14.5 DEGREE OF COMPLIANCE OF MSs' REGULATION WITH SUPRANATIONAL STANDARDS ON SANCTIONS

	21. sanctions for non-compliance
AUSTRIA	Yes
BELGIUM	Yes
BULGARIA	Yes
CYPRUS	Yes
CZECH REP.	Yes
DENMARK	Yes
ESTONIA	Yes
FINLAND	Yes
FRANCE	N/a
GERMANY	Yes
GREECE	Yes
HUNGARY	Yes
IRELAND	Yes
ITALY	Yes
LATVIA	Yes
LITHUANIA	Yes
LUXEMBOURG	Yes
MALTA	Yes
POLAND	Yes
PORTUGAL	Yes
ROMANIA	Yes
SLOVAKIA	Yes
SLOVENIA	Yes
SPAIN	Yes
SWEDEN	Yes
THE NETHERLANDS	N/a
UK	Yes

LEGENDA:

Yes = existence of the standard in the MS regulation

No = absence of the standard in the MS regulation

N/a = data not available

F) SUPERVISION BY COMPETENT AUTHORITIES²⁴⁴

The majority of Member States seem to have provided for some form of control on professionals with respect to their compliance with anti-money laundering obligations (standard n. 22), even if the regulation of the monitoring function differs widely from State to State, as many subjects are involved in the performance of such function: the FIUs, the professional associations or chambers (self-regulatory organizations), the police or other government bodies, sometimes several of these entities together.

One of the novelties introduced by the Third Directive on money laundering is the inclusion in its subjective scope of trust and company service providers, in consideration of the need to cover all subjects whose activities consist in giving advice and assisting in the conduction of corporate businesses (identified as exposed to misuse for money laundering purposes). As the analysis shows, few Member States have provided for a licensing/registration regime for trust and company service providers in order to operate their business legally (standard n. 23): this could be partially explained, apart from the fact that the Directive still has to be transposed into national law, with the consideration that in many countries a separate

²⁴⁴ For the analysis of this standard the following are the relevant materials which have been consulted. For Belgium: FATF (2005: 145-152); art. 21 of Law of 11 January 2003 on preventing use of the financial system for purposes of laundering money and terrorism financing, as amended by Law of 12 January 2004. For Bulgaria: artt. 3a, 17 of Law on measures against money laundering of 24 July 1998, last amended on 21 July 2006. For Cyprus: Moneyval (2006: 142-145); art. 60 of The prevention and suppression of money laundering activities law No. 185/2004. For Czech Republic: art. 8 of Act No. 61/1996 Coll. on some measures against the legalisation of the proceeds of crime (with amendments). For Denmark: FATF (2006c: 154-156); artt. 31, 32, 33 of Act No. 117/2006 on measures to prevent money laundering and financing of terrorism. For Estonia: section 19 of the Money laundering and terrorist financing prevention act of 3 December 2003. For Finland: section 5 of Act No. 68/1998 on preventing and clearing money laundering, as amended by Act No. 365/2003. For France: Tracfin (2005: 32-33). For Germany: section 16 of Act on the improvement of the suppression of money laundering and combating the financing of terrorism of 8 August 2002. For Hungary: Moneyval (2005: 82-83); section 13 of Act XV of 2003 on the prevention and combating of money laundering. For Ireland: FATF (2006f: 125-127); section 57 of Criminal Justice Act 1994 (with amendments). For Italy: FATF (2006e: 88-89); art. 5 of Legislative Decree No. 56/2004. For Latvia: sections 22, 23, 24, 26 of Law of 18 December 1997 on the prevention of the laundering of proceeds derived from criminal activity, as amended by Law of 18 December 2003. For Lithuania: artt. 3, 4, 5 of Law on prevention of money laundering No. VIII-275/1997 as amended by Law No. IX-1842/2003. For Malta: regulations 1, 5 of Legal Notice No. 199/2003 (Prevention of money laundering and funding of terrorism regulations), as amended by Legal Notice No. 42/2006. For Poland: artt. 4, 21, 22 of Law of 16 November 2000 on counteracting introduction of property values originating from illegal or undisclosed sources to financial transactions and on counteracting financing of terrorism (with 2004 amendments). For Portugal: FATF (2006b: 125-128); art. 32 of Law No. 11/2004 establishing the regime for prevention and repression of the laundering of unlawful proceeds, as amended by law No. 27/2004. For Romania: art. 17 of Law No. 656/2002 on the prevention and sanctioning of money laundering and on the initiation of measures for the prevention and fighting against terrorist activities, as amended by Law No. 36/2006. For Slovakia: Moneyval (2006a: 116-117); section 11a of Act No. 367/2000 on protection against legalisation of incomes from illegal activities, as amended by Act No. 445/2002. For Slovenia: Moneyval (2005a: 122-125); artt. 30, 41, 42, 43, 44 of Law on the prevention of money laundering (changes and amendments) No. 59/2002. For Spain: FATF (2006f: 133-136); art. 28 of Royal Decree No. 925/1995 approving the Regulations to Law No. 19/1993 concerning specific measures to prevent money laundering, as amended by Royal Decree No. 54/2005. For Sweden: FATF (2006g: 128-135). For UK: regulation 26 of Statutory Instrument No. 3075/2003 (The money laundering regulations 2003).

business sector for trust and company service providers has not been identified, meaning that these subjects do not exist as a separate category, and their services can be supplied by other professionals (such as lawyers or accountants). In this latter case, however, anti-money laundering obligations are applicable to professionals offering their services if the said persons fall into the categories subjected to the anti-money laundering regime.

As far as casinos are concerned, it is common knowledge that the gambling business is particularly vulnerable to the risks of possible money laundering and terrorist financing: to manage these risks, a considerable number of Member States have adopted stringent measures to prevent money laundering in gambling establishments (standards n. 24, 25). Where casinos are not prohibited by law (such as in Cyprus and in Ireland, where they are illegal and therefore their establishment is not allowed), they are subjected to strict licensing requirements, being authorized to operate only on concession: casinos can exercise their business only after obtaining a license and it is not unusual that before the license is issued background checks are carried out to screen out applicants with criminal associations (so called “fit and proper” checks, in order to prevent criminals or otherwise unsuitable persons from being employed). Internet casinos are usually not allowed (casinos must then conduct their business in a physical location), the total number of authorized casinos is limited and licensed casinos are subjected to a severe monitoring and regulatory regime. This includes permanent oversight by a competent authority, the adoption of internal security measures by casino operators (like mandatory video surveillance) and strict identification requirements.

Table 14.6 below sums up the main findings of the above analysis.

TABLE 14.6 DEGREE OF COMPLIANCE OF MSS' REGULATION WITH SUPRANATIONAL STANDARDS ON SUPERVISION BY COMPETENT AUTHORITIES

	22.monitoring and checks	23.licensing/registration of TCSPs	24.licensing/registration of casinos	25.regulation and supervision of casinos
AUSTRIA	Yes	No	Yes	Yes
BELGIUM	Yes	No	Yes	Yes
BULGARIA	Yes	No	Yes	Yes
CYPRUS	Yes	No	No	No
CZECH REP.	Yes	No	Yes	Yes
DENMARK	Yes	Yes	Yes	Yes
ESTONIA	Yes	No	Yes	Yes
FINLAND	N/a	N/a	N/a	N/a
FRANCE	Yes	No	No	No
GERMANY	N/a	N/a	N/a	N/a
GREECE	N/a	N/a	N/a	N/a
HUNGARY	Yes	No	Yes	Yes
IRELAND	N/a	N/a	N/a	N/a
ITALY	Yes	No	Yes	No
LATVIA	Yes	No	Yes	Yes
LITHUANIA	Yes	No	Yes	Yes
LUXEMBOURG	Yes	Yes	Yes	Yes
MALTA	Yes	No	Yes	Yes
POLAND	Yes	No	No	No
PORTUGAL	Yes	Yes	Yes	Yes
ROMANIA	Yes	Yes	Yes	Yes
SLOVAKIA	No	No	Yes	Yes
SLOVENIA	Yes	No	Yes	Yes
SPAIN	Yes	No	Yes	Yes
SWEDEN	No	No	Yes	Yes
THE NETHERLANDS	N/a	N/a	N/a	N/a
UK	Yes	No	No	No

LEGENDA:

Yes = existence of the standard in the MS regulation

No = absence of the standard in the MS regulation

N/a = data not available

Summing up the overall findings of this section, one may conclude that significant improvements in the anti-money laundering regime have been reached in EU Member States, whose current framework is extensive and mature and achieves a good degree of compliance with EU and FATF standards for each of the six categories into which these standards have been grouped. All Member States have transposed the Second Directive on money laundering and many of them are in the process of further reviewing their legislation for the purpose of transposing the Third Directive.

Generally speaking, the analysis shows a satisfactory degree of conformity of EU Member States' domestic legislation with the main supranational standards: even though the extent of anti-money laundering obligations sometimes varies from country to country, national laws seem to directly transpose the language of the FATF and EU standards and to stick to the wording of the relevant supranational documents enshrining such standards. National legislation in some countries may also go beyond the provisions of the FATF Recommendations and of the EU Directive in terms of personal and material scope, insofar as it covers professions and activities other than those required.

Since both the EU and the FATF have recently embarked on a revision of anti-money laundering standards (with particular regard to their extension to professional service providers), the competent authorities of many States decided to wait until the outcome of this reform was clear before making any changes to their national legislation, in order to update it and incorporate the new features of the revised standards. At the time of writing, this process is still underway, therefore the results of this Study have to be understood as being necessarily temporary.²⁴⁵

14.2.2 Obstacles and best practices in the implementation of the current MS regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

This section deals with obstacles and best practices in the implementation of MSs' anti-money laundering regulation for professionals analysed in the previous section.

It is first important to note that in the majority of cases it's premature to fully assess the implementation of the anti-money laundering measures regarding professionals, as they have been put in place only recently (as opposed to financial institutions, subjected to the anti-money laundering regime long ago). Suffice to say that the transposition process of the Second Directive took place in some countries with considerable delay. This has resulted in the period of application of its rules being too short to perform a thorough assessment of the implementation of the related national regulation.

Obstacles in the implementation of the current MS regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

The main obstacles in the implementation of MSs' anti-money laundering regulation for professionals are as follows.

Out of the six categories into which national measures were grouped in the previous section (i.e. A) customer identification; B) record - keeping; C)

²⁴⁵ To date, only Denmark, Bulgaria and Romania (the latter partially) have already implemented the Third Directive on money laundering. Legislative drafting work is ongoing in almost all other States: implementing laws will be enacted and enter into force in coming months.

suspicious transaction reporting; D) special programmes; E) sanctions; F) supervision by competent authorities), supervision by competent authorities is the category which appears to be the most problematic as far as implementation is concerned, due to a variety of factors:

- *not all professionals subject to anti-money laundering obligations are, in practice, supervised*: in several countries, many professionals covered by anti-money laundering legislation don't have necessarily to be members of professional chambers or associations, therefore they are not subject to monitoring and supervision. For example, in Sweden only some legal professionals are organized and regulated: there is no supervision with regard to those lawyers who are not advocates (that is, legal professionals who are not members of the Bar Association); the same applies to accountants who are not registered by the Supervisory Board of Public Auditors. In other MSs, instead, no authority has been designated with monitoring functions with regard to compliance with anti-money laundering requirements. This is the case in Slovakia, where the supervisory and enforcement structures for designated non financial businesses and professions are essentially missing, as well as in Cyprus, where supervisory authorities have not yet been appointed for certain categories of professionals (namely, real estate agents, dealers in precious metals and dealers in precious stones, trust and company service providers);
- *not all self-regulatory bodies have anti-money laundering supervisory competence*: even where professionals are organized into professional associations, the latter do not always have the authority to exercise monitoring functions with regard to compliance with anti-money laundering obligations. For example, in Italy professional organizations have not been invested with supervisory powers to this regard;
- *self-regulatory bodies are often affected by a lack of resources to monitor compliance with anti-money laundering obligations*: where an oversight role exists, monitoring bodies do not have sufficient resources to perform this function. The lack of adequate resources is a problem common to many EU Member States: this problem has emerged in, among others, Belgium, Slovenia, Hungary, Cyprus, Portugal, Spain, Ireland, Denmark. Supervisory authorities are often understaffed, especially given the large number of subjects to supervise; the self-regulatory bodies of several non-financial professions do not have actual means to verify whether their members respect the relevant obligations. Human, technical and financial resources seem generally insufficient and inadequate;
- *monitoring is more often incident-related or occasional, rather than systematic*: the supervisory authorities of the non-financial sector seem to prefer an indirect and reactive way of supervision, limited to off-site inspections and only for suspicious cases (for example as a consequence of a complaint). This approach to supervision can be found, for instance, in Sweden, Lithuania and Slovenia.

The obstacles in the implementation of MSs' anti-money laundering regulation on supervision highlighted above also often negatively affect the sanctions category, where the obstacles to the implementation of the related regulation are as follows:

- *not all professionals have a designated body to impose sanctions for infringements of anti-money laundering obligations:* lack of supervision results in lack of sanctioning, so the sanctions regime remains theoretical given the absence or insufficiency of monitoring powers. See, for example, Cyprus, where no authority has been specified to apply sanctions on most designated non financial businesses and professions. Nor also Ireland, where regulatory authorities and/or self-regulatory bodies haven't been empowered to apply sanctions for non compliance with anti-money laundering requirements;
- *not all the obligations set forth in anti-money laundering legislation include a sanction, or only a limited range of sanctions is available:* sometimes the duties imposed upon professionals are not assisted by the dissuasive power of a sanction for their violation (such as in Denmark, where not all the obligations set forth in the money laundering act are covered by a sanction) or there's a limited range of sanctions to enforce compliance (as in Denmark and Ireland);
- *there is sometimes a lack of implementation of the foreseen sanctions:* even where there is a sound sanctioning system in place, the tardiness or the complete lack of application of the existing sanctioning system calls into question their overall effectiveness. For example, in Sweden, Cyprus and Portugal sanctions for infringements of anti-money laundering obligations are provided for and appear to be sufficiently proportionate, but they have not been imposed yet and this casts some doubts on their effective application.

Another obstacle which has been noticed in different countries and which may hamper the successful implementation of anti-money laundering measures is the negative attitude of some professionals towards the obligations imposed upon them. Particularly,

- *there is a negative perception, especially by legal professionals, of the reporting obligation, seen as a violation of the relationship of absolute secrecy and confidentiality between the citizen looking for legal advice and the lawyer.*²⁴⁶ As this relationship is essentially based on trust, if

²⁴⁶ Professional organizations all over Europe have protested against what they consider as an obligation on lawyers "to spy on their clients". In Poland, the uncertainty about whether and to what extent professionals could claim professional privilege has given rise to a challenge to the money laundering legislation in the Constitutional Court: the Polish Bar has submitted a motion to determine the consistency of certain provisions with the Constitution, alleging that the inclusion of advocates under the obligation to disclose information about a client is a violation of constitutional rules and rights, in particular of a fundamental principle of their profession, that is the trust between advocate and client.

In Belgium, the 2004 law on money laundering was challenged before the *Cour d'Arbitrage* by the Belgian Bar Association: the challenge was against certain provisions of the Second Directive on money laundering about possible conflicts with the European Convention on Human Rights and it included a proposal for a preliminary reference to the European Court of Justice. In July 2005 the

clients cannot rely on the confidentiality of the affairs they disclose to their legal adviser, they will be less prone to reveal them or even reluctant to contact him/her, for fear of being the subject of a report to the authorities. As a consequence, lawyers tend to oppose professional secrecy against the reporting obligation as an excuse to avoid disclosing privileged information. Legal professionals maintain that the quasi-prosecutorial obligations imposed upon them and the consequent role of whistle-blowers they are compelled to take, run against the principles of their profession and are incompatible with its very essence. The reporting obligation, in fact, alters the professional's relationship of equidistance between the public authority and the client and, by upsetting this balance, places him/her in an unnatural position of subjection towards the former and policing towards the latter;

- *on a more general level, professionals tend to complain about the imposition upon them of excessive and disproportionate burdens.* The majority of professional firms are of small or medium size, therefore the adaptation of a regulation originally tailored to the reality of banks and financial institutions (whose organization is not comparable to that of professional firms), in their opinion, has been an unreasonable choice. The implementation of anti-money laundering measures entails significant changes in the organization of professional activities and implies certain costs, especially for smaller firms or individual practitioners (e.g. costs resulting from the setting up of electronic databases with customer information, the investment in equipment, the provision of training, the need for additional staff, the adoption of procedures of internal control and communication...). Thus the implementation of the newly introduced anti-money laundering obligations is costly and resource-intensive and has a considerable economic and administrative impact on the daily activity of many professionals: such obligations, initially developed for financial institutions, have been extended to non-financial professions without taking into account the specificities of the latter compared to those institutions. As a consequence, such professions call for tailored responses rather than one-size-fits-all solutions.²⁴⁷

Cour d'Arbitrage, in light of its doubts on the validity of the implementing law, has referred to the European Court of Justice the question of whether the Second anti-money laundering Directive, in including reporting obligations on lawyers, has violated the right to a fair trial (as the said obligation would prejudice the ability of the lawyer to represent his/her client properly). At the time of writing, the case is still pending.

In Greece, concern has also been expressed about the compatibility of domestic law with the European Convention on Human Rights.

²⁴⁷ It is a common view among professionals that policy-makers have overestimated their role in the fight against money laundering: the main risks relate to complex corporate or real estate transactions of a cross-border nature, activities in which only a minority of professional service providers are involved, differently from financial institutions, which are better placed and better suited to conducting this fight. Consequently, according to a large majority of professional service providers the risks should be better targeted by policy-makers and the legislative reply should be proportionate to the identified risks.

Lack of information available to professionals has often been indicated as a further obstacle in the implementation of the anti-money laundering regime to professionals, in many respects:

- *professionals cannot always count on guidelines regarding the anti-money laundering requirements they should comply with:* such deficiency is traceable in many EU Member States, e.g. in Slovakia, Slovenia, Sweden, Portugal, Spain and Denmark. The wording of the relevant pieces of legislation is often vague and imprecise and there are no texts describing the terms of application of the law: this leads to difficulty in understanding anti-money laundering obligations and jeopardises successful practical application of the anti-money laundering system;
- *even when some guidelines exist, these are inadequate:* the relatively recent introduction of anti-money laundering requirements for professionals has sometimes resulted in a process of drafting and approval of guidance notes on anti-money laundering issues, but the guidelines provided are not always sufficiently detailed. Moreover guidance is given only to some professionals while others are not covered. For example, in Ireland the guidance provided to professionals on anti-money laundering matters is not always wide and deep enough, while in Cyprus comprehensive guidelines have been issued for lawyers and accountants, but not for other professions. Besides, it's worth remembering that guidelines are not usually legally binding and sanctions cannot be directly imposed on professionals for failure to comply with them;
- *feedback to professionals on cases that they reported to the relevant authorities is generally lacking:* feedback to the professional who made a suspicious transaction report in relation to specific investigations opened as a result of said report is generally not provided at all by the appropriate authorities. This kind of information happens to be provided only in very few cases, such as for instance in Germany, where the public prosecutor should provide feedback to the reporting parties, or in Slovenia, where the reporting subject is notified in writing upon completion of the investigation. In other cases, such as in Denmark or in Spain, feedback is provided only exceptionally.

Other obstacles in the implementation of the anti-money laundering regime to professionals are as follows:

- *the so called dead loss excuse*, that is the fear of losing business by complying with anti-money laundering obligations (such concern has been highlighted, for example, with regard to Belgium). Some professionals are of the opinion that such obligations could have a detrimental impact in terms of competition: compliance with the rules may cause the attractiveness of the firm to diminish and to divert clients to laxer and complaisant professionals;
- *the difficulty in identifying the beneficial owner:* this difficulty is due to the fact that sometimes information required for the identification of

beneficial owners is less than information required for the identification of direct customers (without justifiable reasons). Absence of a clear reference to the identification of the beneficial owner, or the provision of fewer requirements for his/her identification, are a problem common to Bulgaria, Hungary, Cyprus, Ireland and Denmark;

- *the possibility to disclose the identity of the reporting person in legal proceedings*: this may negatively affect the confidence in (and therefore the effectiveness of) the reporting system (as is the case, among others, in Slovenia). Even where the anonymity of the reporting professional is guaranteed, it could not be enough to protect him/her from threats and hostile actions: the professional, in fact, is often the only person acquainted with the operation performed by the client, consequently tracing the identity of the reporting person becomes not only possible, but almost automatic.

Best practices in the implementation of the current MS regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

The main best practices in the implementation of MSs' anti-money laundering regulation for professionals are as follows.

The first set of best practices consists of the issue of model rules and directives providing professionals with guidance on the implementation of anti-money laundering obligations. In particular:

- *where they have been issued, guidelines have proved to be a best practice in the implementation of anti-money laundering regulation*: guidelines (issued by FIUs, self-regulatory bodies or government authorities), in fact, facilitate the understanding of the obligations imposed upon professionals by giving a practical interpretation of the law, including information on typologies susceptible to imply higher money laundering/terrorist financing risks, and therefore help improve the degree of implementation of anti-money laundering legislation. To quote just an example, see the money laundering guidance notes issued for accountants and auditors on the one hand, for lawyers on the other hand respectively by the Institute of certified public accountants and by the Bar association in Cyprus: these guidance notes deal with professional requirements in relation to the avoidance, recognition and reporting of money laundering and provide for members of the respective profession a highly detailed explanation of the obligations established by the relevant legislation;
- *particularly worthy of mention is the best practice consisting of the establishment of so called red-flag indicators*, i.e. indicators of suspicious transactions that should enable professionals to identify and detect them more easily. This practice includes the definition of typified potentially suspicious financial operations and of warning signs which

can indicate that a certain transaction might be linked to money laundering or terrorist financing activities;²⁴⁸

- *also worthy of mention is the best practice consisting of the preparation by FIUs, self-regulatory bodies or government authorities of up-to-date lists of non-cooperative countries and territories, that is countries and territories viewed as having critical weaknesses in their anti-money laundering systems, as well as instructions on how to proceed with requests to conduct transactions involving those jurisdictions;*
- *the publication of the text of anti-money laundering legislation on the websites of professional organizations and other regulatory bodies is another commendable practice;*²⁴⁹
- *the publication of divulgative articles in specialized journals and reviews is another best practice;*
- *another best practice consists of the creation of working groups and the conduct of regular meetings with professional organizations in order to discuss money laundering issues related to the work of the professions represented: in Germany, for example, the FIU has created a discussion working group together with the self-regulatory bodies of lawyers, notaries and other regulated professions, while in Hungary an annual meeting between the FIU and the Bar association is held, which primarily deals with reporting procedures and improvements thereto;*
- *the conduct of training programmes on a regular basis dealing with anti-money laundering issues is another best practice;*²⁵⁰

²⁴⁸ Risk indicators include, for example, the following:

- the size of the transaction is unusual and inconsistent with the normal business activities of the client;
- the pattern of transactions conducted by the client has changed suddenly and with no apparent justifiable reason;
- the transaction is international in nature and the client has no obvious reason for conducting business with the other country involved;
- business transactions involving suspect/blacklisted territories;
- difficulty in determining the identity of a potential new client;
- apparent structuring of transactions to avoid dealing with identification requirements or regulatory record-keeping and reporting thresholds;
- large/rapid movement of funds;
- transactions passed through intermediaries for no apparent business reason;
- atypical and apparently unnecessarily complex transactions.

The Italian and Belgian FIUs, for instance, have adopted lists like the one above: of course such lists are not exhaustive and are provided for indicative purposes only.

²⁴⁹ Almost all the websites of FIUs and self-regulatory organizations which have been consulted for this Study include a link to a dedicated section with the relevant anti-money laundering regulation.

²⁵⁰ Such programmes are generally undertaken by self-regulatory organizations all over the EU.

- *finally, a best practice in the implementation of the regulation is the establishment of advisory services aimed at providing information and clarifications on anti-money laundering issues on request. advice can be provided for example by means of helplines at the disposal of professionals where specific inquiries can be answered, like within the Danish Bar and Law Society and the Law Society of England and Wales.*

The second set of best practices regards the category supervision by competent authorities. In particular:

- *while supervision is generally the area where the greatest obstacles can be found as far as implementation of anti-money laundering obligations is concerned, in some cases these obstacles have been overcome by the best practice consisting of outsourcing the supervisory functions: given the large number of professionals subject to supervision and the practical difficulty in exercising effective monitoring over all of them, a good practice has proved to be the sharing of this function among different bodies.*

The third set of best practices in the implementation of MSs' anti money laundering regulation regards technology, which can be very useful for the practical implementation of anti-money laundering measures. In particular:

- *IT devices like the establishment of central databases or the possibility to make online STRs are a best practice in the implementation of anti money laundering regulation as they help to speed up and improve the collection and processing of data relevant for the fight against money laundering: see, to this regard, the establishment of a central database of all notarized transactions in Spain, or the setting up of an online procedure for filing STRs in France (so called *télé-déclaration*).*

Finally, other best practices in the implementation of MSs' anti money laundering regulation and related to the actors involved in the fight against money laundering include the following:

- *the establishment of extensive cooperation and coordination among supervisory authorities, materializing in meetings of technical experts held on a regular basis for the purpose of coordinating the drafting and issuing of directives to supervised entities and achieving a uniform approach in the implementation of preventive measures (as is the case in Cyprus);*
- *a close cooperation between public authorities and the private sector, for example resulting in a constant contact and feedback of the FIU with obliged entities (e.g. by means of liaison committees), which adds to the development of a positive attitude towards law enforcement. In Germany it is a legally standardised task of the FIU to cooperate with professions subject to the anti-money laundering act: this cooperation finds expression in the working group mentioned above, in a continuing communication between the FIU and the professions through the publication of a newsletter providing information on money laundering typologies and developments, and the establishment of an online information platform. In France this kind of cooperation and information*

exchange between the FIU and the professions is guaranteed by an *ad hoc* liaison committee. Also in the Czech Republic the FIU is constantly in contact with obliged entities and their associations;

- *the setting up of centralized bodies or advisory authorities for the prevention of money laundering, composed of representatives of both the public authorities and the private sector, as policy-makers on anti-money laundering issues:* see, for instance, the Centralized Body for the Prevention of Money Laundering for Notaries in Spain, a specific body established within the self-regulatory organization. See also the Advisory Authority for Combating Money Laundering set up in Cyprus, chaired by the head of the FIU and composed of representatives of different professions, which has the function of informing the Council of Ministers of the policy applied to money laundering issues and to advise it about additional measures which should be taken for a better implementation of the law.

14.2.3 Recommendations to the EU Commission

This section attempts to draw a set of recommendations likely to assist the EU Commission in taking the most appropriate actions at Community level aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements.

The following recommendations have been elaborated as a direct result of the above analysis and are aimed, in particular, at overcoming the highlighted obstacles in the implementation of national measures and at spreading the identified best practices.

Recommendation 1: inviting MSs to reorganize the anti-money laundering supervisory function of professionals

Background and rationale

The supervisory regime shows significant deficiencies across the EU Member States, owing to the fact that not all professionals subject to anti-money laundering obligations are monitored (as, for example, in Sweden, Slovakia and Cyprus), not all self-regulatory bodies have anti-money laundering supervisory competence (as in Italy), resources to perform supervision are often insufficient and inadequate (a problem common to Belgium, Slovakia, Hungary, Portugal, Spain, Ireland and Denmark) and competent authorities usually lack direct supervisory powers (as is the case in Sweden, Lithuania and Slovenia). Inadequate supervision of compliance by professionals with anti-money laundering obligations risks compromising the effectiveness of the overall preventive system. The outsourcing of the supervisory function could help overcome some of the difficulties faced by several EU Member States in the monitoring of professionals' compliance with anti-money laundering obligations.

Recommendation

Action should be taken at EU level to invite Member States to devote more effort to supervision.

National authorities are urged to designate supervisors for all professionals covered by anti-money laundering legislation and allocate additional resources to this end: supervision needs to be intensified and resources need to be increased, especially for professionals without state or professional supervision, so that competent bodies have adequate powers to inspect for compliance with anti-money laundering requirements.

Furthermore, a more proactive approach is needed in this regard, including the power to also perform on-site inspections. In general, it is recommended that national authorities undertake a sensible reorganization of the supervisory function, with particular regard to the outsourcing of said function and its sharing among different bodies.

Recommendation 2: inviting MSs to refine the sanctions regime for professionals infringing anti-money laundering obligations

Background and rationale

The sanctions regime is inadequate as not all professionals have a designated body to impose sanctions for infringements of anti-money laundering obligations (like, for example, in Cyprus or in Ireland), not all these obligations are covered by a sanction (as in Denmark and Ireland) and, where sanctions are provided for, they are not always applied (for example, in Sweden, Cyprus and Portugal). If anti-money laundering measures are not supported by the deterrent power of a sanction in case they are violated, their impact might be nullified.

Recommendation

Action should be taken at EU level to invite Member States to refine the sanctions for professionals for infringements of anti-money laundering obligations by a) setting up a designated body to impose sanctions; b) ensuring that a sanction is provided for the infringement of any anti-money laundering obligations; c) ensuring a more effective implementation of already existing sanctions.

Recommendation 3: inviting MSs to promote and raise among professionals awareness of their anti-money laundering obligations

Background and rationale

The hostility and reticence shown by some categories of professionals towards anti-money laundering obligations (hostility which has given rise to constitutional challenges to the domestic law on anti-money laundering in Belgium and Poland) leads to a lack of collaboration on their part and could be ascribed to the fact that – as these professionals have only recently been subject to such obligations – they are not yet sensitised to anti-money laundering issues. It's worth reminding that the effectiveness of the anti-money laundering measures largely depends on the subjective perception by professionals of said obligations.

Recommendation

Action should be taken at EU level to invite Member States to promote and raise among non-financial professionals awareness of their anti-money laundering obligations in order to overcome reluctance to fulfil them. This goal may be achieved by undertaking information campaigns directed at professionals to clarify their anti-money laundering obligations (especially with regard to the reporting obligation), intensifying sensitisation and formation activities, working together with the different sectors (via their professional associations for instance) and consulting with them on anti-money laundering matters. Raising awareness and developing a strong anti-money laundering culture may in fact lead to an increase of reports by professionals and to an overall enhanced cooperation with the authorities, thus contributing to a greater effectiveness of the system.

Recommendation 4: inviting MSs to provide professionals with more sector specific guidance on how to properly implement anti-money laundering obligations

Background and rationale

The extension of anti-money laundering obligations to the non-financial sector requires that the relevant sectors understand and are informed of their upcoming duties. Public authorities have done little to this regard: there are few implementation directives that clarify the specific obligations of professionals (similar to regulations and circulars for financial institutions – see, for example, the lack of guidelines noted in Slovakia, Slovenia, Sweden, Portugal, Spain and Denmark), and where guidelines have been provided they are not always sufficiently detailed and systematic (as in Ireland) or they do not cover all the professions (as in Cyprus). Besides, feedback to reporting professionals on the consequences of the STRs they made is usually not provided at all (if not in very few cases, as in Germany, or only sporadically, like in Denmark or in Spain).

Recommendation

Action should be taken at EU level to invite Member States to provide professionals with more sector specific guidance on how to properly implement anti-money laundering obligations. Training and clear information regarding the rules and practical aspects should also be provided in order to avoid legal uncertainty. Both competent authorities and self-regulatory bodies are therefore urged to take on a proactive role (where they haven't already done so), by adopting practical guidelines which take into account the peculiarities of every profession and that assist professionals in implementing and complying with their respective anti-money laundering requirements. It is also highly recommended that the authorities receiving STRs provide reporting professionals with adequate feedback on the outcome of the reports in order to increase their knowledge and expertise of what actually constitutes suspicious activity and should therefore be promptly reported. Practices like the provision of guidelines (including so called red-flag indicators – as those issued by the Italian and Belgian FIUs – and lists of non reputable jurisdictions), the conduct of training programmes, the publication of divulgative articles and of the text of anti-money laundering legislation, the establishment of advisory services or the creation of working groups on money laundering issues are all good practices that should be encouraged in those countries currently lacking them.

Recommendation 5: inviting MSs to strengthen the beneficial owner identification process

Background and rationale

Identification of the beneficial owner is an issue of concern in many EU Member States (for example, in Bulgaria, Hungary, Cyprus, Ireland or Denmark), as the information required is often more limited than information collected for the identification of direct customers.

If the beneficial owner is not known, this could hamper the transparency of the overall transaction and make it attractive to potential money launderers.

Recommendation

Action should be taken at EU level to invite Member States to strengthen the beneficial owner identification process, which should be equal to the customer identification process by requiring professionals to collate full information on the beneficial owner of the transaction.

Recommendation 6: inviting MSs to reduce the vulnerability of professionals reporting suspicious transactions to threats and hostile actions

Background and rationale

Confidence in (and therefore effectiveness of) the anti money laundering reporting system by professionals also depends on the degree of protection of reporting subjects against risks of reprisals.

Such a protection is not always afforded to professionals, or is not afforded adequately by EU Member States' legislation (as, for instance, in Slovenia). If professionals don't feel safe when reporting suspicious transactions or activities to competent authorities, they will be less likely to cooperate with them.

Recommendation

Action should be taken at EU level to invite Member States to reduce the vulnerability of professionals who report suspicious transactions to threats and hostile actions, by providing adequate forms of protection, aimed in particular at guaranteeing the anonymity of the reporting subject.

Recommendation 7: inviting MSs to employ technological devices that speed up and improve the collection and processing of relevant data on money laundering by professionals

Background and rationale

It is generally recognized that the use of technological devices can be of great help in the practical implementation of anti-money laundering measures (see, for example, the establishment of a central database of all notarized transactions in Spain, or the setting up of an online procedure for filing STRs in France).

Recommendation

Action should be taken at EU level to invite Member States to employ technological devices that speed up and improve the collection and processing of relevant data on money laundering by professionals.

Recommendation 8: inviting MSs to foster a fruitful cooperation between public authorities charged with the task of fighting money laundering/terrorist financing and the private sector

Background and rationale

A key factor for the effectiveness of the anti-money laundering system is a close cooperation between public authorities and the private sector, as it could add to the development of a positive attitude towards law enforcement. Such cooperation has materialized in some best practices like the establishment of liaison committees between the authorities and entities subject to anti-money laundering requirements (as in France), the setting up of centralized bodies or advisory authorities for the prevention of money laundering composed of representatives of both the public authorities and the private sector (as in Spain and in Cyprus), or the conduct of regular meetings between the authorities and professional organizations (as in Germany).

Recommendation

Action should be taken at EU level to invite Member States to foster a fruitful cooperation between public authorities charged with the task of fighting against money laundering/terrorist financing and the private sector. This goal may be achieved by promoting and encouraging initiatives such as a) the establishment of liaison committees between the authorities and entities subject to anti-money laundering requirements, b) the setting up of centralized bodies or advisory authorities for the prevention of money laundering composed of representatives of both the public authorities and the private sector, c) regular meetings between the authorities and professional organisations.

14.3 CURRENT MS SELF-REGULATION AIMED AT DETERRING AND/OR PUNISHING PROFESSIONAL SERVICE PROVIDERS WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING/TERRORIST FINANCING ARRANGEMENTS, AND OBSTACLES AND BEST PRACTICES IN ITS IMPLEMENTATION

This paragraph analyses the self-regulation adopted by EU Member States to avoid the use of professionals for money laundering and terrorist financing purposes (section 14.3.1), together with the main obstacles and best practices in its implementation (section 14.3.2). Finally, on the basis of the analysis carried out, a set of recommendations to assist the EU Commission in drafting the most appropriate EU self-regulation measures aimed at deterring and/or punishing those who aid and abet/facilitate corporate money laundering/terrorist financing arrangements, especially professional service providers, are drawn (section 14.3.3).

For the purposes of the analysis carried out in this paragraph, a representative category of professionals has been selected, namely the category of the accountants.²⁵¹

14.3.1 Self-regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

Governments, regulators and the global business community are increasingly calling on accounting practitioners to contribute to the battle against money laundering.²⁵² The active role of the profession in this fight serves not only the public interest in tackling organized crime, but also the interest of the profession itself in maintaining its good name and credibility: in fact, professionals risk damage to their reputation and business if they become involved in any way in improper or illegal activities such as money laundering, even unintentionally (so called reputational risk). Consequently, professional associations should be concerned that their members keep the highest standards of ethical conduct and do not act in a way which could put the profession into disrepute.

This section provides a general overview of EU Member States self-regulatory measures aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements.

In order to do so, a set of standards has been developed based on the Code of Ethics for Professional Accountants issued in 2005 by the IFAC (International Federation of Accountants), a worldwide organization whose current membership consists of 158 professional accountancy bodies in 118 countries. IFAC's Code of ethics (IFAC, 2005) establishes ethical requirements and sets standards of conduct for all professional accountants

²⁵¹ This was done in order to achieve consistency with objective 1 of the Study, which involved the administration of a questionnaire to the National Association of Accountants of the Member States.

²⁵² A paper issued by the IFAC (IFAC, 2004), addresses the increased expectations of legislators and regulators with respect to the profession's role in detecting money laundering and implementing controls and safeguards against it.

to ensure compliance with the five fundamental principles of professional ethics (namely integrity, objectivity, professional competence and due care, confidentiality and professional behaviour). All professional accountants are required to identify threats to these fundamental principles and to apply appropriate safeguards to ensure that these principles are not compromised.

All EU Member States belong to the IFAC, either as members or as associates, and many national codes of conduct are largely based on the IFAC model code and on the standards contained therein. The IFAC-based set of standards has therefore been used as a benchmark for the comparison of the different MSs' self-regulation measures.

Before presenting the IFAC standards, it's worth noting that generally they do not specifically address money laundering/terrorist financing issues. Rather, they establish general guidelines which should inspire the accountant's behaviour in the performance of his/her entire professional activity. Money laundering happens to be sometimes mentioned for illustrative purposes only, by way of an example. The self-regulatory standards below have therefore to be understood as the adaptation of general standards to money laundering/terrorist financing. They are as follows:

- *Standard n. 1: existence of a client acceptance policy.*²⁵³ Before accepting a new client relationship, a professional accountant should consider whether acceptance would create any threats to compliance with the fundamental principles. Potential threats to integrity or professional behaviour may be created from, for example, questionable issues associated with the client, such as indications that the client might be involved in money laundering or other criminal activities.
- *Standard n. 2: existence of a duty to inquire into the source of money/assets entrusted to the accountant.*²⁵⁴ Threats to compliance with the fundamental principles could arise, for example, if the assets held on behalf of the client were found to derive from illegal activities, such as money laundering. Consequently, a professional accountant should make appropriate inquiries about the source of such assets as part of client and engagement acceptance procedures for the services he/she is asked for.
- *Standard n. 3: existence of a duty to keep relevant information on business transactions.*²⁵⁵ The retention of records of transactions and client identification data is suggested in order to assure an ongoing monitoring of the professional relationship.
- *Standard n. 4: existence of a duty to disclose confidential information when required by law (e.g. the anti money laundering law).*²⁵⁶ As we have stated above, one of the core principles of the accounting profession is

²⁵³ This standard is based on sections 210.1 and 210.2 of IFAC (2005).

²⁵⁴ This standard is based on section 270.3 of IFAC (2005).

²⁵⁵ This standard is based on section 320.3 of IFAC (2005).

²⁵⁶ This standard is based on sections 140.1 and 140.7 of IFAC (2005).

the duty of confidentiality, which imposes an obligation on professional accountants to refrain from disclosing information acquired as a result of professional and business relationships without proper and specific authority or unless there is a legal or professional right or duty to disclose. There are in fact circumstances where professional accountants are required to disclose confidential information or when such disclosure may be appropriate as it can be justified in the public interest (that is, the disclosure is either required or permitted by law). A typical situation where an accountant is required to provide confidential information proactively to the proper authorities without the client's consent arises when there is suspicion of money laundering/terrorist financing: in such a case, the reporting requirements imposed by law override the duty of confidentiality and loyalty which the accountant owes to his/her client.

- *Standard n. 5: existence of a duty to apply appropriate safeguards in case of suspicious transactions.*²⁵⁷ The general duty to adopt adequate measures in order to address threats to compliance with the fundamental principles can be adapted to the specific situation when suspicion arises of possible money laundering/terrorist financing activity.
- *Standard n. 6: existence of a duty to refrain from carrying on the business relationship/transaction if appropriate safeguards cannot be implemented.*²⁵⁸ If the professional accountant cannot implement appropriate safeguards, he/she should decline to enter into the client relationship or accept an engagement (or discontinue the specific professional service he/she is providing) and when necessary resign from the client.
- *Standard n. 7: existence of educational/training/continuing professional development requirements.*²⁵⁹ Among the safeguards mentioned above it's worth reminding the establishment of educational, training and experience requirements for entry into the profession, as well as continuing professional development requirements. Such requirements could comprise the need to keep up-to-date with anti-money laundering/counter-terrorist financing obligations and procedures.
- *Standard n. 8: existence of disciplinary procedures against breach of existing standards.*²⁶⁰ The principle of professional behaviour imposes an obligation on professional accountants to comply with relevant laws, regulations and self-regulatory standards, as well as to avoid any act of misconduct that may bring discredit to the profession and adversely affect its good name. Professionals are particularly invited not to fall short of the high ethical standards expected of them, as violations of professional rules may affect the profession's image in public. Therefore disciplinary oversight is a main component of professional self-regulation. Failure to follow professional rules of conduct may lead to the

²⁵⁷ This standard is based on section 100.5 of IFAC (2005).

²⁵⁸ This standard is based on section 100.7 of IFAC (2005).

²⁵⁹ This standard is based on section 100.12 of IFAC (2005).

²⁶⁰ This standard is based on section 100.12 of IFAC (2005).

non-compliant accountant becoming liable to disciplinary action: sanctions may be imposed in order to urge accountants to observe professional rules and to assure the integrity of the profession. The proper compliance with ethical standards is essential in order to maintain public confidence in the profession and not to lose business because of negative public opinion.

The results of the analysis of the level of compliance of MSs self-regulatory measures for accountants with the above listed IFAC standards show that, while from the analysis of regulatory measures it is possible to identify a common background and uniform trends throughout the EU, this is not the case as far as self-regulation is concerned.²⁶¹ Actually the analysis of self-regulatory measures (codes of conduct, codes of ethics or the like) adopted by the national associations of accountants in different EU Member States reveals a substantial lack of homogeneity.

What emerges in particular from the analysis of available data is the adoption by professional bodies of two opposite approaches to self-regulation. On the one hand there is the option for a principle-based code of conduct, that is a code which lays down general rules of organization of the profession and which enunciates the fundamental principles that should inspire the behaviour of its members: this is, for example, the approach adopted in Italy, Latvia, Lithuania and Slovakia, whose self-regulation doesn't have any reference to money laundering/terrorist financing at all. Few or hardly any references to money laundering/terrorist financing can be found also in the self-regulatory instruments of accountants in Denmark and Estonia.

On the other hand there is the option for extensive and detailed codes of conduct, whose provisions resemble those of normative instruments and which sometimes make express reference to money laundering/terrorist financing: this approach is typical of Ireland, UK and Cyprus, together with the self-regulatory codes of Germany, Hungary, Luxembourg, Slovenia and Czech Republic, where the abovementioned standards are in large measure present. Such self-regulatory instruments are generally divided in two parts: first of all the fundamental principles are set out which constitute basic requirements of professional behaviour, framed in broad and general terms. Secondly, examples are provided that are intended to illustrate the application of the principles in specific situations, as well as examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles. Such examples are not intended to be, nor should they be interpreted as, an exhaustive list of all circumstances experienced by a professional accountant that may create threats to compliance with the fundamental principles, since it is impossible to define every situation that creates threats and specify the appropriate mitigating action.

It is finally worth mentioning that apart from codes of conduct, self-regulatory organisations take further actions in the field of money

²⁶¹ The analysis of self-regulatory measures has been severely hampered by the low rate of response to the questionnaire submitted to the experts and therefore had to face the problem of the lack of data on the basis of which to perform the comparative examination.

laundering/terrorist financing. The role of professional associations finds expression typically in the adoption of guidelines rather than in the promotion of professional ethics via the development of specific standards. Actually, self-regulatory organizations (SROs) have generally undertaken initiatives in assisting their members to enhance compliance with anti-money laundering obligations. This active role can take different forms.

First of all, self-regulatory bodies are committed to enacting guidance notes²⁶² (in the shape of model rules, technical releases, information papers, fact sheets, lists of typologies susceptible to imply higher money laundering risks, and so on) to facilitate the understanding of anti-money laundering requirements: the anti-money laundering legislation, in fact, is complex and uncertainty inevitably exists as to its interpretation. Usually such notes have a persuasive, rather than prescriptive value (the latter being typical of normative texts), though sometimes they constitute secondary legislation and are thus legally binding, enforceable and sanctionable.²⁶³ Furthermore, professional associations provide practical advice on money laundering issues upon request.

Secondly, SROs play a key role in the continuing professional education of their affiliates, by undertaking training activities aimed at informing and instructing them, amongst others, on what measures need to be taken and procedures put in place to comply with the anti-money laundering obligations.²⁶⁴

Thirdly, professional associations contribute to the divulgation of knowledge on money laundering, for instance by publishing the relevant legislation on their websites, by providing official translations of international standards, or by issuing opinion articles on the law's application and interpretation on professional reviews.

Finally, self-regulatory bodies are often charged with the supervision of their members on the observance of regulatory and self-regulatory standards and are empowered to apply disciplinary sanctions for any infringement thereof (see standard n. 8 above).

²⁶² See, for example, the Recommendation adopted by the Institute of Enterprise Auditors of Luxembourg (The Institute of Enterprise Auditors in Luxembourg, 2006), which provides a comprehensive overview of the legal framework, including money laundering indicators and practical cases.

²⁶³ This is the case of the guidance notes issued by the Institute of Certified Public Accountants of Cyprus (The Institute of Certified Public Accountants of Cyprus, 2004).

²⁶⁴ For example, the Institute of Certified Public Accountants in Cyprus, the Malta Institute of Accountants and the local branches of the *Consiglio Nazionale dei Dottori Commercialisti* in Italy are holding seminars and formation activities on anti-money laundering issues on a regular basis.

14.3.2 Obstacles and best practices in the implementation of the current MS self-regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

This section analyses the main obstacles and best practices which have emerged in the implementation of self-regulatory measures aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements.

Obstacles in the implementation of the current MS self-regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

The main obstacle faced by accountants in the implementation of self-regulatory measures is common to one of the obstacles encountered in the implementation of regulatory measures, that is the lack of information on money laundering/terrorist financing issues.²⁶⁵

Consequently, the same remarks made in section 14.2.2 above do herein apply.

Best practices in the implementation of the current MS self-regulation aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements

Following is a brief overview of the main best practices in the implementation of MSs' anti-money laundering self-regulation measures for accountants. These are as follows:

- *the first best practice is the existence of an external quality control on the professional category*, as for example in Denmark, Hungary and Cyprus. Such monitoring can be performed by the State or, as in the case of Cyprus, it can be outsourced to a foreign association;²⁶⁶
- *the second best practice is a close cooperation between the national association of accountants and law enforcement agencies*, as is the case for example in Germany;
- *the third best practice consists of the existence of an ad hoc committee on money laundering*, as has been established within the Maltese Institute of Accountants;
- *the fourth best practice is a money laundering helpline at the disposal of the professional where consultation requests can be answered*. Such a solution has been adopted, for instance, by the UK Institute of Chartered

²⁶⁵ This obstacle has been indicated, among others, for example by the Slovenian expert contacted as a referent for the respective national association of accountants.

²⁶⁶ Indeed in Cyprus the audit monitoring and the Quality checked system have been outsourced to the Association of Chartered Accountants of the UK for independence reasons.

Accountants, whose advisory service provides confidential advice to members faced with specific questions on money laundering issues;

- *the final best practice is the adoption of guidelines by professional organizations and in general the active role undertaken by SROs in assisting professionals in relation to the general application of the preventive measures* (see what has been said in section 2.3.1 above). This role has to be regarded positively: as the application of the anti-money laundering regime to professionals is relatively recent, there is an urgent need to build up an effective anti-money laundering culture in this sector, through a combination of legal requirements and a set of comprehensive and specific guidelines.

14.3.3 Recommendations to the EU Commission

This section attempts to draw a set of recommendations likely to assist the EU Commission in taking the most appropriate actions at Community level aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements.

The following recommendations were elaborated as a direct result of the above analysis and are aimed, in particular, at overcoming the highlighted obstacles in the implementation of national self-regulation measures and at spreading the identified best practices.

Recommendation 1: inviting MSs to require their self-regulatory organisations to make express reference to money laundering/terrorist financing in their codes of ethics

Background and rationale

Not all EU Member States' national associations of accountants include specific provisions on money laundering/terrorist financing in their self-regulatory instruments.

Recommendation

Action should be taken at EU level to invite Member States to require their self-regulatory organisations to make express reference to money laundering/terrorist financing in their codes of ethics, so as to contribute to the awareness-raising of professionals towards anti-money laundering issues and to achieve a uniform degree of compliance with anti-money laundering requirements throughout the EU.

Recommendation 2: inviting MSs self-regulatory organisations to provide professionals with detailed and systematic information on money laundering/terrorist financing issues

Background and rationale

In some instances the lack of sufficient information on money laundering/terrorist financing issues has proved to be an obstacle to the implementation of self-regulatory measures aimed at deterring and/or punishing professional service providers who aid and abet/facilitate corporate money laundering/terrorist financing arrangements (as in Slovenia).

On the contrary, the adoption of guidelines (like, for example, in Luxembourg and Cyprus), the existence of an *ad hoc* committee on money laundering within the professional association (as is the case for Malta) and the provision of practical advice by means of a money laundering helpline where specific questions on money laundering issues can be answered (as has been established within the UK Institute of Accountants) are best practices whose development should be encouraged.

Recommendation

Action should be taken at EU level to invite MSs self-regulatory organisations to provide professionals with detailed and systematic information on money laundering/terrorist financing issues, e.g. through the enactment of guidelines, the setting up of advisory services or the establishment of apposite committees within self-regulatory organizations.

Recommendation 3: inviting MSs to foresee an external quality control on the overall activity of the professional association including monitoring of compliance with anti-money laundering self-regulatory standards

Background and rationale

A best practice that could help improve the implementation of self-regulatory measures dealing with money laundering/terrorist financing is the existence of an external quality control on the overall activity of the professional association (as is the case, for example, in Cyprus and Denmark), which might encourage members to keep up with high ethical standards.

Recommendation

Action should be taken at EU level to invite MSs to foresee an external quality control on the overall activity of the professional association including, amongst others, monitoring of compliance with anti-money laundering self-regulatory standards.

Recommendation 4: inviting MSs to promote an intense and continuous cooperation between self-regulatory bodies and public authorities

Background and rationale

Proper implementation of anti-money laundering ethical standards has proved to be facilitated by a close cooperation between professional associations and law enforcement agencies (such cooperation takes place, for example, in Germany).

Recommendation

Action should be taken at EU level to invite MSs to promote an intense and continuous cooperation between self-regulatory bodies and public authorities, for example by means of establishing a fruitful and on-going dialogue and information exchange.

15.

REGULATION OF TRUSTS IN THE EU MEMBER STATES AND RISKS OF MONEY LAUNDERING/TERRORIST FINANCING

The aim of this chapter is to understand how MSs' trust regulation may be at risk of exploitation for money laundering/terrorist financing purposes. In order to reach this objective, the following methodology was employed:

1. Definition of the institution at issue: this was accomplished by collecting and reviewing available national legislation on trusts and relevant literature on the topic;
2. Identification of ML&TF risk indicators in trusts' legislation, by reviewing the available literature on the topic and relevant European/international documents;
3. Comparative analysis on the existence/absence of the identified risk indicators in the legislation of trusts in the EU Member States, by collecting and reviewing the available national legislation on trusts. As the relevant legislation was not always freely/easily available, it was decided to include in the above mentioned questionnaire on regulation administered to national bodies responsible for enforcement in the areas of drugs, terrorism, and other serious crime in order to get a comparative overview of the counter-measures (both regulation and self-regulation) adopted by EU Member States to avoid the use of professionals for money laundering and terrorist financing purposes questions aimed at collecting such legislation.

The chapter is organised as follows:

- the first part (section 15.1) provides a general definition of trust (sub-section 15.1.1) and explains the institute's diffusion throughout the European Union (sub-section 15.1.2);
- the second part (section 15.2): (1) provides general information on the reasons of trusts exploitation by criminals (sub-section 15.2.1); (2) identifies risk indicators regarding aspects of trust legislation which may facilitate the exploitation of trusts for money laundering/terrorist financing activities (sub-section 15.2.2); (3) on the basis of the identified risk indicators, assesses the risk that trusts may be exploited for money laundering/terrorist financing purposes in the MSs recognising the institution (sub-section 15.2.3);
- the final part (section 15.3) outlines some issues and makes suggestions that the European Commission might consider in order to improve the regulation of trusts, and to render them less liable to exploitation by criminals for money laundering/terrorist financing purposes.

15.1 DEFINING TRUSTS AND UNDERSTANDING THEIR DIFFUSION IN THE EUROPEAN UNION

This section defines trusts (sub-section 15.1.1) and provides information about their diffusion across the European Union (sub-section 15.1.2).

15.1.1 Definition of trust

The concept of 'trust' originated in the English common law, and today trusts are used primarily in common law jurisdictions. It is important to explain in advance that a trust is not a legal entity, but rather a relationship between juridical persons: settlor, trustee and beneficiary.

As article 2 of the Hague Convention on the law applicable to trusts and on their recognition, signed on 1 July 1985, states "*the term trust refers to the legal relationships created - inter vivos or on death - by a person, the settlor, when assets have been placed under the control of a trustee for the benefit of a beneficiary or for a specific purpose. A trust has the following characteristics:*

- *the assets constitute a separate fund and are not a part of the trustee's own estate;*
- *title to the trust assets stand in the name of the trustee or in the name of another person on behalf of the trustee;*
- *the trustee has the power and the duty, in respect of which he is accountable, to manage, employ or dispose of the assets in accordance with the terms of the trust and the special duties imposed upon him by law.*

The reservation by the settlor of certain rights and powers, and the fact that the trustee may himself have rights as a beneficiary, are not necessarily inconsistent with the existence of a trust".

In theory, three elements must coexist in order for a valid trust to be constituted: (1) a clear identification of the assets/property of the trust; (2) a declaration of the settlor of his/her intention to place the assets/property in trust. A *trust deed* is usually prepared for this purpose; (3) the possibility of identifying the beneficiary/ies. This information is usually contained in the *trust deed*, even if, in specific instances, it is possible not to indicate the beneficiary by name but by general category. This third component is not essential in some specific trusts, such as a purpose trust, where there are no named or ascertainable beneficiaries.²⁶⁷

The institute in question is highly flexible and can be created for a variety of purposes, such as inheritance consolidation or administration, to provide pensions for employees or dependants, for poverty alleviation, for patrimonial or fiscal planning, for financial and commercial aims, to protect family property from wastrels, and so on.

²⁶⁷ To be specified is that, while the possibility of identifying the beneficiary is not always essential for a valid trust to be created, the presence of the party "beneficiary" is of fundamental importance for the existence of the institute. No trust can exist without one or more beneficiaries.

15.1.2 Diffusion of the trust in the European Union: the Hague Convention (1st July 1985)

The institution of the trust is the product of the Equity courts in the common law jurisdictions. Only a few countries in Europe recognise trusts and regulate them: United Kingdom, Ireland, Malta and Cyprus. Inspection of other civil law jurisdictions highlights the absence of this kind of institution, which is an entirely alien concept, although the law of *confidentia* and *fiducia* in several areas may have rather similar features.²⁶⁸

In the past few years, the increasing number of studies published on the subject together with the use of trusts in a wide range of commercial and business operations, have enhanced the importance of the institute around the world, and in the civilian jurisdictions as well.²⁶⁹ In Luxembourg, for example, first the *Tribunal de l'Arrondissement* on 4 November 1994, and then the *Court d'Appel* on 22 May 1996, recognised the institute of the trust and the reasons of the trustee (Moja, 2005). This fact can be read as an index of a general *favor trust* in some countries.

As a consequence, in June 1982, the delegates to a Special Commission representing twenty-one states belonging to the Hague Conference, drew up a Convention on the applicable law to govern trusts and their recognition. The final text of the Hague Convention was adopted in October 1984 and came into force on 1 July 1985.²⁷⁰ The aim, as described in the preamble, was to provide common conflicts and recognition rules on trusts.

The Explanatory Report on The Trusts Convention written by Professor Alfred von Overbeck, the Swiss delegate, explains that such a convention would assist civil law jurisdictions, which are increasingly being confronted by common law trusts operating with assets inside civil law borders.

The notion of trust emerging from the text of the act is independent from local conceptions of what trusts are, and avoids any reference to the law/equity distinction or to other concepts "*which would have impressed on that text the indelible mark of the common law heritage*" (Graziadei, Mattei and Smith, 2005: 14).

The EU Member States signatories to the Hague Convention are: United Kingdom, Luxembourg, Italy, The Netherlands, Malta and Cyprus. In those countries, the Convention imposes the obligation to recognise trusts and to resolve possible disagreement between this institution and domestic ones.

A short country-by-country analysis will provide better understanding of the impact of the Hague Convention on these European jurisdictions.

²⁶⁸ "Fiducia cum amico" in Spain, "fiducia a scopo di gestione" in Italy, "Treuhand" in Austria and Germany.

²⁶⁹ Explicit references to trusts can be found in many legal instruments enacted by the European Union, for example, in the Council Directive of 10th June 1991 on prevention of the use of the financial system for the purpose of money laundering, in the Council Regulation (EC) No. 44/2001 of 22 December 2000, in Regulation (EC) No. 805/2004 of 21 April 2004.

²⁷⁰ The full text of the Convention is available on the Internet at <http://www.hcch.net>.

- United Kingdom: the Hague Convention definition of trust has been incorporated into the Recognition of Trust Act 1987;
- Luxembourg: after considerable delay, by law of 27 July 2003, Luxembourg decided to ratify the Hague Convention on the law applicable to trusts and on their recognition. Before promulgation of this law a general *favor trust* existed in the Luxembourgian jurisdiction following the decision of 4 November 1994 taken by the *Tribunal de l'Arrondissement* and the decision of 22 May 1996 made by the Court d'Appel;
- Italy: through law of 16.10.1989 n. 364, which ratifies the Hague Convention on the law applicable to trusts and on their recognition, the Italian legal system accepted the validity of a trust created in Italy by an Italian settlor, with Italian assets transferred to or managed by an Italian trustee for Italian beneficiaries. A foreign law will regulate the trust (e.g. Jersey, England);
- The Netherlands: despite ratification of the Hague Convention in 1996, the subject has been largely ignored;
- Malta: foreign trusts²⁷¹ are recognised in Malta under the Recognition of Trust Act of 1994, which enabled Malta to ratify the Hague Convention on the law applicable to trusts and their recognition. Foreign trusts may be governed by the settlor's choice of law in accordance with the freedom of choice allowed by the Hague Convention on Trusts. To be noted is that Malta has its own trust law, which has recently been thoroughly revised, the process culminating with implementation of the Trust and Trustees Act of 2004, which allows Maltese residents to set up trusts regulated by Maltese law (domestic trusts);
- Cyprus: to be specified is that, prior to ratification of the Hague Convention on the law applicable to trusts and their recognition, a Trust law was already in existence in the Cypriot legal system and it was largely a copy of the English Trustees Act of 1925. In 1992, the International Trust Law introduced provisions which made Cyprus a more attractive centre for international trusts. This law applies only to international trusts.

15.2 REGULATION OF TRUSTS AND RISKS OF MONEY LAUNDERING/TERRORIST FINANCING

This section:

- provides general information on the reasons for trust exploitation by criminals (sub-section 15.2.1);
- identifies risk indicators regarding aspects of trusts regulation which may facilitate their exploitation for money laundering/terrorist financing purposes (sub-section 15.2.2).

²⁷¹ A foreign trust is defined as any trusts which is not a domestic one.

15.2.1 Reasons for the exploitation of trusts by criminals for money laundering/terrorist financing purposes

A wide range of reports and surveys identify trusts as vehicles susceptible to exploitation by criminals engaged in money laundering/terrorist financing activities.²⁷² The reasons for this misuse are numerous.

Firstly, it is very simple to create a trust: there is no registration requirement and the institute can exist even without a written record. Collecting information on the existence of trusts by competent authorities is consequently very difficult, if not impossible, and may take a long time.

Secondly, trusts possess a high degree of anonymity because disclosure of the identity of the settlor/s and of the beneficiary/ies is not required. Moreover, the name of the beneficiary, whether or not revealed, can be changed at any time, making it possible to keep the beneficiary's identity secret until ownership of assets has been transferred to him/her. This lack of transparency, combined with the absence of an authority responsible for supervising trusts, increases the extent to which the institute can be exploited by criminals. Anonymity is also increased by the fact that trust documentation is not public information: there is no trust public register in which the name of the trustee/settlor and management decisions can be recorded; hence the law enforcement authorities cannot have access to them.

As the FATF Report on Money Laundering Typologies of February 2000–2001 stresses: *"It should be pointed out that a trust is not the same as a company or other form of corporate entity. When a company is established, it has its own 'legal personality' that is separate and distinct from the natural persons that serve as directors or shareholders. Property held by a company is owned by the company as a legal person and not individually by the company directors or shareholders. Property held in trust, on the other hand, is legally owned by the trustee and no longer by the settlor nor by the beneficiary. Therefore, when dealing with certain trusts, the work of any investigator may be further complicated by the fact that the trustee may be a legal person (a trust company for example), and the beneficiary or beneficiaries may also be trusts (or corporate entities). Establishing whether there are real persons behind the legal arrangement and that the trust is a sham is a difficult if not impossible task"* (FATF, 2001: 10).

To be noted is that, in the past few years, many jurisdictions have made changes to their Trust Law which have increased anonymity and, as a consequence, the attractiveness of trusts for money launderers and other criminals. As the FATF report on Money Laundering Typologies 2000–2001 states: *"some jurisdictions now offer what are termed 'asset protection trusts' that may permit the settlor to keep control over the trust assets and being named as the beneficiary of such an arrangement. [...]. Other jurisdiction have permitted trusts to be formed with what are known as 'flee clauses'"* (FATF, 2001: 10). These clauses allow transfer of the assets and information about a trust to another jurisdiction, and the appointment of a new trustee, upon the occurrence of certain events such as changes in legislation or any sort of inquiry. It is obvious that these clauses raise huge obstacles against

²⁷² See FATF (2001: 8–10); FATF (2001a: 16); FATF (2006a: 27–28); OECD (2001: 25–27).

creation of an effective anti-money laundering framework, especially in terms of international legal assistance.

An example of trust exploitation for money laundering purposes may aid understanding of the matter (FATF, 2001: 11).

Some years ago a national from Country A was convicted for smuggling a huge quantity of alcohol. Only a small part of the proceeds was confiscated. The police found documents showing that his companies in Country A had mortgage loans from a company owned by a trust in a small island jurisdiction (Country B). After the conviction, the FIU in Country A learned that it was the convicted person, and later his wife, who were the beneficial owners of the company. Thanks to the assistance from the office of the public prosecutor in Country B, the FIU obtained information which showed that the company had received money from a bank account in a third country (Country C). It was suspected that the proceeds from the smuggling had been transported as cash to the Country C bank, then to the trust in Country B and finally back to Country A as "mortgage loans". It was clear that neither the companies nor the convicted person or his wife had paid any instalments.

It is therefore evident that the characteristics of trusts make them suitable instruments for money laundering/terrorist financing purposes, and that counter-measures to halt this exploitation are urgently needed.

15.2.2 Identification of risk indicators regarding aspects of trusts regulation which may facilitate the exploitation of trusts for money laundering/terrorist financing purposes

Risk indicators regarding aspects of trusts regulation which may facilitate the exploitation of trusts for money laundering/terrorist financing purposes have been identified in order to determine how to improve trust regulation in the European Union, thereby making this institute less attractive to criminals. The sources used for the selection of the risk indicators were a Transcrime study on transparency (TRANSCRIME, 2001) and all the available literature on the topic.²⁷³ The indicators selected are listed below; for each indicator, the assumption behind its selection is given.

- *Risk indicator no. 1: absence of legal provisions requiring written constitution of the trust*

Assumption: it was assumed that the absence of legal provisions requiring written constitution of the trust increases the risk of its exploitation for money laundering/terrorist financing purposes.

This is because, if a trust has been set up and there is no written evidence of the operation, it is very difficult for the law enforcement authorities to obtain information on the trust and its characteristics, and therefore successfully to investigate and prosecute the criminals concerned. As a consequence of this opacity, law enforcement risks are

²⁷³ FATF (2001: 10); FATF (2006a: 10, 13, 18–19, 23, 25, 27); OECD (2001: 25–27); Graziadei, Mattei and Smith (2005); Oakley (1998); Lupoi (2001); Gardiner (1990).

low, while the risk that trusts may be exploited for money laundering/terrorist financing purposes is high.

- *Risk indicator n. 2: absence of legal provisions requiring registration of the trust deed in a public register*

Assumption: it was assumed that the absence of legal provisions requiring registration of the trust deed in a public register increases the risk that trusts may be exploited for money laundering/terrorist financing purposes.

This is because registration requirement makes information on trusts easier to access by the general public and by law enforcement, judiciary and financial authorities, and easier to exchange at a transnational level. The absence of this registration requirement, on the other hand, increases the anonymity of trusts and their attractiveness to criminals.

- *Risk indicator no. 3: absence of legal provisions requiring that the generalities of the settlor be included in a public document*

Assumption: it was assumed that the absence of legal provisions requiring the generalities of the settlor be included in a public document increases the risk that trusts may be exploited for money laundering/terrorist financing purposes.

This is because, in the absence of a legal requirement to disclose the settlor's identity in a public document, the opacity of the institution increases, while the law enforcement risk decreases. The absence of this registration requirement therefore increases the anonymity of trusts and their attractiveness to criminals.

- *Risk indicator no. 4: absence of legal provisions requiring that the generalities of the beneficiaries be included in a public document*

Assumption: it was assumed that the absence of legal provisions requiring the generalities of the beneficiaries be included in a public document increases the risk that trusts may be exploited for money laundering/terrorist financing purposes.

This is because, in the absence of a legal requirement to disclose the beneficiary's identity in a public document, the opacity of the institution increases, while the law enforcement risk decreases. The absence of this registration requirement therefore increases the anonymity of trusts and their attractiveness to criminals.

- *Risk indicator no. 5: absence of legal provisions prohibiting the settlor from also being the beneficiary of the same trust*

Assumption: it was assumed that the absence of legal provisions prohibiting the settlor from also being the beneficiary of the same trust increases the risk that trusts may be exploited for money laundering/terrorist financing purposes.

This is because the possibility for criminals formally to separate themselves from ownership of the proceeds of crime by conferring the

goods to a trust, and receiving the profits thereof by nominating themselves as beneficiaries of the same trust, may result in a money laundering scheme.

- *Risk indicator no. 6: absence of legal provisions prohibiting the beneficiary of a trust from being another trust*

Assumption: it was assumed that the absence of legal provisions prohibiting the beneficiary of a trust from being another trust increases the risk that trusts may be exploited for money laundering/terrorist financing purposes.

This is because such absence adds a further layer of secrecy and opacity which reduces the law enforcement risk and increases the risk that trusts may be exploited for money laundering/terrorist financing purposes.

- *Risk indicator no. 7: absence of legal provisions requiring a public register of trustees.*

Assumption: it was assumed that the absence of legal provisions requiring a public register of trustees increases the risk that trusts may be exploited for money laundering/terrorist financing purposes.

This is because the absence of a public register containing data on trustees' identities hinders investigation and prosecution and therefore makes trusts attractive to criminals.

- *Risk indicator no. 8: absence of legal provisions requiring creation of an authority to supervise the activity of trustees*

Assumption: it was assumed that the absence of legal provisions requiring creation of an authority to supervise the activity of trustees increases the risk that trusts may be exploited for money laundering/terrorist financing purposes.

This is because, if it is not possible to monitor the activities of the persons and companies managing a trust fund, it becomes more difficult to detect criminal misuse. This makes trusts attractive to criminals.

15.2.3 Assessing the risk that trusts may be exploited for money laundering/terrorist financing purposes in EU Member States

This sub-section assesses the risk that trusts may be exploited for money laundering/terrorist financing purposes in those EU Member States recognising the institution.

To this end, the sub-section conducts analysis which consists in checking for the existence or non-existence of each of the 8 above risk indicators regarding the trust regulation of a given MS. The higher the number of risk indicators present in the MS trust regulation, the greater the assumed risk that trusts may be exploited by criminals in the MS. The scale used to assess the risk that trusts may be exploited for money laundering/terrorist financing purposes in a country is as follows:

- 0 risk indicators existing in the trust regulation of a given country = no risk that trusts may be exploited for money laundering purposes;
- 1 or 2 risk indicators existing in the trust regulation of a given country = low risk that trusts may be exploited for money laundering purposes;
- 3 or 4 risk indicators existing in the trust regulation of a given country = medium risk that trusts may be exploited for money laundering purposes;
- 5 or 6 risk indicators existing in the trust regulation of a given country = high risk that trusts may be exploited for money laundering purposes;
- 7 or 8 risk indicators existing in the trust regulation of a given country = very high risk that trusts may be exploited for money laundering purposes.

The following analysis is based on study of the available laws and literature on the subject.²⁷⁴ It does not claim to be exhaustive; its purpose being instead to give an overview on the sector throughout the European Union so that the issues can be identified, and suggestions to improve the regulation of trusts can be made.

Assessing the risk that trusts may be exploited for money laundering/terrorist financing purposes in the United Kingdom

In the United Kingdom, all the identified risk indicators exist in trust regulation. Accordingly, UK trusts are at very high risk of exploitation for money laundering purposes.

Firstly, trusts in England can be constituted both orally and in writing, because no formalities are required;²⁷⁵ mere agreement between the settlor and the trustee/s is enough to create a valid trust. Therefore, if a trust is constituted orally, investigations into money laundering by law enforcement authorities may be hampered by the absence of written evidence of the transaction.

Secondly, the anonymity and the opacity of regulation are increased (and also the risk of exploitation) owing to (a) the absence of an official register of trust deeds, (b) the absence of provisions requiring that the generalities of the settlor be included in a public document, (c) the absence of provisions requiring that the generalities of the beneficiary/ies be included in a public document. There is consequently no disclosure of the settlor's/beneficiary's identity, so that the trust can be used as a shield against investigations. To be noted is that the beneficiary of a trust may be also a company or another

²⁷⁴ Graziadei, Mattei and Smith (2005); Oakley (1998); Lupoi (2001); Gardiner (1990); English Trustee Act of 1925; Cyprus Trustee Law Chapter 193 of 1955; International Trusts Law No. 69 (I) of 1992; Trust and Trustees Act of 2004; Law of Malta, Cap. 331; Hague Convention on the Law Applicable to Trusts and On Their Recognition, October 1984.

²⁷⁵ Except for some types of trust such as testamentary trusts.

trust, not just a physical person. This may be another obstacle for the authorities.

Furthermore, the absence of supervision of the trustees, together with the possibility of being simultaneously both the trust's settlor and the beneficiary highlights the opacity of the regulation. This is a direct consequence of (1) that no checks are made on investments by the trustees, (2) that criminals can formally separate themselves from ownership of the money/assets.

The findings from the analysis are summed up in table 15.1 below.

TABLE 15.1 RISK INDICATORS REGARDING ASPECTS OF TRUSTS REGULATION WHICH MAY FACILITATE THE EXPLOITATION OF TRUSTS FOR MONEY LAUNDERING/TERRORIST FINANCING PURPOSES – THE UNITED KINGDOM

Risk indicators regarding aspects of trusts regulation which may facilitate the exploitation of trusts for money laundering/terrorist financing purposes	Existence of the risk indicator in UK trust regulation
1. Absence of legal provisions requiring written constitution of the trust	Yes
2. Absence of legal provisions requiring registration of the trust deed in a public register	Yes
3. Absence of legal provisions requiring that the generalities of the settlor be included in a public document	Yes
4. Absence of legal provisions requiring that the generalities of the beneficiaries be included in a public document	Yes
5. Absence of legal provisions prohibiting the settlor from being also the beneficiary of the same trust	Yes
6. Absence of legal provisions prohibiting the beneficiary of a trust from being another trust	Yes
7. Absence of legal provisions requiring a public register of trustees	Yes
8. Absence of legal provisions requiring an authority to supervise the activity of trustees	Yes

LEGENDA:

Yes = existence of the risk indicator in trust regulation

No = non-existence of the risk indicator in trust regulation

Assessing the risk that trusts may be exploited for money laundering/terrorist financing purposes in Ireland

The analysis carried out for the regulation of trusts in the United Kingdom is valid for the regulation of trusts in Ireland as well. It can be accordingly stated that Irish trusts are at very high risk of exploitation for money laundering purposes.

The findings from the analysis are summed up in table 15.2 below.

TABLE 15.2 RISK INDICATORS REGARDING ASPECTS OF TRUSTS REGULATION WHICH MAY FACILITATE THE EXPLOITATION OF TRUSTS FOR MONEY LAUNDERING/TERRORIST FINANCING PURPOSES – IRELAND

Risk indicators regarding aspects of trusts regulation which may facilitate the exploitation of trust for money laundering/terrorist financing purposes	Existence of the risk indicator in Irish trust regulation
1. Absence of legal provisions requiring written constitution of the trust	Yes
2. Absence of legal provisions requiring registration of the trust deed in a public register	Yes
3. Absence of legal provisions requiring that the generalities of the settlor be included in a public document	Yes
4. Absence of legal provisions requiring that the generalities of the beneficiaries be included in a public document	Yes
5. Absence of legal provisions prohibiting the settlor from being also the beneficiary of the same trust	Yes
6. Absence of legal provisions prohibiting the beneficiary of a trust from being another trust	Yes
7. Absence of legal provisions requiring a public register of trustees	Yes
8. Absence of legal provisions requiring an authority to supervise the activity of trustees	Yes

LEGENDA:

Yes = existence of the risk indicator in trust regulation

No = non-existence of the risk indicator in trust regulation

Assessing the risk that trusts may be exploited for money laundering/terrorist financing purposes in Malta

Maltese law recognises two types of trusts: the Maltese trust²⁷⁶ and the foreign trust.²⁷⁷ The former is governed by the Trust and Trustees Act of 2004,²⁷⁸ the latter by the Hague Convention on the law applicable to trusts and their recognition. The Trust and Trustees Act of 2004 has been examined for the purposes of this study.

All the risk indicators exist in the regulation of Maltese trusts. In regard to foreign trusts, all the risk indicators but one (risk indicator no. 8 on the absence of a supervisory authority) exist in their regulation.

²⁷⁶ A 'Maltese trust' is a trust regulated by the law of Malta.

²⁷⁷ A 'foreign trust' is a trust governed by law which is not the law of Malta.

²⁷⁸ Law of Malta Cap. 331.

It can be accordingly stated that both Maltese and foreign trusts are at very high risk of exploitation for money laundering purposes.

Trusts can be created both in writing and orally in Malta because there are no legal provisions expressly requiring their written constitution. Nor is there the requirement of registration of the trust deed in a public register or public register of trustees. The generalities of the settlor/beneficiary are not included in a public document and there are no provisions prohibiting either the settlor from being also the beneficiary of the same trust²⁷⁹ or the beneficiary from being another trust. The existence of these indicators increases the risk of exploitation by criminality, because of the high anonymity that the institution can assure.

Nonetheless, the Trust and Trustees Act of 2004 does provide for an authority supervising the activity of the trustees: the Malta Financial Services Authority (hereinafter MSFA). *“Any person, resident or operating in Malta, or a corporate trustee, who receives property upon trusts or accepts to act as a trustee or co-trustee of a trust and who (a) receives or is entitled to remuneration for so acting, or (b) does so on a regular and habitual basis, or (c) holds himself out to be a trustee”* must be registered with the MSFA.²⁸⁰ The authorisation is not required for Maltese trustees with the characteristics stated at sub-section (6) art. 43 of the Act. Once the authorisation has been granted, the Authority may, at any time, cancel or suspend it when and if certain circumstances, indicated in art. 46, should arise. This does not apply to Maltese trusts, for which there is no supervisory authority.

The findings from the analysis are summed up in table 15.3 below.

²⁷⁹ See art. 9 (a), Trusts and Trustees Act of 2004, *“a settlor of a trust may also be a beneficiary under the trust”*.

²⁸⁰ See art. 43 (1), Trusts and Trustees Act of 2004.

TABLE 15.3 RISK INDICATORS REGARDING ASPECTS OF TRUSTS REGULATION WHICH MAY FACILITATE THE EXPLOITATION OF TRUSTS FOR MONEY LAUNDERING/TERRORIST FINANCING PURPOSES – MALTA

Risk indicators regarding aspects of trusts regulation which may facilitate the exploitation of trusts for money laundering/terrorist financing purposes	Existence of the risk indicator in Maltese trust regulation
1. Absence of legal provisions requiring written constitution of the trust	Yes
2. Absence of legal provisions requiring registration of the trust deed in a public register	Yes
3. Absence of legal provisions requiring that the generalities of the settlor be included in a public document	Yes
4. Absence of legal provisions requiring that the generalities of the beneficiaries be included in a public document	Yes
5. Absence of legal provisions prohibiting the settlor from being also the beneficiary of the same trust	Yes
6. Absence of legal provisions prohibiting the beneficiary of a trust from being another trust	Yes
7. Absence of legal provisions requiring a public register of trustees	Yes
8. Absence of legal provisions requiring an authority to supervise the activity of trustees	No (for foreign trusts)/Yes (for Maltese trust)

LEGENDA:

Yes = existence of the risk indicator in trust regulation

No = non-existence of the risk indicator in trust regulation

Assessing the risk that trusts may be exploited for money laundering/terrorist financing purposes in Cyprus

Three types of trust may be established in Cyprus: (1) local trusts, (2) offshore trusts and (3) international trusts. Local and offshore trusts²⁸¹ are regulated by English common law and the original Trustee Law.²⁸² For this reason, the analysis of the regulation of trusts in the United Kingdom also applies to the regulation of local and offshore trusts in Cyprus.

However, to be noted is that Cypriot trusts do not have to be registered unless they hold the stock of a Cypriot company; only in this case must

²⁸¹ The difference between local and offshore trusts is that, in local trusts, the settlor and the beneficiary/ies are normally residents of Cyprus, whereas in the case of offshore trusts the beneficiary/ies must be non-resident/s and all the trust's activities must be outside Cyprus.

²⁸² Cyprus Trustee Law Chapter 193 of 1955, based on the English Trustee Act of 1925.

trusts register with the Land Office in order to be effective. Therefore, the risk indicator no. 2, relative to the absence of legal provisions requiring registration of the trust deed in a public register, cannot be considered to exist. This can be taken as a first step towards extension of the requirement to all trusts, and not only to trusts holding the stock of a Cypriot company.

With reference to local and offshore trusts, therefore, all the identified risk indicators but one (i.e. risk indicator no. 2 on the absence of legal provisions requiring registration of the trust deed in a public register) exist in Cypriot trust regulation. It can be accordingly stated that local and offshore trusts are at very high risk of exploitation for money laundering purposes.

International trusts²⁸³ are regulated by the International Trusts Law of 1992²⁸⁴ and are the normal form of trust used by foreign settlers. The Act of 1992 evinces all the risk indicators: there are no legal provisions requiring the written constitution of the trust, no legal provisions requiring the generalities of the settlor/beneficiary be included in a public document, no provisions prohibiting both the settlor from being also the beneficiary of the same trust and the beneficiary from being another trust, no public register of trustees and no authority supervising their activity. It is interesting to note that the International Trust Law contains an explicit provision stating that "*International trusts are exempt from the obligation of registration of any law*".²⁸⁵

With reference to international trusts, therefore, all the risk indicators exist in Cypriot trust regulation. Consequently, international trusts are at very high risk of exploitation for money laundering purposes.

The findings from the analysis are summed up in table 15.4 below.

²⁸³ 'International trust' means a trust "*in respect of which (a) the settlor is not a permanent resident in the Republic, (b) at least one of the trustees for the time being is a permanent resident in the Republic, (c) none of the beneficiaries, other than a charitable institution, is not a permanent resident of the Resident of the Republic, (d) the trust property does not include any immovable property situated in the Republic*".

²⁸⁴ Law n. 69/1992.

²⁸⁵ Art. 15, International Trust Law of 1992.

TABLE 15.4 RISK INDICATORS REGARDING ASPECTS OF TRUSTS REGULATION WHICH MAY FACILITATE THE EXPLOITATION OF TRUSTS FOR MONEY LAUNDERING/TERRORIST FINANCING PURPOSES – CYPRUS

Risk indicators regarding aspects of trusts regulation which may facilitate the exploitation of trusts for money laundering/terrorist financing purposes	Existence of the risk indicator in Cypriot trust regulation
1. Absence of legal provisions requiring written constitution of the trust	Yes
2. Absence of legal provisions requiring registration of the trust deed in a public register	No (for local and offshore trusts)/Yes (for international trusts)
3. Absence of legal provisions requiring that the generalities of the settlor be included in a public document	Yes
4. Absence of legal provisions requiring that the generalities of the beneficiaries be included in a public document	Yes
5. Absence of legal provisions prohibiting the settlor from being also the beneficiary of the same trust	Yes
6. Absence of legal provisions prohibiting the beneficiary of a trust from being another trust	Yes
7. Absence of legal provisions requiring a public register of trustees	Yes
8. Absence of legal provisions requiring an authority to supervise the activity of trustees	Yes

LEGENDA:

Yes = existence of the risk indicator in trust regulation

No = non-existence of the risk indicator in trust regulation

15.2.4 Summing up the findings from the assessment of the risk that trusts may be exploited for money laundering/terrorist financing purposes in UK, Ireland, Malta and Cyprus

The following table sums up the findings from the assessment conducted in the previous sub-sections on the risk that trusts may be exploited for money laundering/terrorist financing purposes in UK, Ireland, Malta and Cyprus.

TABLE 15.5 OVERALL RISK THAT TRUSTS MAY BE EXPLOITED FOR MONEY LAUNDERING/TERRORIST FINANCING PURPOSES IN UK, IRELAND, MALTA AND CYPRUS

	Overall level of risk that trusts may be exploited for money laundering/terrorist financing purposes
United Kingdom	Very high risk of exploitation
Ireland	Very high risk of exploitation
Malta	Very high risk of exploitation
Cyprus	Very high risk of exploitation

15.3 ISSUES AND SUGGESTIONS TO IMPROVE THE REGULATION OF TRUSTS

It is clear from the findings of the previous section, showing that all the MSs recognise trusts as being at very high risk of exploitation for money laundering and terrorist financing purposes, actions to mitigate this risk should be adopted. These actions must start from improvement of the regulation, which now affords criminality numerous ways to optimize anonymity and prevent discovery by the authorities. One step towards concrete improvement would be to promote transparency. The clearer the legislation is, the fewer the risks of its criminal exploitation.

Firstly, introducing specific provisions requiring written constitution of trusts would be of help. Written evidence that a trust has been set up would assist investigations by the authorities, which would not have to waste time searching for such information. Secondly, providing a requirement of registration of the trust deed in a public register could decrease the opacity and the anonymity of regulation, giving rise to greater transparency. At present, most countries in which trusts are set up do not consider it practical to have a registration requirement. A contrary feature is apparent in the trusts regulation of South Africa, whose Trust Property Control Act, 57 of 1988, section 4, states that the trustee must, before he assumes control of the trust property, lodge with the Master of the High Court the trust instruments in terms of which the trust property is to be administered. The contents of the trust deed and the appointment of the trustees are therefore matters of public record. This experience can be considered an example for those countries whose regulations do not comprise the registration requirement.

However, the introduction of such provisions may encounter resistance from certain jurisdictions for both practical and ethical reasons. In this case, the FATF suggests some compromise solutions: (1) requiring the registration of trusts in registers to which only financial institutions and government investigative and regulatory authorities have access; (2) requiring registration only for trusts with certain characteristics (e.g. assets with a value above a certain threshold). Both these solutions would give greater transparency to regulation. The registers in which trust deeds are recorded could also contain information about the identity of the settlor and the beneficiary/ies. This information should be accessible only to financial institutions and

government investigative and regulatory authorities, and only in certain circumstances, such as an inquiry. Thus both transparency and the rapidity of the investigations could be guaranteed, without adulterating the institution of trust and the confidentiality surrounding it.

The opportunity that trusts give criminals to separate themselves formally from ownership of the proceeds of crime, by conferring the goods to a trust and receiving the profit thereof by nominating themselves as beneficiaries of the same trust, is an attractive feature of the institution that underlines its liability to be used for money laundering purposes. This operation is possible because trusts regulations comprise no provisions prohibiting the settlor from being also the beneficiary of the same trust. A legislative intervention that forbids such information would be appropriate. Also the elimination of some harmful aspects of trusts (e.g. flee clauses, which allow the transfer of assets and information to another jurisdiction) would improve regulation and make it less permeable to exploitation by criminality.

A concrete help in combating money laundering and terrorist financing through the exploitation of trusts regulation would be the introduction of provisions requiring creation of an authority supervising the activities of trustees. The authority could alert the investigators in timely manner when suspicious activities are undertaken. This supervisory authority should also check the information contained in the registers, verify its authenticity, and impose sanctions, for example, the removal of trustees when information is lacking. The existence of a public register containing data on the trustees' identities would facilitate the work of the supervisory authority owing to easier identification of the persons acting as trustees.

Finally to be noted is that it would be advisable for countries to encourage or undertake outreach programmes to raise awareness about the vulnerability of trusts regulation, thereby directing attention to the possibilities of its misuse.

All these suggestions could greatly improve regulation of trust. However, legislators should be careful not to overburden the sector, and not to make encumber the trust, an institution initially conceived as an easy way for any kind of planning.

The above issues and suggestions are summed up in the following recommendations below.

Recommendation 1: inviting MSs to introduce legal provisions requiring written constitutions of trusts

Background and rationale

All the four countries in which trusts are established lack legal provisions requiring written constitutions for them. This increases the risk that trusts will be exploited for money laundering/terrorist financing purposes, because if a trust has been set up and there is no written evidence of the operation, it is very difficult for the law enforcement authorities to obtain information on the trusts and their activities, and therefore successfully investigate and prosecute criminals.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring written constitutions of trusts.

Recommendation 2: inviting MSs to introduce legal provisions requiring registration of trust deeds in a public register

Background and rationale

All the four countries in which trusts are established lack legal provisions requiring registration of trust deeds in a public register. This increases the risk that trusts will be exploited for money laundering/terrorist financing purposes, because the registration requirement makes information on the trusts easier to access by the general public and by law enforcement, judiciary and financial authorities, and easier to exchange at transnational level. The absence of this registration requirement, on the other hand, increases the anonymity of trusts and their attractiveness to criminals.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring the registration of trust deeds in a public register.

Recommendation 3: inviting MSs to introduce legal provisions requiring that the generalities of the settlor be included in a public document

Background and rationale

All the four countries in which trusts are established lack legal provisions requiring that the generalities of the settlor be included in a public document. This increases the risk that trusts will be exploited for money laundering/terrorist financing purposes, because, in the absence of a legal requirement to disclose the settlor's identity in a public document, the opacity of the institution increases, while the law enforcement risk decreases.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring that the generalities of the settlor be included in a public document.

Recommendation 4: inviting MSs to introduce legal provisions requiring that the generalities of the beneficiary/ies be included in a public document

Background and rationale

All the four countries in which trusts are established lack legal provisions requiring that the generalities of the beneficiaries be included in a public document. This increases the risk that trusts will be exploited for money laundering/terrorist financing purposes, because, in the absence of a legal requirement to disclose the beneficiary's identity in a public document, the opacity of the institution increases, while the law enforcement risk decreases.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring that the generalities of the beneficiary/ies be included in a public document.

Recommendation 5: inviting MSs to introduce legal provisions prohibiting the settlor from being also the beneficiary of the same trust

Background and rationale

All the four countries in which trusts are established lack legal provisions prohibiting the settlor from being also the beneficiary of the same trust. This increases the risk that trusts will be exploited for money laundering/terrorist financing purposes, because the possibility for criminals to separate themselves formally from the ownership of the proceeds of crime by conferring the goods to a trust, and receiving the profits therefrom by nominating themselves as beneficiaries of the same trust, may result in a money laundering scheme.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions prohibiting the settlor from being also the beneficiary of the same trust.

Recommendation 6: inviting MSs to introduce legal provisions prohibiting the beneficiary of a trust from being another trust

Background and rationale

All the four countries in which trusts are established lack legal provisions prohibiting the beneficiary of a trust from being another trust. This increases the risk that trusts will be exploited for money laundering/terrorist financing purposes, because it adds a supplementary layer of secrecy and opacity, which reduces the law enforcement risk and increases the risk that trusts will be exploited for money laundering/terrorist financing purposes.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions prohibiting the beneficiary of a trust from being another trust.

Recommendation 7: inviting MSs to introduce legal provisions requiring a public register of trustees

Background and rationale

All the four countries in which trusts are established lack legal provisions requiring a public register of trustees. This increases the risk that trusts will be exploited for money laundering/terrorist financing purposes, because the absence of a public register containing data on the trustees' identities hinders investigation and prosecution and therefore makes trusts attractive to criminals.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring a public register of trustees.

Recommendation 8: inviting MSs to introduce legal provisions requiring creation of an authority to supervise the activity of trustees

Background and rationale

All the four countries in which trusts are established lack legal provisions requiring an authority to supervise the activity of trustees. This increases the risk that trusts will be exploited for money laundering/terrorist financing purposes, because, given that it is not possible to monitor the activities of the persons and companies managing the trust fund, it becomes more difficult to detect possible criminal misuse.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring the creation of an authority to supervise the activity of trustees.

16.

REGULATION OF FOUNDATIONS, ASSOCIATIONS AND CHARITIES IN THE EU MEMBER STATES AND RISKS OF MONEY LAUNDERING/TERRORIST FINANCING

This chapter examines how MS regulation of foundations, associations and charities may risk exploitation for money laundering/terrorist financing purposes. We used the following method for this examination:

1. Definition of the institutions involved: this was done by collecting and reviewing available national legislation on foundations, associations and charities and relevant literature;
2. Identification of ML&TF risk indicators in foundation, association and charity legislation, by reviewing the available literature on the topic and relevant European/international documents;
3. Comparative analysis of the existence/absence of the identified risk indicators in the legislation on foundations, associations and charities in the EU Member States, by collecting and reviewing the available national legislation on foundations, associations and charities. As the relevant legislation was not always freely/easily available, we decided to include in the above mentioned questionnaire on regulation administered to national bodies responsible for enforcement in the areas of drugs, terrorism, and other serious crime in order to get a comparative overview of the counter-measures (both regulation and self-regulation) adopted by EU Member States to avoid the use of professionals for money laundering and terrorist financing purposes questions aimed at collecting such legislation.

The chapter is organised as follows:

- the first part (section 16.1) provides a general definition of foundations, associations and charities (sub-section 16.1.1) and furnishes information on their historical context in the European Union (sub-section 16.1.2);
- the second part (section 16.2): (1) provides general information on the reasons for the exploitation of foundations, associations and charities by criminals (sub-section 16.2.1); (2) identifies risk indicators concerning legislation on foundations, associations and charities which can facilitate money laundering/terrorist financing activities (sub-section 16.2.2); (3) on the basis of the risk indicators identified, assesses the risk that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes throughout the EU Member States (sub-section 16.2.3);
- the final part (section 16.3) outlines some issues and makes suggestions that the European Commission may consider in order to improve the regulation of foundations, associations and charities and to render them less liable to exploitation by criminals for money laundering/terrorist financing purposes.

As the final goal of this chapter, as mentioned above, is to outline issues and make suggestions that the European Commission may consider in improving regulation of the entities under analysis, this chapter (as the previous) focuses on the legal side of these organisations. *In short, it looks at how loopholes in the regulation of these entities may promote their exploitation for money laundering and terrorist financing purposes and how, consequently, such criminal exploitation can be reduced by overcoming regulative loopholes.* This is not to forget that factors other than regulation may play a role in allowing criminal exploitation of non-profit organisations and could therefore be taken into account to reduce the overall exploitation of these entities by criminals.

16.1 DEFINING FOUNDATIONS, ASSOCIATIONS AND CHARITIES AND UNDERSTANDING THEIR HISTORICAL DEVELOPMENT IN THE EUROPEAN UNION

This section defines foundations, associations and charities (sub-section 16.1.1) and discusses their historical context in the European Union (sub-section 16.1.2).

Foundations, associations and charities belong to the wide category of non-profit organisations (hereinafter NPOs), which are entities serving a public or mutual benefit other than disbursing profits to their members. In particular, the FATF specifies that “*the term non-profit organisation or NPO refers to a legal entity or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes or for carrying out of other types of good work*” (FATF, 2006h: 2).

On the subject it then adds that “*NPOs can take a variety of forms, depending on the jurisdiction and legal system. Within the FATF Members, law and practice recognise associations, foundations, fund-raising committees, community service organisations, corporations of public interest, limited companies, Public Benevolent Institutions, all as legitimate forms of NPOs, to name just a few*” (FATF, 2002: 1).

This said, one should be aware that generalisations on foundations, associations and charities in the European Union can hardly be made, given the complexity of the issues at stake and the cultural and historical diversities in the evolution and regulation of these entities in the various Member States. As a matter of fact, every country has experienced its own development of the sector.

In general we can say however that, in Modern Age, whilst in some countries (such as France, Spain and Portugal) there is evidence of hostility to non-profit organisations, owing to the widespread belief that they were economically inefficient, unproductive and hindered the state’s activities, in other countries (such as the Nordic ones and England) robust non-profit communities arose without hindrance.

However, in the past few years, the sector has undergone a “revival” brought about by economic prosperity and increasing social wealth throughout

Europe. Nowadays the non-profit sector, as stressed by the European Commission, “*carries out vital humanitarian and other much needed public work, where citizens benefit from their indispensable services in fundamental areas of life. NPOs are essential parts of democratic societies that often fulfil crucial tasks that other types of organisation or public body cannot achieve*” (European Commission, 2005a: 11).

16.1.1 Definition of foundation, association and charity

Foundation

It is very difficult to provide a common legal definition of ‘foundation’, given the variety of legal traditions and systems across the European Union. The terminology used in different European countries gives an idea of this diversity: foundation, fondation, fundacion, fundacao, fondazione, Stiftung, stichting, stiftelse, fondsen, ιδρυμα are only some of the ways in which the institution is denoted in Europe.

However, as Schlüter, Then and Walkenhorst (2001) highlight, some common features of the institution across Europe yield the following definition:

“Foundations²⁸⁶ are independent, separately-constituted non-profit bodies with their own established and reliable source of income, usually but not exclusively from an endowment, and their own governing board. A foundation traditionally requires property dedicated to a particular purpose. Typically the income derived from the principal assets (as opposed to the assets themselves) is used to fulfil the statutory purpose, which is usually, but not necessarily, charitable or for the public benefit. Foundations have no members”.

According to this definition and the relevant literature, certain elements must coexist for a foundation to be identified: (1) a foundation must be a non-membership-based organization. This requirement allows the institution in question to be distinguished from an association, which, on the contrary, is membership-based;²⁸⁷ (2) foundations must be non-governmental bodies separate from the government. Although the government may create and support foundations by providing them with public funds, it cannot use them to exercise its authority (under the Non-Governmental Organization definition, which states that NGOs must have no affiliation with governments); (3) foundations must be self-governing entities, that is, they must not depend totally on other entities, and they must have their own internal governing body (the board of directors) and their own internal governance procedures; (4) foundations must have property serving a specific purpose, which is usually, but not necessarily, charitable or for

²⁸⁶ Based on the Roman Law *universitas rerum*.

²⁸⁷ Not all the entities labelled “foundations” are in fact foundations in the true sense of the word; as explained in the book *Foundations in Europe*, in some Central and Eastern European countries “*many foundations are de jure and de facto either membership associations or some form of corporation, usually in the form of a limited liability company*”.

public benefit.²⁸⁸ It should be specified that, in most countries, the law regulating foundations makes explicit reference to the purposes that they can serve (the Belgian foundation law, for example, states that a foundation must necessarily have one or more of the following objectives: philanthropic, religious, scientific, artistic and educational). But there are also countries in which such restrictions on a foundation's purposes do not exist. Finally, it is important to note the distinction between public and private foundations. *"Some civil law jurisdictions, such as Belgium and Poland, restrict foundations to public purposes, while other jurisdictions, such as Austria, Denmark, Germany, Greece, Italy [...], the Netherlands [...] allow foundations to be established to fulfil private purposes"* (OECD, 2001: 27); (5) last but not least, a foundation must be a non-profit organisation; which means that it is usually unprofitable in the sense that, even if it does generate profits, a foundation cannot divide them among owners and shareholders; the profits must be allocated to pursuit of the statutory purposes.

It's worth noting that to enable foundations to operate throughout the Community the European Foundations Centre's (EFC) European Committee and its Legal and Tax Task Forces have developed a Proposal for a European Statute for Foundations. As mentioned in the introduction of the document this proposal sets out *"basic elements of a potential new complementary legal form of a European Foundation. This European legal form would be an optional and additional instrument that founders and foundations active in more than one EU Member States may want to use instead of setting up several foundations according to national law in different countries"* (EFC, 2005a: 5). The aim of the Proposal is to facilitate the cross border giving and receiving of gifts to and from foundations in different Member States. The European Statute would be applicable only for foundations with a minimum capital of 50.000 €, with activities in at least two Member States, and it would regulate some aspects of the foundation's discipline (formation, registration, statutes and so on). It would be a good way to increase transparency and accountability in cross border work and financing. In fact, the "label" of EF could be a guarantee of good governance.

²⁸⁸ It is difficult to define what public benefit purposes are, because the meaning of the concept changes from country to country. The Model Law for Public benefit Foundations in Europe based on the Fundamental Legal and Fiscal Principles, developed by the EFC's (European Foundation Centre) European Union Committee and its Legal and Tax Task Force in 2003, at article 2 states that *"a foundation shall be regarded as being of public benefit if, and only if: (a) it serves the public interest at large at domestic and/or international level and; (b) its purposes include, but need not be limited to, the promotion of the public interest in one of the following fields: arts, culture and historical preservation; assistance to, or protection of, people with disabilities; assistance to refugees or immigrants; civil or human rights; consumer protection; development, international and domestic; ecology or the protection of the environment; education, training and enlightenment; elimination of discrimination based on race, ethnicity, religion, disability or any other legally proscribed form of discrimination; prevention and relief of poverty; health and physical well-being and medical care; humanitarian or disaster relief; European and international understanding; protection of, and support for, children and youth; protection of, and support for, disadvantaged individuals; protection or care of animals; science; social cohesion, including the promotion of respect for minorities; social and economic development; social welfare; sports, amateur athletics; any other purposes determined from time to time to be of public benefit"*. Even if this list will be subject to change in the future, it gives an idea of what a public benefit purpose could be.

Association

It is very difficult to provide a common legal definition of 'association', given the variety of legal traditions and systems across the European Union. The terminology used in different European countries gives an idea of this diversity: association, vereine, associazione, verenigingen, are only some of the ways with which the institution is denoted in Europe.

However, analysis of the relevant disciplines identifies common features of the institution across Europe which yield the following definition:

"Associations²⁸⁹ are membership-based organisations whose members, legal or natural persons, or their elected representatives, constitute the highest governing body of the organisation. They can be formed to serve the public benefit or the mutual interest of members. Whether an association is a legal entity or not often depends upon registration. Registered associations may enjoy the same benefits as other legal entities" (FATF 2006a: 62).

According to this definition and relevant literature, certain elements must coexist for an association to be identified: (1) an association must be a membership-based organisation. This requirement allows the institution in question to be distinguished from a foundation, which, on the contrary, is a non-membership-based organisation. Associations are above all groups of individuals or legal entities pursuing a common goal; (2) the highest governing body of an association can consist of both legal and natural persons: hence, for example, a company can be a valid member of the institution; (3) registration is not required, but it gives the association the status of 'legal entity'.

For associations too, as for foundations, a proposal for a regulation on the Statute for European Associations was made in order to enable associations to operate throughout the European Community. The proposal was meant to create a new European Legal instrument, an optional tool, complementary to national legislations, mainly governed by European Law. Unfortunately, the European Commission's decided to withdraw the draft statutes (CEDAG, 2006).

Charity

The following is a starting point for definition of a charity:

"A charity is an institution which is established for charitable purposes, with charitable purpose intending a purpose which is for the public benefit" (Driscoll and Phels, 1993).

This definition may seem somewhat vague when compared to those of the entities previously examined (i.e. trusts, foundations and associations). This is because the concept of public benefit (or charitable purpose) changes from country to country. For example, the Polish Law on Public Benefit Activity and Volunteerism²⁹⁰ defines a public benefit activity as an activity *"that is socially*

²⁸⁹ Based on the Roman Law *universitas personarum*.

²⁹⁰ Law on Public Benefit Activity and Volunteerism, April 24, 2003, article 2.

useful and is performed by non-governmental organisations in the field of public tasks mentioned in the Law". These tasks are listed in article 4 of the same Law and cover some of the following fields: social care, including assisting families and individuals in difficult life situations, and providing equal opportunities to such families and individuals; activities for the sake of the handicapped; activities for the sake of national minorities; protection and promotion of health; activities including the development of science and humanities, education and upbringing, culture, arts, protection of natural heritage and tradition, promotion of sports, human rights and freedoms, protection of people and emergency rescue; assistance to the victims of catastrophes, natural disasters, military conflicts and wars in the territory of the state and abroad, and so on. Almost every Law of every European country has its own list specifying what public benefit activities are.

For this reason, a specific definition of 'charity' applicable to all the EU member States does not exist. It is therefore preferable to use the more general definition provided above.

To be specified is that, in many EU Member States, for example, Slovakia, Luxembourg, Belgium, Germany, Slovenia, Poland and Italy, charities do not have a separate discipline, but rather take the form of non-profit organisations, foundations or associations pursuing charitable or benevolent purposes.

In Belgium, for example, the *Loi sur les associations sans but lucratif, les associations internationales sans but lucratif e les fondations* states at article 24 that "*une fondation peut être reconnue d'utilité publique lorsqu'elle tend à la réalisation d'une œuvre à caractère philanthropique, philosophique, religieux, scientifique, artistique, pédagogique ou culturel. Les fondations reconnues d'utilité publique portent l'appellation de fondation d'utilité publique*". Therefore, the discipline regulating charities is the same as that of foundations.

In France, too, charities are usually constituted by associations and/or foundations with the status of public utility organisations. The same applies to Germany, where charities are associations and foundations pursuing charitable or benevolent purposes.

In Luxembourg, foundations perform the role of charities, while associations must acquire a specific status. In fact, the law dated 21 April 1928 states at article 26-2 that "*les associations sans but lucratif qui poursuivent un but d'intérêt général à caractère philanthropique, religieux, scientifique, artistique, pédagogique, social, sportif ou touristique peuvent être reconnues d'utilité publique par arrêté grand-ducal pris sur avis du Conseil d'Etat*".

In Bulgaria, charities are constituted by non-profit corporate bodies (associations and foundations) carrying out socially useful activities such as the development and strengthening of spiritual values, civil society, health care, education, science, culture, technology, equipment or physical culture, support of the socially weak, of the disabled or the persons needing care, the

support of social integration and personal realisation, protection of human rights or environment, and so on.²⁹¹

Polish associations and foundations become charities after their designation as public benefit organisations,²⁹² while in Slovenia charitable organisations are usually established as foundations or associations.²⁹³

In Italy, article 3 no. 2 of Law No. 266/1991 specifies that charities can adopt the most appropriate legal form in order to pursue their solidarity goal.

For the above countries, therefore, the comments made in the previous chapters on foundations and associations apply to charities as well.

16.1.2 The historical development of foundations, associations and charities in the European Union

This sub-section provides general information on the historical development of foundations, associations and charities in the European Union.

Foundations and charities

The history of foundations does not differ greatly from that of charities, particularly in their origins. For this reason, the following comments for foundations apply to charities as well.

In the ancient Mediterranean world,²⁹⁴ the institution of the foundation arose as a philanthropic instrument often used to make donations. The funds given by benefactors usually served to offer gifts for a variety of purposes, such as supporting schools, educational institutions, orphanages and institutions for

²⁹¹ Bulgarian Law for the non-profit corporate bodies 81/6 October 2000, article 38 no. 1.

²⁹² Public Benefit Organisations are entities exercising public benefit activities such as social care, including assisting families and individuals in difficult life situations and providing equal opportunities to such families and individuals, charitable activities, sustaining national tradition, cultivating Polishness, and the development of national, civil and cultural identity, activities for the sake of national minorities, protection and promotion of health, activities for the sake of the handicapped, protection and promotion of women's rights and activities for the sake of equal rights for men and women, activities that support the economic development of entrepreneurship, activities supporting the development of communions and local communities, science and humanities, education and upbringing, tourism and leisure of children and adolescents, culture, arts, protection of natural heritage and tradition, promotion of sports, natural environment and animal welfare and the protection of environmental heritage, public order and social safety and prevention of social pathologies, promotion of knowledge and skills for the state's defence, protection and promotion of human rights and freedoms, as well as activities supporting the development of democracy, protection of people and emergency rescue, assistance to the victims of catastrophes, natural disasters, military conflicts and wars in the territory of the state and abroad, protection and promotion of consumer rights, activities for the sake of European Integration and development of relations and co-operation among nations, promotion and organisation of volunteerism, activities that provide technical support, training, information and/or financial assistance to non-governmental organisations.

²⁹³ In fact, institutions established for charitable purposes are explicitly regulated within the Foundations Act, article 2 no. 3 which states that "*the purpose of a foundation is charitable if it has been established for the purpose of helping persons who are in need of such help*".

²⁹⁴ Greek and Roman Age.

indigent children, temples, hospices, shelters for indigent adults, religious sacrifices, festivals, banquets, the building of monuments. The donor made these gifts primarily to be remembered by his fellow citizens and to demonstrate his magnanimity, rather than only to help the destitute or the poor. Generosity was a public virtue, "*indeed a political virtue, more than an inner moral quality [...]. It's quite clear [...] that most people are generous in their gifts not so much by natural inclination as by reason of the lure of honour, they simply want to be seen as beneficent*" (Schlüter, Then and Walkenhorst, 2001: 4).

At that time, the concept of legal personality was entirely unknown, so that donors would leave their gifts to friends or other trusted people, who had the duty to fulfil the donors' intentions by pursuing the aims specified. However, there was no guarantee for the donor that the assets would be used for the purposes prescribed, so that the risks of misuse were very high.

With the advent of the Middle Ages, the institution grew in importance. Numerous foundations with charitable purposes (such as urban hospitals, leper hospitals, monasteries, homes for the poor, for the aged or for the sick) flourished everywhere by virtue of Christian teachings. Donations were motivated by pity and compassion for the poor, not by the desire to be remembered. Owing to this rapid growth of foundations, numerous policies to protect them were implemented: for instance, early forms of tax exemption and additional financial assistance. The royal institutions began "*to point the way toward greater governmental oversight and regulation of charitable activity [...]. The trend by the 14th century was clear: municipal authorities were assuming greater supervisory authority over charitable institutions*" (Schlüter, Then and Walkenhorst, 2001: 13, 16). This culminated, during the 16th century, in numerous reforms which accelerated the process of governmental regulation and control of foundation institutions.

With the beginning of the Modern Age, generalization about foundations becomes difficult because each country had its own history which affected the development of foundations and gave the institution its own distinctive features.

Associations

A general description of the history of associations, particularly in the European Union, is a complex, if not impossible, undertaking, because each country has its own history of associations which has influenced the institution itself. Some common remarks, however, can be made.

The institution of the association has ancient origins because the tendency to associate is as old as human beings themselves. The institution initially had no legal protection, but with the birth and the growth of the state, a rudimentary discipline came into being. With the passing of the years, this discipline became more specific and detailed.

To be noted is that, although the development of associations was closely connected with the growth of the state, some authoritarian regimes imposed very stringent restrictions on the right of association; guaranteeing citizens

this kind of freedom was interpreted as endangering the survival of the regime itself.

Today, freedom of association is a constitutional (legal) right enshrined in several national and European constitutions, and also in the European Convention on Human Rights (ECHR), article 11, adopted under the auspices of the Council of Europe in 1950 to protect human rights and fundamental freedoms.²⁹⁵ This is also one of the reasons for the development of the associations in recent years.

16.2 REGULATION OF FOUNDATIONS, ASSOCIATIONS AND CHARITIES AND RISKS OF MONEY LAUNDERING/TERRORIST FINANCING

This section:

- provides general information on the reasons for the exploitation of foundations, associations and charities by criminals (sub-section 16.2.1);
- identifies risk indicators concerning the regulation of foundations, associations and charities which may facilitate their exploitation for money laundering/terrorist financing purposes (sub-section 16.2.2).

16.2.1 Reasons for the exploitation of foundations, associations and charities by criminals for money laundering/terrorist financing purposes

The world of non-profit organisations (hereinafter NPOs), to which foundations, associations and charities belong has long been ignored by international bodies such as the FATF, or the OECD, in the fight against money laundering and terrorist financing; indeed, the initial version of the Forty Recommendations (FATF, 2004), developed by the FATF, did not specifically consider the NPOs sector. The Special Recommendation VIII bridged this gap by stating that *“countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable, and countries should ensure that they cannot be misused: (i) by terrorist organisations posing as legitimate entities, (ii) to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset freezing measures; (iii) to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organisations”* (FATF, 2004c).

²⁹⁵ European Convention on Human Rights, article 11: *“(1) everyone has the right to freedom of peaceful assembly and to freedom of association with others, including the right to form and to join trade unions for the protection of his interests. (2) No restrictions shall be placed on the exercise of these rights other than such as are prescribed by law and are necessary in a democratic society in the interest of national security or public safety, for the prevention of disorder or crime, for the protection of health or morals or for the protection of the rights and freedoms of others. This article shall not prevent the imposition of lawful restriction on the exercise of these rights by members of the armed forces, of the police or of the administration of the State”.*

Recognising that the misuse of non-profit organisations, especially for the financing of terrorism, was a crucial weak point, on 11 October 2002, the FATF issued some international best practices to combat this kind of abuse (FATF, 2002). Also the European Commission, on 22 July 2005, on realizing the importance of the matter, addressed a Draft Recommendation to the Member States which promoted the implementation of the FATF Special Recommendation VIII in order to assist the Member States in the fight against money laundering and terrorist financing (European Commission, 2005). With the Commission Communication to the Council, the European Parliament and the European Economic and Social Committee of 29th November 2005 COM(2005) 620 final (European Commission, 2005a), the European Commission carried on its fight against the abuse of non profit organisations.

Organisations like foundations, associations and charitable organisations *“touch almost all aspects of life including education, health, religion, human rights, social justice, humanitarian causes, environment, the arts, culture, sports and recreation. [...] they provide essential services, which take such forms as neighbourhood associations, service clubs, advocacy coalitions, food banks, homeless shelters, drug and alcohol rehabilitation programmes, museums, sports club, and religious organisations”* (FATF, 2003: 4).

For these reasons, it is important to know why and how foundations, associations and charities can be misused by criminals (FATF, 2004a).

First to be noted is that foundations, associations and charities, like the majority of NPOs, usually enjoy the public’s trust, especially when they pursue a public benefit purpose. It is easy to take advantage of this situation by using the organisation as a legitimate façade behind which to hide illicit activities. The more the organisation is known in society, the stronger this legitimate façade will be. For example, a foundation, association, charity may be used to collect and use funds without attracting the attention of local authorities because of its good reputation.

Secondly, foundations, associations and charities have access to considerable sources of funds, and they are often cash intensive. These characteristics are extremely attractive to criminals, who may use the sector to raise funds and move them from one place to another in order to provide logistical support or encourage terrorist recruitment or, otherwise, support terrorist organizations and operations. These criminal operations may be facilitated by the fact that these entities are often subject to little or no governmental control.

Also to be stressed is that creating a foundation, association or charity may sometimes be easier than creating another corporate vehicle; indeed, in some countries, few formalities are required, with no requirement of background checks by the competent authorities.

In addition, this kind of institution sometimes may not be transparent, because of the absence of exhaustive information on its objectives, missions, goals, management structure and personnel. Providing this kind of data is not always a basic requirement for setting up a foundation, association or

charity. This lack of transparency, together with the possibility of anonymity, is one of the reasons why criminals may misuse these entities.

Summing up, there are numerous ways in which a foundation, association and charity can be exploited:

- a foundation, association, charity can be used by criminal groups to pursue their illicit objectives (such as transferring revenues from one location to another, usually across national boundaries);
- a foundation, association, charity can be owned by criminal groups;
- a foundation, association, charity can co-operate with criminal groups. In this case the institution is not owned by criminals but is in direct touch with them;
- a foundation, association, charity can be intimidated by criminal groups into supporting their illicit activities.

Some more remarks on this point can be made with particular reference to charities. There is a long history of transnational flows of resources among countries in order to support terrorism. *“Examples include funds collected by Irish communities in New York and Boston to support the IRA; [...] European money going to Palestinian groups on the West Bank; West German funds to help dissident groups in Central and Eastern Europe via Protestant and Catholic church organisations”* (Daly and Anheier, 2005) and many others. To be noted is that *“key policy actors and communities have known about these transfers for a long time. They were, so to speak, a calculated political risk; if they were not generally welcome, they were largely tolerated. Following the events of September 11th, however, efforts to counteract the misuse of philanthropic institutions for terrorist and other criminal purposes have been intensified”* (Daly and Anheier, 2005).

Charities may be exploited by criminal groups in many different ways, for example:

- to raise funds and move them from one country to another;
- to provide logistical support to criminal groups;
- to encourage terrorist recruitment (for example, using schools as military recruitment and training centres);
- to cultivate support for terrorist organisations and operations (for example, using charities as bases to spread propaganda);
- to launder money.

Not only does this misuse facilitate terrorist activity, it also undermines donor confidence and jeopardizes the integrity itself of the charitable sector, with its vital importance for the world economy and many national economies and social systems.

Also the fact that charities usually operate in territories at risk, with ongoing conflicts or wars, increases the likelihood of their exploitation. In fact, without effective checks on the beneficiaries of donations, it is very likely that funds will be used by criminals in order to finance terrorism.

An example of charity exploitation for terrorist purposes may assist in understanding the phenomenon (FATF, 2002: 7). A non-profit organisation solicited donations from local charities in a donor region, in addition to fund-raising efforts conducted at its headquarters in a beneficiary region. The non-profit organisation falsely stated that the funds collected were destined for orphans and widows. In fact, the head of finance at the organisation was also head of organised fundraising for Osama bin Laden. Rather than providing support for orphans and widows, the funds collected by the non-profit organisation were dispensed to al-Qaeda operatives.

16.2.2 Identification of risk indicators concerning the regulation of foundations, associations and charities which may facilitate the exploitation of these entities for money laundering/terrorist financing purposes

Risk indicators were devised in order to determine how regulation in the European Union may be improved so as to make foundations, associations and charities less attractive to criminals for money laundering/terrorist financing purposes. The source used for selection of the risk indicators was all the available national/EU/international literature on the topic.²⁹⁶ The indicators selected are listed below; for each indicator, the assumption behind its selection is stated.

The more these risk indicators are present in the regulation, the greater the extent to which foundations, associations and charities may be exploited by criminality.

- *Risk indicator no. 1: absence of legal provisions requiring registration of the foundation, association, charity in a public register*²⁹⁷

Assumption: it was assumed that the absence of legal provisions requiring registration of the foundation, association, charity in a public register increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because the registration requirement makes information on foundations, associations and charities easier to access by the general public and by law enforcement, judiciary and financial authorities, and easier to exchange at transnational level. The absence of this registration

²⁹⁶ Schlüter, Then and Walkenhorst (2001); Cairns (1998); Driscoll and Phels (1993); Luxton (2001); FATF (2004); FATF (2004b); FATF (2003); FATF (2004a); FATF (2002); FATF (2006); FATF (2006h); OECD (2001); European Commission (2005); European Commission (2005a); European Commission (2005b); European Commission (2005c).

²⁹⁷ This risk indicator is supported by the following sources: FATF (2006: 70); FATF (2006h: 1); European Commission (2005: 2); European Commission (2005a: 13); European Commission (2005b: 32).

requirement, on the other hand, increases the anonymity of foundations, associations and charities and their attractiveness to criminals.

- *Risk indicator no. 2: absence of legal provisions requiring the regular updating of data in the register*²⁹⁸

Assumption: it was assumed that the absence of legal provisions requiring the regular updating of data in the register, increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because, in the absence of requirements on the constant updating of knowledge on a given foundation, association, charity in the register, it is impossible to acquire real-time knowledge of the organisation. This may delay and complicate investigations into/prosecutions on the foundation, association, charity.

- *Risk indicator no. 3: absence of legal provisions prohibiting the name of any foundation, association, charity from resembling the name of another*²⁹⁹

Assumption: it was assumed that the absence of legal provisions prohibiting the name of a foundation, association or charity from resembling the name of another, increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because criminals may deliberately create confusion by using, for the foundation, association, charity that they set up, a name very similar to that of a widely known and reliable organisation. They may thus seek to disguise their illicit activities by exploiting the “identity” of another foundation, association, charity in order a) to attract funds more easily; and b) to make investigations/prosecutions more difficult.

- *Risk indicator no. 4: absence of legal provisions requiring information on the identity of the person(s) who own(s)/control(s)/direct(s) the foundation, association, charity activities*³⁰⁰

Assumption: it was assumed that the absence of legal provisions requiring information on the identity of the person(s) who own(s)/control(s)/direct(s) the foundation, association, charity activities increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

²⁹⁸ This risk indicator depends directly on the previous one. In fact, an up-to-date register may be useful in exerting complete and effective control over the sector.

²⁹⁹ This risk indicator is supported by the following sources: European Commission (2005: 7).

³⁰⁰ This risk indicator is supported by the following sources: FATF (2006h: 3); FATF (2006: 69). For charities see also U.S. Department of the Treasury (2002: 4).

This is because the absence of information on the identity of the above persons enables them to use a foundation, association, charity as a shield against investigations.

- *Risk indicator no. 5: absence of legal provisions requiring a definition of the foundation, association, charity mission/objectives/goals/programmes*³⁰¹

Assumption: it was assumed that the absence of legal provisions requiring a definition of the foundation, association, charity mission/objectives/goals/programmes increases the risk that foundations, associations, charities will be exploited for money laundering/terrorist financing purposes.

This is because if a foundation, association, charity is required to declare its mission/objectives/goals/programmes, it is easier to identify illicit activities, as well as to determine the consistency between *declared* mission/objectives/goals/programmes and *real* mission/objectives/goals/programmes. If a foundation, association, charity does not make this declaration, a layer of opacity is created, and the organisation becomes more attractive to criminals.

- *Risk indicator no. 6: absence of legal provisions requiring an authority to supervise the foundation, association, charity activities*³⁰²

Assumption: it was assumed that the absence of legal provisions requiring an authority to supervise the foundation, association, charity activities increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because, if it is not possible to monitor the activities of foundations, associations and charities, it becomes more difficult to detect criminal misuse. This makes foundations, associations and charities attractive to criminals.

- *Risk indicator no. 7: absence of legal provisions requiring verification of the identity/credentials/good faith of the beneficiary/ies*³⁰³

Assumption: it was assumed that the absence of legal provisions requiring verification of the identity/credentials/good faith of the beneficiary(ies) increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

³⁰¹ This risk indicator is supported by the following sources: FATF (2006h: 3); FATF (2006: 69). For charities see also U.S. Department of the Treasury (2002: 5).

³⁰² This risk indicator is supported by the following sources: FATF (2006h: 1); FATF (2002: 4); European Commission (2005a: 12); European Commission (2005c: 22). For charities see also U.S. Department of the Treasury (2002: 4).

³⁰³ This risk indicator is supported by the following sources: European Commission (2005: 5); European Commission (2005a: 16).

This is because, in the absence of provisions requiring this kind of verification (termed the “know your beneficiaries procedure”³⁰⁴) the beneficiary may remain anonymous, thus reducing the law enforcement risk in the case of misuse of the organisation for criminal purposes.

- *Risk indicator no. 8: absence of legal provisions requiring verification of the identity/credentials/good faith of the donor/s*³⁰⁵

Assumption: it was assumed that the absence of legal provisions requiring verification of the identity/credentials/good faith of the donor(s) increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because, in the absence of provisions requiring this kind of verification (termed the “know your donor/s procedure”³⁰⁶) the donor may remain anonymous, thus reducing the law enforcement risk in the case of misuse of the organisation for criminal purposes.

- *Risk indicator no. 9: absence of legal provisions requiring verification of the identity/credentials/good faith of the associate*³⁰⁷ *organisation/s*³⁰⁸

Assumption: it was assumed that the absence of legal provisions requiring verification of the identity/credentials/good faith of the associate organisation/s increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because, in the absence of provisions requiring this kind of verification (termed the “know your associate organisation/s procedure”³⁰⁹), the associate organisation may remain anonymous, thus making its exploitation for criminal purposes possible, with low risks of detection by law enforcement authorities.

- *Risk indicator no. 10: absence of legal provisions requiring foundations, associations and charities to present annual reports, which provide detailed breakdowns of incomes and expenditures*³¹⁰

Assumption: it was assumed that the absence of legal provisions requiring foundations, associations and charities to present annual

³⁰⁴ The term at issue is borrowed from the European Commission (2005: 5) and from the FATF (2006h: 4).

³⁰⁵ This risk indicator is supported by the following sources: European Commission (2005: 5); European Commission (2005a: 16).

³⁰⁶ See note no. 304 above.

³⁰⁷ The term *associate organisation/s* includes foreign branches of international organisations.

³⁰⁸ This risk indicator is supported by the following sources: European Commission (2005: 5); European Commission (2005a: 16).

³⁰⁹ See note no. 304 above.

³¹⁰ This risk indicator is supported by the following sources: FATF (2002: 2); European Commission (2005: 4); European Commission (2005a: 15). For charities see also U.S. Department of the Treasury (2002: 8).

statements providing detailed breakdowns of incomes and expenditures increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because detailed annual reports are documents that enable the authorities to verify and check the activities of foundations, associations and charities and to identify anomalous business and financial flows. The lack of provisions requiring the presentation of annual reports hampers these checks and increases the attractiveness of foundations, associations and charities to criminals.

- *Risk indicator no. 11: absence of legal provisions requiring independent auditing to guarantee the veracity of annual reports*³¹¹

Assumption: it was assumed that the absence of legal provisions requiring independent auditing to guarantee the veracity annual reports increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because annual reports may be falsified in order to conceal criminal activities and financial flows. In the absence of provisions requiring independent audit of annual reports, possible misuses of foundations, associations and charities for criminal purposes are harder to detect, thus making these entities more attractive to criminals.

- *Risk indicator no. 12: absence of legal provisions requiring the foundation, association, charity to maintain registered bank accounts*³¹²

Assumption: it was assumed that the absence of legal provisions requiring foundations, associations and charities to maintain registered bank accounts increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because, in the absence of provisions requiring foundations, associations and charities to use only the formal banking system to conduct their operations, they may also resort to the informal banking system, which is one of the means preferred by criminals to transfer money. These systems, in fact, enable concealment of the destination of the funds and greatly hamper investigations by the authorities.

- *Risk indicator no. 13: absence of legal provisions requiring the keeping of accounting records*³¹³

Assumption: it was assumed that the absence of legal provisions requiring the keeping of accounting records increases the risk that

³¹¹ This risk indicator is supported by the following sources: FATF (2002: 2).

³¹² This risk indicator is supported by the following sources: FATF (2002: 3); European Commission (2005: 5); European Commission (2005a: 16).

³¹³ This risk indicator is supported by the following sources: FATF (2006h: 1); European Commission (2005: 5); European Commission (2005a: 15); European Commission (2005c: 19). For charities see also U.S. Department of the Treasury (2002: 5–6).

foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because, in the absence of legal provisions requiring the keeping of accounting records, it is more difficult to maintain control over an organisation's activities and financial flows, as well as to know the decisions taken by the board of directors. This factor reduces transparency and makes misuse of the entity for criminal purposes more attractive.

- *Risk indicator no. 14: absence of legal provisions prohibiting cash transfers above a fixed threshold*³¹⁴

Assumption: it was assumed that the absence of legal provisions prohibiting cash transfers above a fixed threshold increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because cash transfers are an excellent way to maintain anonymity in that they do not leave traces. If a threshold for these transfers is not established, it is possible to move huge quantities of money around the world in complete anonymity.

- *Risk indicator no. 15: absence of legal provisions requiring exhaustive checks on donations above a fixed threshold*³¹⁵

Assumption: it was assumed that the absence of legal provisions requiring exhaustive checks on donations above a fixed threshold increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because donations may disguise transfers of dirty money or of money intended for terrorist financing. A lack of legal provisions requiring exhaustive checks on donations above a fixed threshold may therefore increase the attractiveness of foundations, associations and charities for criminal purposes.

- *Risk indicator no. 16: absence of legal provisions requiring tax authorities to carry out effective and regular tax audits*³¹⁶

Assumption: it was assumed that the absence of legal provisions requiring tax authorities to carry out effective and regular tax audits increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because, in the absence of provisions requiring effective and regular tax audits, misuses of foundations, associations and charities for

³¹⁴ This risk indicator is supported by the following sources: U.S. Department of the Treasury (2002: 7).

³¹⁵ This risk indicator is supported by the following sources: U.S. Department of the Treasury (2002: 7).

³¹⁶ This risk indicator is supported by the following sources: European Commission (2005a: 13).

criminal purposes are harder to detect, thus making these entities more attractive to criminals.

- *Risk indicator no. 17: absence of legal provisions requiring specific sanctions be inflicted by the authority supervising foundations, associations and charities when certain requirements are not fulfilled*³¹⁷

Assumption: it was assumed that the absence of legal provisions requiring that specific sanctions be inflicted by the authority supervising foundations, associations and charities when certain requirements are not fulfilled increases the risk that foundations, associations and charities will be exploited for money laundering/terrorist financing purposes.

This is because, in the absence of specific sanctions (for example, the freezing of accounts, fines, de-registration) when certain requirements are not fulfilled, those involved in the activities of foundations, associations and charities may not be adequately deterred from misusing the entity for criminal purposes.

- *Risk indicator no. 18: absence of legal provisions requiring the authorities supervising foundations, associations and charities to co-operate and exchange information with national law enforcement agencies*³¹⁸

Assumption: it was assumed that the absence of legal provisions requiring the authority supervising foundations, associations and charities to co-operate and exchange information with national law enforcement agencies increases the risk that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes.

This is because investigations and prosecutions against persons misusing foundations, associations and charities for money laundering and terrorist financing purposes may be less successful.

- *Risk indicator no. 19: absence of legal provisions requiring co-operation and information exchange at transnational level between national law enforcement agencies and authorities supervising foundations, associations and charities and the corresponding entities in the other EU MS*³¹⁹

Assumption: it was assumed that the absence of legal provisions requiring co-operation and information exchange at transnational level between national law enforcement agencies and authority supervising foundations, associations and charities and the corresponding entities in

³¹⁷ This risk indicator is supported by the following sources: FATF (2002: 6); FATF (2006: 69).

³¹⁸ This risk indicator is supported by the following sources: FATF (2006: 70); European Commission (2005a: 12); European Commission (2005b: 20).

³¹⁹ This risk indicator is supported by the following sources: European Commission (2005a: 14); European Commission (2005c: 20).

the other EU MSs increases the risk that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes.

This is because money laundering and terrorist financing are transnational crimes, the effective fight against which is enhanced by co-operation and information exchange among the competent authorities of the various Member States. If the added value of this cooperation is lacking, the law enforcement risk for these crimes decreases and foundations, associations and charities are therefore more attractive to criminals.

16.2.3 Assessing the risk that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes in EU Member States

This sub-section assesses the risk that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes in the EU Member States.

For this purpose, the analysis consists in determining the existence or non-existence of each of the 19 risk indicators identified above regarding the regulation of foundations, associations and charities in the MSs.

The analysis is based on the study of the available laws,³²⁰ reports³²¹ and literature³²² on the subject. It does not claim to be exhaustive; rather, its

³²⁰ For foundations; Austria: Private Foundation Act, September 1, 1993; Federal Foundations and Funds Act, 1974; Belgium: Loi sur les associations sans but lucratif, les associations internationales sans but lucratif et les foundations, 2 Mai, 2002; Bulgaria: Law for the Non-Profit Corporate Bodies, 81/6 October 2000; Czech Republic: Act No. 227/1997 on Foundations and Funds; Act No. 248/1995 on Public Benefit Corporations; Hungary: Act CLVI of 1997 on Non-Profit Organisations; Italy: Code Civil; Law No. 361/2000; Law No. 368/1998; Law No. 218/1990; Latvia: Associations and Foundations Law entered into force on 1 April, 2004; Law on Non-Profit Organisations, 17 December 1991, as amended 5 November 1993; Luxembourg: Loi du 21 Avril 1928 sur les Associations et Foundations sans but lucratif (telle qu'elle a été modifiée; Poland: Law on Foundations, 6 April 1984; Slovakia: Act. No 34/2002 Coll; Slovenia: The Foundations Act 20/10/1995 No. 60/95 as amended; Spain: Law on Foundations and Fiscal Incentives to Private Participation for General Interest Purposes (LF)/Ley de Fundaciones y de Incentivos Fiscales a la Participación Privada an Actividades de Interés General (Act 30/1994), Ley 50/2002, de 26 de diciembre, de Fundaciones; Sweden: Foundation Act (1994:1220).

For associations; Austria: Vereingesezetz 2002; Belgium: Loi sur les associations sans but lucratif, les associations internationales sans but lucratif et les foundations, 2 Mai 2002; Bulgaria: Law for the Non-Profit Corporate Bodies, 81/6 October 2000; Czech Republic: Citizens Civil Law Associations Act No. 83/1990, Coll. of March 27, 1990; Estonia: Non-Profit Associations, 6 June 1996, entered into force on 1 October 1996; Finland: Finnish Associations Act No. 503 of 26 May 1989 as amended; France: Loi du 1^{er} Juillet 1901 relative au contrat d'association (Journal Officiel du 2 Juillet 1901); Hungary: Act of 1989 on the Right of Association; Italy: code civil plus the discipline on the social associationism; Latvia: Draft Law on coming into force of Association and Foundation; Draft Law on Public Benefit Organisations; Lithuania: Law on Associations No. I-1231, 14 March 1996; Luxembourg: Loi du 21 Avril 1928 sur les associations et les foundations sans but lucratif (telle qu'elle a été modifiée); Poland: Law on Associations, 7 April 1989; Law on Public Benefit Activities and Volunteerism, 24 April 2003; Slovakia: Law of 27 March 1990 Concerning the Right of Association; Slovenia: Associations Act (Zdru-1); Spain: Ley Organica 1/2002 de 22 de Marzo Reguladora del Derecho de Asociación; Sweden: Economic Associations Act (1987: 667).

purpose is to provide an overview on the sector in the European Union in order to identify issues and to make suggestions for improvements in the regulation of foundations, associations and charities.

Before starting the analysis it should be noted that in the United Kingdom there is no separate legal form for foundations, and the form that any particular foundation may take is not prescribed in law.³²³

In addition, it should be pointed out that associations do not exist as a legal form in Ireland and are not monitored: only associations organised as companies are monitored by the Companies Registration Office (European Commission 2005c: 117).

Risk indicator no. 1: absence of legal provisions requiring registration of the foundation, association, charity in a public register

Foundations

Almost none of the EU Member States (Austria, Bulgaria, Czech Republic, Denmark, Estonia, Finland, Germany, Hungary, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Slovakia, Slovenia and Spain) exhibit this risk indicator because they have registration requirements for foundations. There are some exceptions, however: in Greece³²⁴ and Sweden this requirement does not exist, so that the acquisition of data on the sector is more difficult.

Particular attention should be paid to the Belgian legislation, because it does not specifically impose a registration requirement, but instead stipulates the duty to lodge, with the Tribunal of first instance for private foundations and with the Ministry of Justice for public utility foundations, a dossier containing

For charities; Bulgaria: Law on non-profit corporate bodies 81/6 October 2000; Belgium: Loi sur les associations sans but lucratif, les associations internationales sans but lucratif e les fondations, 2 Mai 2002; Cyprus: Charities Law Cap. 41; Czech Republic: Law 248/1995 on generally beneficial societies; Hungary: Act CLVI of 1997 on Non-Profit Organisations; Ireland: Charities Regulation Bill 2006; Italy: Law No. 266/1991, Law No. 381/1991, Law No. 49/1987; Latvia: Law on Non-Profit Organisations. 17 December 1991 as amended 5 November 1993; Luxembourg: Loi du 21 Avril 1928 sur les associations et les fondations sans but lucratif (telle qu'elle a été modifiée); Poland: Law on Public Benefit Activity and Volunteerism, 24 April 2003; Slovakia: Law No. 213/1997 on Non-Profit Organisations Providing Generally Beneficial Services; United Kingdom: Charities Bill.

³²¹ FATF (2005a); FATF (2005); Moneyval (2002); Moneyval (2006); FATF (2006c); Moneyval (2004); FATF (2004b); Moneyval (2005); International Monetary Fund (2005); FATF (2006d); FATF (2006e); Moneyval (2004a); Moneyval (2003); Moneyval (2003a); Moneyval (2003b); FATF (2006b); Moneyval (2006a), Moneyval (2005a); FATF (2006f).

³²² EFC (2002); EFC (2002a); EFC (2002b); EFC (2002c); EFC (2002d); EFC (2002e); EFC (2002f); EFC (2002g); EFC (2002h); EFC (2002k); EFC (2002j); EFC (2002i); EFC (2002l); EFC (2003); EFC (2005); Weidel (n.d.); Gallop (n.d.); Gallop (n.d.a); Pajas (n.d.); Mänd (n.d.); Sunell (n.d.); Lemaistre (n.d.); Meyn (n.d.); Schlüter (n.d.); Patsouris (n.d.); Meizaine (n.d.); Ilgius (n.d.); Goliduki (n.d.); Baptista (n.d.); Kostalova (n.d.); Surmatz (n.d.); Siederer (n.d.).

³²³ EFC (2002l: 1); Siederer (n.d.: 1).

³²⁴ The Ministry of Justice keeps only an unofficial list of foundations.

information available to the public.³²⁵ Although there is no register, this legislative provision is in any case useful because it gives the authorities a source of information and data on the sector.

Associations

This risk indicator is almost non-existent in the legislations of the EU Member States. The great majority of legislations analysed³²⁶ have registration requirements for associations (this being the case of Austria, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Luxembourg, Poland, Portugal, Slovakia, Slovenia and Spain).

Special mention should be made of the regulation of associations in other countries, such as Finland, France, Germany, Greece, Italy and Sweden. In Finland there are both recognized associations and non-recognised associations; for the latter, the law on associations does not impose a registration requirement, but recognised associations must register with the National Board of Patents and Registration of Finland.³²⁷ This distinction also applies in Italy: recognised associations must register with the Registry of Legal Persons, which is publicly consultable and periodically updated. The same applies to France, Germany and Greece, where only recognised associations are registered.

Non-profit associations in Sweden are not obliged to register, although this obligation is imposed on economic associations.³²⁸

The Belgian legislation stipulates the duty to lodge a dossier with the tribunal of first instance; this dossier contains information available to the public. As said above regarding foundations, although there is no register in Belgium, this legislative provision is useful because it gives the authorities a source of information and data on the sector.

In Denmark non-profit associations do not register in any manner (FATF, 2006c: 166).

Charities

This risk indicator is frequently absent from the legislations of the EU Member States; in fact, for example, Bulgaria, Cyprus, Czech Republic, Hungary, Italy, Ireland, Latvia, Poland, Slovakia and United Kingdom have a registration requirement for charities.

³²⁵ Loi sur les associations sans but lucratif, les associations internationales sans but lucratif et les fondations, 2 Mai, 2002, art 31: "*il est tenu au greffe du tribunal de première instance un dossier pour chaque fondation privée ayant son siège, ou son siège d'opération [...] dans l'arrondissement. [...] Il est tenu au Ministère de la Justice un dossier pour chaque fondation d'utilité publique*".

³²⁶ The laws examined are those of Austria, Belgium, Bulgaria, Czech Republic, Estonia, Finland, France, Hungary, Italy, Latvia, Lithuania, Luxembourg, Poland, Slovakia, Slovenia, Spain and Sweden.

³²⁷ The register can be consulted by the public, everyone is entitled to obtain extracts and certificates from it and the related documents in the manner prescribed by the Act on the Openness of Government Activities.

³²⁸ The registration is lodged with the Trade Register.

To be noted is that, before the Charities Regulation Bill of 2006,³²⁹ the charity sector in Ireland was unregulated; a registration requirement was therefore absent, together with an overall regulatory system promoting transparency.

Another comment regards the United Kingdom, in which country not all charities must register with the Charity Commission; some of them, known as 'exempt charities', are not required to do so.

Risk indicator no. 2: absence of legal provisions requiring the regular updating of data in the register

Foundations

An express legal provision stipulating that the data contained in the registers of foundations must be regularly updated is quite frequent in the foundation laws of the EU Member States. The Austrian, Belgian, Finnish, Hungarian, Italian, Latvian, Polish, Portuguese, Slovakian, Slovenian and Spanish legislations, for example, contain such a provision. All data are also usually available to the public.³³⁰

Associations

Explicit legal provisions on the regular updating of the data in registers of associations are quite frequent in the laws of the EU Member States. The Belgian, Czech, Estonian, Finnish, Italian, Latvian, Luxembourgian, Polish, Portuguese, Slovakian and Slovenian jurisdictions, for example, contain such provisions. All the data are also usually available to the public.³³¹

To be noted that the Austrian legislation on associations allow changes to the data contained in the register, but the original data are usually preserved. Adjustment of the information is made by official request. For this reason, it can be stated that this risk indicator is not present in Austria.

Charities

An express legal provision requiring the regular updating of data contained in the register of charities is quite frequent in the regulations of the EU

³²⁹ The Charities Regulation Bill of 2006 was published in March 2006 by the Department for Community, Rural and Gaeltacht Affairs (CRGA). It is an act providing for the better regulation, support and management of charities in the State; it enhances transparency and accountability in the sector, increases public confidence in it and protects against charitable fraud, provides for the establishment of the Irish Regulatory Authority of charities, defines its functions and provides for the establishment of a register of charities.

³³⁰ In some countries, like Luxembourg or Slovenia, there are some specific restrictions to the data available to the public; for example, in Luxembourg, personal identification data of shareholders or directors (date and place of birth) are not accessible.

³³¹ By way of example; the Estonian law on non-profit associations states at paragraph 10 no. 2 "upon a change in the information entered in the register (non-profit associations register), the management board shall submit a petition for entry of the changes in the register"; the Polish Law on Associations, 7 April 1989, at the article 18 no. 3 states that "registries of associations are open, and everyone has the right to obtain certified copies and excerpts from these registries".

Member States. The Bulgarian, Hungarian, Irish, Italian, Slovakian and British legislations, for example, contain such a provision. The Cypriot law on charities, instead, does not.

For example, the Slovakian Law on charities states in chapter 2, section 11 that “*any change or cessation of registered data shall be entered into the Registry³³² without delay*”.

All the data contained in the register can usually be consulted by the public.³³³

Risk indicator no. 3: absence of legal provisions prohibiting the name of a foundation, association, charity from resembling the name of another one

Foundations

This risk indicator quite frequently applies to the legislation of the EU Member States. Only in a small number of countries (Bulgaria, Latvia, Slovakia, Slovenia and Spain) does the law contain the kind of explicit provision included in the Latvian Associations and Foundations Law: “*the name shall differ clearly and distinctly from other names of associations and foundations already registered or under application for registration in the Register of associations and foundations*”.³³⁴ In some other countries, such as Austria, the law does not comprise an article as detailed as the Latvian one, but more simply states that the name of a foundation must not be misleading.

Associations

The available data show that a good number of legislations (Bulgaria, Czech Republic, Estonia, Finland, Hungary, Latvia, Poland, Slovakia and Slovenia) have express legal provisions prohibiting similarity between the names of associations. By contrast, the Belgian and the Luxembourgian legislations do not.

An example of these legal provisions is provided by article 7 paragraph 2 of the Hungarian law on the right of association, which states that “*the name of a civil society organisation shall differ from those of other civil society organisations already registered and operating in a similar sphere of activity*”.

In Austria, paragraph 4 of the Verein BGBl. I Nr. 66/2002 states that “*the name of the association must be linked with the activity which is carried out by the organisation and must not be misleading (irrefurend sein)*”.

Generally speaking, this risk indicator is very frequent in European laws on associations.

³³² Central Registry of Non-Profit Organisations providing generally beneficial services (maintained by the Ministry of Interior).

³³³ “*The register would be accessible to the public*”, Charities regulation Bill 2006, head 49 part 3.

³³⁴ Latvian Associations and Foundations Law entered into force on 1 April 2004, section 6, no. 3.

Charities

This risk indicator is quite frequently present in the legislations of the EU Member States reviewed³³⁵ here. Countries such as Bulgaria, Ireland and Slovakia have this kind of provision in their laws on charities.

Other countries, such as Cyprus, Hungary and United Kingdom, instead, do not.

The Slovakian Law can be used as an example; it states in chapter 1, section 4 that *“the name must differ from the names of other already registered non-profit organisations”*.

Another good example is provided by Irish legislation, which empowers the regulatory authority to require a charity to change its name if *“it is a registered charity and its registered name is the same as, or is, in the opinion of the Regulatory Authority, too like the name at the time when the registered name was entered in the register in respect of the charity, of any other charity (whether registered or not)”*.

The Bulgarian legislation can also be cited, as it states that *“the non-profit corporate body entered in the court register can require from any other non-profit corporate body of the same type, which has adopted later the name coinciding with its name, to stop the bearing and the using of the coinciding name”*.³³⁶

Risk indicator no. 4: absence of legal provisions requiring information on the identity of the person(s) who own(s)/control(s)/direct(s) the foundation, association, charity activities

Foundations

This risk indicator is almost entirely absent from the legislations of the EU Member States. Usually, the name of the person(s) owing/controlling/directing the foundation's activities is known and listed in the statute of the organisation. The information contained in the statute can vary from country to country according to the express provision of the law on the subject. In Luxembourg, for example, the statute of a foundation must state the names, professions, domiciles and nationalities of the foundation's board of directors and regulation regarding their appointment and conduct.³³⁷ The most important requirement is that the information in the statute should identify, without equivocation, the person directing the organisation.

³³⁵ The laws examined are those of Bulgaria, Belgium, Cyprus, Czech republic, Hungary, Ireland, Italy, Latvia, Luxembourg, Poland, Slovakia and United Kingdom.

³³⁶ Bulgarian Law on non-profit corporate bodies 81/6 October 2000, article 7 no. 5.

³³⁷ Loi du 21 Avril 1928 sur les Associations et Fondations sans but Lucratif (telle qu'elle a été modifiée) article 30: *“[...] les status doivent mentionner [...] les noms, professions, domiciles et nationalités des administrateurs, ainsi que le mode selon lequel les nouveaux administrateurs sont désignés ultérieurement”*.

Consideration should be made of the Czech Republic's legislation because it contains the following article: *"only individuals of integrity may [...] be members of the board of directors. He who was lawfully sentenced for a wilful act punishable by law is not considered an individual of integrity for the purpose of this Act. Integrity will be attested by a copy of one's police record or by a relevant voucher from the state of permanent residence of the person concerned"*.³³⁸ This integrity requirement may be very useful in preventing the likelihood that criminals may infiltrate the sector and direct foundations. In this regard, the Law of the Czech Republic must be considered well designed.

Associations

The risk indicator is almost absent from the legislations of the EU Member States; usually, the name of the person(s) owing/controlling/directing the association activities is known and listed in the statute (articles of association).

Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Italy, Latvia, Lithuania, Luxembourg, Poland, Slovakia, Slovenia, Spain and Sweden have laws with provisions of this kind.

Charities

This risk indicator is nearly absent from the legislations of the EU Member States:³³⁹ usually, the name of the person(s) owing/controlling/directing charities' activities is known and listed in the statute of the organisation. The information contained in the statute can vary from country to country according to specific national provisions.

The Slovakian legislation requires particular comment because it contains the following interesting article: *"a natural person may become a member of the Board of Directors, when being in full legal capacity and of irreproachable character. For the purpose of this law, a natural person shall be considered as of irreproachable character if he/she has not been convicted of purposefully committing a crime"*.³⁴⁰ This integrity requirement may be very useful in preventing the likelihood that a criminal may infiltrate the sector and direct a charity. In this regard, the Law of Slovakia must be considered particularly well designed.

In Bulgaria, the name(s) of the person(s) directing a charity must be stated in the application form for entry in the register. This is of great importance, because the register is publicly available, and anybody can request references or abstracts from its contents, thus being able to acquire information on the identity of person(s) controlling the charity.

³³⁸ Act No. 227/1997 on Foundations and Funds, Chapter IV, Section 10, no. 2–3.

³³⁹ This is the case, for example, of Cyprus, Czech Republic, Hungary, Ireland, Italy, Latvia, Slovakia and United Kingdom.

³⁴⁰ Law No. 213/1997 on Non-Profit Organisations Providing Generally Beneficial Services, Chapter 4, section 20 n. 1 and 2.

Risk indicator no. 5: absence of legal provisions requiring a definition of the foundation, association, charity mission/objective/goals/programmes

Foundations

This risk indicator, too, is almost absent from the legislation on foundations of the EU Member States. Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, The Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden have legal provisions stating that the organisation's mission/objective/goals/programmes must be declared in its statute. The aim of the institution must comply with the law and must be possible to archive.

Associations

Also this risk indicator is almost non-existent in the legislation on associations in the EU Member States. Laws on associations in Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden have legal provisions stating that the organisation's mission/objectives/goals/programmes must be declared in the statute (articles of association).

For example, the Estonian Law specifies at paragraph 7 no. 3 that "*the articles of association of a non-profit association [...] shall set out the objectives of the non-profit association*". And the Law of Lithuania states at article 2 no. 2 that "*the objectives of the activities, main functions and tasks of the association must relate to the activities or needs of the association members and must be laid down in its statutes*".³⁴¹

Charities

This risk indicator, too, is almost absent from legislation on charities in the EU Member States. For example, Bulgaria, Cyprus, Czech Republic, Hungary, Ireland, Italy, Latvia, Lithuania, Slovakia and United Kingdom have legal provisions stating that the organisation's mission/objectives/goals/programmes must be declared in its statute. The aim of the institution must comply with the law and must be possible to archive.

Risk indicator no. 6: absence of legal provisions requiring an authority to supervise the foundation, association, charity activities

Foundations

This risk indicator is almost non-existent in the regulations of the EU Member States; Austria, Belgium, Denmark, Finland, France, Germany,

³⁴¹ To be noted that, when there is a duty to register, the articles of association are usually included in the register, and are thus publicly available.

Greece, Hungary, Italy, Lithuania, Luxembourg, The Netherlands, Portugal, Slovakia, Slovenia, Spain and Sweden have supervisory authorities for foundations.³⁴² Only a small number of countries (Czech Republic, Estonia, Latvia and Poland) have no supervisory authorities for foundations.

Associations

The frequency of this risk indicator regarding laws on associations in the EU Member States is medium. On the one hand there are countries in which there is no supervisory authority for associations, such as Bulgaria, Estonia, Finland, France, Germany, Latvia, Lithuania, Spain and Sweden and, on the other, countries wherein which a supervisory entity exists, such as Austria, Czech Republic, Hungary, The Netherlands, Poland, Portugal, Slovakia and Slovenia.³⁴³

Special comment is required on the Slovenian legislation, which provides for supervision of associations that is not carried out by one specific entity but rather by a set of public entities (Inspectorate of the Republic of Slovenia for Internal Affairs, tax Administration of the Republic of Slovenia, Agency of the Republic of Slovenia for Public Records and Services). This kind of supervision is not special, but is merely supervision by the state.

³⁴² In Austria, Public Benefit Foundations are supervised by the appropriate administration (either provincial administration or the relevant Federal Ministry), Private Foundations are supervised by Auditors/Stiftungsprüfer appointed by the competent court; in Belgium the Public Utility Foundations are supervised by the Ministry of Justice and the Private Foundations by the competent court; in Denmark foundations are supervised by the Ministry of Justice, but Commercial Foundations are supervised by the Ministry of Commerce; in Finland all foundations are subject to supervision under the National Board of Patent and Registration; In France foundations are supervised by the Ministry of Interior and the Prefet du Department; in Germany each state has its own supervisory system; in Greece the Ministry of Finance, the Council of National Bequests, or another competent Ministry exercise the supervision of the foundation after its establishment; Public Benefit Foundations are under the supervision of the Ministry of Finance; in Hungary the Public Prosecutor Office supervises foundations; in Italy, foundations acting countrywide are supervised by the Prefecture, regional foundations with regional scope are supervised by the regional administration, foundations that pursue cultural purposes have a special supervision and foundations of bank origin are supervised by the Ministry of Economy and Finance; in Lithuania the registering institutions oversee foundations; in Luxembourg foundations are supervised by the Ministry of Justice; in The Netherlands foundations come under the supervision of the Public Prosecutor's Office and the District Court/arrondissementsrechtbank; in Portugal there is a government control over foundations; this control is stronger for private social welfare institutions than for simple public utility foundations, as the former receive greater benefits; in Slovakia foundations are supervised by the Ministry of Interior; in Slovenia foundations are supervised by the competent Ministry with jurisdiction; in Spain the Protectorados and the Foundations Higher Council supervise the sector; in Sweden the supervision authority is the country government where the foundation has its domicile.

³⁴³ In Austria associations are supervised by the Vereinbehörden; in Czech Republic associations are supervised by the Ministry of Interior; in Hungary the public prosecutor's office supervises associations; in Poland associations are supervised by the local branch of the national agency appropriate for the association's seat at the voivodship level and that has particular competence for social and administrative matters; in Slovakia associations are supervised by the Ministry of Interior; in Slovenia associations are supervised by the Inspectorate of the Republic of Slovenia for Internal Affairs, the Tax Administration of the Republic of Slovenia and by the Agency of the Republic of Slovenia for Public Records and Services (ARSPRS).

It is also important to stress that supervision of the Hungarian associations by the competent authority is not unified and is generally not very rigorous.

Charities

This risk indicator is almost non-existent in the regulations of the EU Member States; Bulgaria, Hungary, Ireland, Italy, Latvia, Poland, Slovakia and United Kingdom have supervisory authorities for charities.³⁴⁴ Only a small number of countries (for example, Cyprus) have no such supervisory authority.

To be noted is that the supervisory authority of Ireland (Udaras Riala Carthanas na Héireann), like the Charity Commission of the United Kingdom, has very broad powers, and its activities are well regulated. “*The Regulatory Authority shall have all such powers as are necessary or expedient for, or are calculated to facilitate, or are conducive or incidental to, the performance by it of any of its functions. In the performance of its functions, the Regulatory Authority must, insofar as is relevant, have regard to (a) the principles under which regulatory activities should be proportionate, accountable, consistent, transparent and targeted at cases in which action is needed (b) any other principle appearing to the Regulatory Authority to represent good regulatory practice and (c) developments at international level of the European Union concerning charities and the regulation of charities*”.³⁴⁵ In this regard, the Law of Ireland (and also the Law of United Kingdom) must be considered as particularly well designed.

Risk indicator no. 7: absence of legal provisions requiring verification of the identity/credentials/good faith of the beneficiary/ies

Foundations

This risk indicator is very frequently apparent in the legislation on foundations across the EU Member States. Few laws in Europe contain explicit legal provisions requiring verification of the identity/credentials/good faith of the beneficiary.

³⁴⁴ In Bulgaria charities are supervised by the authority which administers the Central Register of charities; in Hungary charities are supervised by the tax authorities, the State Audit Office and the Public Prosecutor's Office; in Ireland charities are supervised by the Udaras Riala Carthanas na Héireann; in Italy charities are supervised by the agency for ONLUS; in Latvia charities are supervised by the Enterprise Registry of the Republic of Latvia and also by the state; in Poland charities are supervised by the Ministry responsible for issues of social security (public benefit organisations performing their activities in the field of the rescue and protection of people are supervised by the Ministry of Internal Affairs; in Slovakia charities are supervised by the Registration Office, which is itself controlled by the competent Ministry; in the United Kingdom charities are supervised by the Charity Commission for England and Wales.

³⁴⁵ Charities Regulation Bill 2006, head 15 n. 2 and n. 3.

Associations

This risk indicator is very frequent in legislation on associations across the EU Member States. None of the laws examined³⁴⁶ contain legal provisions requiring verification of the identity/credentials/good faith of the beneficiary(ies).

Charities

This risk indicator is very frequently present in legislation on charities across the EU Member States. None of the laws examined³⁴⁷ contains such legal provisions.

Risk indicator no. 8: absence of legal provisions requiring verification of the identity/credentials/good faith of the donor(s)

Foundations

This risk indicator, like risk indicator no. 7, is very frequent in the legislation on foundations across the EU Member States. Few laws in Europe contain declared legal provisions requiring verification of the identity/credentials/good faith of donor(s).

A good model is provided by the legislation of the Czech Republic, whose Act No. 227/1997 on Foundations and Endowment Funds at Chapter VI, Section 25, no. 2b states that "*as far as individual foundations gifts over CZK 10,000 provided to the foundation/endowment fund, information about the persons who provided them is to be given*". This provision is important because it requires verification of donor(s) (know your donor/s procedure) and impedes criminal misuse of the sector.

Associations

Like indicator no. 7, this risk indicator is very frequent in the legislation on associations across the EU Member States. None of the laws examined³⁴⁸ contain legal provisions requiring verification of the identity/credentials/good faith of the donor(s).

Charities

Like risk indicator no. 7, this one is very frequent in legislation on charities across the EU Member States. No laws among those examined³⁴⁹ contain express legal provisions requiring verification of the identity/credentials/good faith of the donor(s).

³⁴⁶ The laws examined are those of Austria, Belgium, Bulgaria, Czech Republic, Estonia, Finland, France, Hungary, Italy, Latvia, Lithuania, Luxembourg, Poland, Slovakia, Slovenia, Spain and Sweden.

³⁴⁷ See note no. 335.

³⁴⁸ See note no. 346.

³⁴⁹ See note no. 335.

Risk indicator no. 9: absence of legal provisions requiring verification of the identity/credentials/good faith of the associate organisation(s)

Foundations

This risk indicator, like risk indicators no. 7 and no. 8, is very frequent in the legislation on foundations across the EU Member States. Few laws in Europe contain express legal provisions requiring verification of the identity/credentials/good faith of the associate organisation(s). This verification requirement is of utmost importance in the case of mergers between two or more foundations, or simply in the case of operations carried out by two or more foundations.

Associations

Also this risk indicator is very frequent in legislation on associations across the EU Member States. None of the laws examined³⁵⁰ contain legal provisions requiring verification of the identity/credentials/good faith of the associate organisation(s).

Charities

Unfortunately, like indicators no. 7 and 8, the presence of this risk indicator is very frequent in legislation on charities across the EU Member States. No laws among those examined³⁵¹ contain express legal provisions requiring verification of the identity/credentials/good faith of the associate organisation(s).

Risk indicator no. 10: absence of legal provisions requiring foundations, associations and charities to present annual reports providing detailed breakdowns of incomes and expenditures

Foundations

This risk indicator is absent from the regulations of the EU Member States; in Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden, foundations give details of their activities (in line with the size of the organisation) in an annual report. In most cases, these annual reports are submitted to the authority supervising the sector and they are open to public inspection.

By way of example, in Austria, Public Benefit Foundations must send yearly accounts to the foundation authority within the month of June of the year following that to which the annual report refers.³⁵² Also in Germany, foundations must submit annual reports to the supervisory authority.

³⁵⁰ See note no. 346.

³⁵¹ See note no. 346.

³⁵² Federal Foundations and Funds Act, 1974, § 28, no. 7.

Associations

This risk indicator is almost absent from the regulations of the EU Member States; in Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, Hungary, Latvia, Lithuania, Luxembourg, The Netherlands, Portugal, Slovakia, Slovenia, Spain and Sweden, associations itemise their activities in their annual report.

Charities

This risk indicator is almost entirely absent from the regulations of the EU Member States; in Bulgaria, Cyprus, Czech Republic, Hungary, Ireland, Italy, Lithuania, Poland, Slovakia and United Kingdom charities publish details of their activities by means of their annual statements. In most cases, these annual statements are presented to the authority supervising the sector, and they are open to public inspection.

Risk indicator no. 11: absence of legal provisions requiring independent auditing to guarantee the veracity of annual reports

Foundations

The frequency of this risk indicator in legislation on foundations in the European Union is medium. There are explicit provisions requiring the auditing of annual statements in Austria, Belgium, Czech Republic, Denmark, Latvia, The Netherlands, Slovakia, Slovenia, Spain and Sweden. Other laws, such as those of Hungary, Italy, Luxembourg and Poland, do not provide for this requirement.

Associations

On the basis of the collected data, it is possible to state that the frequency level of this risk indicator in legislation on associations in the European Union is medium. On the one side there are some laws with legal provisions which require the auditing of annual reports (Austria, Belgium, Denmark, Latvia, Lithuania, Slovakia, Slovenia and Sweden); on the other, the legislations of other countries do not contain such provisions (Czech Republic, Estonia, Hungary, Luxembourg, and Poland).

To cite an example from the former group of countries, in Slovenia, if an association's incomes and expenditures exceed 200 million toolars, an independent auditor is required. If the threshold is not reached, internal auditing is conducted.³⁵³

³⁵³ Associations Act (ZDRU-1), article 26.

Charities

On the basis of the data collected, the frequency of this risk indicator in legislation on charities in the European Union seems to be medium. There are explicit provisions requiring the auditing of the annual reports in Cyprus, Czech Republic, Ireland, Poland, Slovakia and United Kingdom. Other laws, such as that of Hungary, do not impose this requirement.

Risk indicator no. 12: absence of legal provisions requiring the foundation, association, charity to maintain registered bank accounts

Foundations

Almost all the laws on foundations do not contain legal provisions requiring registered bank accounts for the institution in question. Consequently, in the MSs, foundations may generally use, in addition to registered bank accounts, the informal banking system, which is an extremely dangerous instrument because it leaves no trace of the transaction performed.

A good practice is exemplified by the Belgian legislation, which states in article 37 § 6 that large private foundations must file their accounts with the National Bank of Belgium/Banque Nationale de Belgique.

Associations

The laws examined³⁵⁴ on associations do not contain legal provisions requiring them to keep registered bank accounts. Consequently, in the MSs, foundations may generally use, in addition to registered bank accounts, the informal banking system, which is an extremely dangerous instrument because leaves no trace of the transaction performed.

To be noted is the law of Lithuania, which states that *"in order to conduct the activities provided for in the statute, the association may have a settlement account and a foreign currency account with the banks, according to the establishing procedure"*.³⁵⁵

Charities

The laws examined³⁵⁶ on charities do not contain legal provisions requiring charities to maintain registered bank accounts. Consequently, in the MSs, charities may generally use, in addition to registered bank accounts, the informal banking system, which is an extremely dangerous instrument because it leaves no trace of the transaction performed.

³⁵⁴ The laws examined are those of Austria, Belgium, Bulgaria, Czech Republic, Estonia, Finland, France, Hungary, Italy, Latvia, Lithuania, Luxembourg, Poland, Slovakia, Slovenia, Spain and Sweden.

³⁵⁵ Law on Associations No. I-1231, 14 March 1996, article 10.

³⁵⁶ See note no. 335.

Risk indicator no. 13: absence of legal provisions requiring the keeping of accounting records

Foundations

This risk indicator is almost absent from regulations on foundations in the EU Member States. In fact, in Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Luxembourg, The Netherlands, Poland, Portugal, Slovenia, Spain³⁵⁷ and Sweden foundations must keep accounting records. This increases the overall transparency of the sector.

Associations

This risk indicator is present in some legislations on associations, such as those the Czech Republic, Latvia and Slovenia.

Charities

This risk indicator is almost absent from the regulations of charities in the EU Member States. In fact, in Czech Republic, Hungary Ireland, Italy, Lithuania, Poland, Slovakia and the United Kingdom, charities must keep accounting records. An example of an exhaustive and specific provision is provided by the Irish Charities Regulation Bill of 2006, which states that a charity shall “ensure that accounting records are kept which are sufficient to show and explain all the transactions of the charity”. In addition, “[...] a charity shall preserve any accounting records made for the purpose of this section in respect of the charity for at least 6 years from the end of the financial year of the charity in which they are made”.

The Cypriot law on Charities,³⁵⁸ instead, does not expressly stipulate the keeping of accounting records.

Risk Indicator no. 14: absence of legal provisions prohibiting cash transfers above a fixed threshold

Foundations

None of the legislations on which information has been collected contain this kind of provision. Austrian, Belgian, Czech, Hungarian, Italian, Latvian, Luxembourgian, Polish, Slovakian, Slovenian, Spanish and Swedish laws evince this risk indicator. As already mentioned, cash transfers (meaning transfers of money in cash, in local or foreign currency, from one person to another) are an excellent way to ensure anonymity, because they leave no trace of the transaction.

³⁵⁷ Foundations must keep the identifying documents of every persons who has received resources from the foundation for the previous six years.

³⁵⁸ Cypriot Charities Law, Chapter 41.

Associations

None of the legislations examined³⁵⁹ contain this kind of provision. Austrian, Belgian, Bulgarian, Czech, Estonian, Finnish, Hungarian, Latvian, Lithuanian, Luxembourgian, Polish, Slovakian and Slovenian laws signal this risk indicator. As already mentioned, cash transfers (meaning transfers of money in cash, in local or foreign currency, from one person to another) are an excellent way to maintain anonymity, because they leave no trace of the transaction.

Charities

None of the laws examined³⁶⁰ contain such legal provisions. As mentioned cash transfers are an excellent way to maintain anonymity, because they leave no trace of the transaction.

Risk indicator no. 15: absence of legal provisions requiring exhaustive checks on donations above a fixed threshold

Foundations

This risk indicator is present in the majority of the laws examined,³⁶¹ although there are some exceptions. The Belgian legislation on foundations provides for approval by royal decree of donations above a fixed threshold (100,000 Euro). This procedure can ensure control over large donations, thereby averting the risk of exploitation by criminal groups.

Luxembourgian law also comprises a similar procedure whereby gifts exceeding approximately 12,500 Euros must be authorised by Grand Ducal Decree.³⁶²

Associations

This risk indicator is closely connected with risk indicator no. 14; this risk indicator, too, is present in the majority of the laws examined,³⁶³ although there are some exceptions. While Austria, Bulgaria, Czech Republic, Estonia, Finland, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia do not set out these legal provisions in their legislations on associations, Belgium and Luxembourg have some interesting articles in this respect.

³⁵⁹ The laws examined are those of Austria, Belgium, Bulgaria, Czech Republic, Estonia, Finland, France, Hungary, Italy, Latvia, Lithuania, Luxembourg, Poland, Slovakia, Slovenia, Spain and Sweden.

³⁶⁰ See note no. 335.

³⁶¹ The laws examined are those of Austria, Czech Republic, Hungary, Italy, Latvia, Poland, Slovakia, Slovenia, Spain and Sweden.

³⁶² Loi du 21 Avril 1928 sur les Associations et les Fondations sans but lucratif (telle qu'elle a été modifiée), article 16.

³⁶³ See note no. 346.

The Belgian Law states “*a l'exception des dons manuels, toute libéralité entre vifs ou testamentaire au profit d'une association doit être autorisée par le Roi. Néanmoins, cette autorisation n'est pas requise pour l'acceptation des libéralités dont la valeur n'excède pas 100.000 EUR*”.³⁶⁴ This procedure may be helpful in ensuring control on large donations, thus reducing the risk of exploitation by criminals.

The Luxembourgian Law on associations provides for authorisation by decree in the case of gifts exceeding 2,500 euros.³⁶⁵

Charities

This risk indicator, too, is present in almost all the legislation examined³⁶⁶ on charities. Cyprus, Hungary, Ireland, Slovakia and the United Kingdom do not have any legal provision requiring this kind of verification in their legislation on charities.

Risk indicator no. 16: absence of legal provisions requiring tax authorities to carry out effective and regular tax audits

Foundations

There are countries in which such provisions exist and are set out in specific laws regulating foundations (for example, Czech, Danish, Hungarian, Latvian, Polish and Slovakian legislation), and countries in which, instead, such provisions do not exist (such as Austria, Belgium, Italy, Luxembourg and Sweden).

Associations

The bulk of legislation on associations does not contain this kind of legal provision (Austria, Belgium, Czech Republic, Estonia, Finland, Hungary, Lithuania, Luxembourg, Poland and Slovakia). However, there are some exceptions, such as the Danish Law and the Slovenian Law.

In fact, in Denmark specific tax audits are conducted on all non-profit organisations receiving public grants, while in Slovenia, associations are formally supervised by the tax authorities as well.³⁶⁷

³⁶⁴ Loi sur les association sans but lucratif, les associations internationales sans but lucratif et les fondations, 2 Mai 2002, article 16.

³⁶⁵ Loi du 21 Avril 1928 sur les associations et les fondations sans but lucratif (telle qu'elle a été modifiée), article 16: “*les libéralités entre vifs ou testamentaires au profit d'une association sans but lucratif n'auront d'effet qu'autant qu'elles seront autorisées par un arrêté grand-ducal. Cette autorisation ne sera pas requise pour l'acceptation des libéralités mobilières dont la valeur n'excède pas douze mille cinq cents euros*”.

³⁶⁶ See note no. 335.

³⁶⁷ Associations Act (ZDRU-1), article 51 n.1.

Charities

Considering that charities usually enjoy special tax treatment, only some of the national laws examined³⁶⁸ contain legal provisions requiring the tax authorities to carry out tax audits. Hungary, Latvia and Lithuania, for example, have this kind of provision, while Cyprus, Ireland, Slovakia and the United Kingdom do not.

Risk indicator no. 17: absence of legal provisions requiring specific sanctions to be inflicted by the authority supervising foundations, associations and charities when certain requirements are not fulfilled

Foundations

This risk indicator is almost absent from the regulations of the EU Member States; Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden have express legal provisions in their laws on foundations which require specific sanctions when certain requirements are not fulfilled.³⁶⁹

The most common sanctions concerning the regulation of foundations throughout the European Union are: dissolution or liquidation of the foundation, dismissal of the directors or of the administrators, the organisation's deprivation of a specific status (for example public utility status), warnings and fines.

Despite the broad powers to impose sanctions exercised by authorities, there are cases (for example Italy) where, in practice, these powers are not frequently used.

Associations

This risk indicator is closely related to risk indicator no. 6 (absence of legal provisions requiring an authority to supervise associations' activities). In fact, in cases where a supervisory authority for associations exists, it usually has powers to impose sanctions. In the Czech Republic, for example, the Ministry of Interior, which supervises associations, is free to terminate an association in certain circumstances, such as when the organisation does not notify modifications or amendments to its by-laws after the call of the Ministry.

In Belgium, the power to impose sanctions is exercised by the Tribunal, which can also dissolve an organisation.

³⁶⁸ See note no. 335.

³⁶⁹ Note that this risk indicator is strictly linked with risk indicator no. 6: in fact, where the law provides for a supervisory authority for foundations, usually this authority is equipped with powers of sanctions.

Charities

This risk indicator is almost absent from the regulations on charities in the EU Member States. Supervisory authorities are usually empowered to impose sanctions. To be noted is that both Irish and UK legislation have very precise provisions on this matter. In fact, the supervisory authority of Ireland has a wide array of powers: it can suspend the director, officers or employees of charities from their offices or employment; it can set restrictions on the transactions or payments made by the organisation; it can send a motion to the charity, or simply remove it from the register.³⁷⁰

An exception is Cyprus, where legislation does not provide for specific sanctions on charities.

Risk indicator no. 18: absence of legal provisions requiring the authorities supervising foundations, associations and charities to co-operate and exchange information with national law enforcement agencies

Foundations

This risk indicator exists in almost all the EU legislations on foundations examined.³⁷¹ There are no specific legal provisions and no particular restrictions on the sharing of information concerning foundations among authorities in Austria, Belgium, Czech Republic, Hungary, Italy, Latvia, Luxembourg, Poland, Portugal, Slovakia, Slovenia and Sweden.

An exception is Spain, where such a provision does exist.

Associations

This risk indicator exists in almost all the EU legislations on associations examined.³⁷² There are no such specific legal provisions in Austria, Belgium, Czech Republic, Estonia, Finland, Hungary, Latvia, Lithuania, Luxembourg, Poland, Slovakia and Slovenia.

Charities

This risk indicator exists in almost all the EU legislation examined³⁷³ on charities. There are no such specific legal provisions in Cyprus, Czech Republic, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Slovakia and the United Kingdom.

³⁷⁰ For more details on the subject see head 70 of the Charities Regulation Bill 2006.

³⁷¹ The laws examined are those of Austria, Belgium, Bulgaria, Czech Republic, Hungary, Italy, Latvia, Luxembourg, Poland, Slovakia, Slovenia, Spain and Sweden.

³⁷² The laws examined are those of Austria, Belgium, Bulgaria, Czech Republic, Estonia, Finland, France, Hungary, Italy, Latvia, Lithuania, Luxembourg, Poland, Slovakia, Slovenia, Spain and Sweden.

³⁷³ See note no. 335.

Risk indicator no. 19: absence of legal provisions requiring co-operation and information exchange at transnational level between national law enforcement agencies and authorities supervising foundations, associations and charities and the corresponding entities in the other EU MSs

Foundations

This risk indicator is apparent in almost all the EU legislation examined.³⁷⁴ There are no specific legal provisions and no particular restrictions on the transnational sharing of information concerning foundations among authorities in Austria, Belgium, Czech Republic, Hungary, Italy, Latvia, Luxembourg, Poland, Slovakia, Slovenia, Spain and Sweden.

An exception is Portugal, where such a provision does exist.

Associations

This risk indicator is present in almost all the EU legislations on associations examined.³⁷⁵ There are no specific legal provisions on this aspect in Austria, Belgium, Czech Republic, Estonia, Finland, Hungary, Latvia, Lithuania, Luxembourg, Poland, Slovakia and Slovenia.

Charities

This risk indicator is present in almost all the EU legislation examined³⁷⁶ on charities. There are no specific legal provisions on this matter in Cyprus, Czech Republic, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Slovakia, and the United Kingdom.

16.3 ISSUES AND SUGGESTIONS TO IMPROVE THE REGULATION OF FOUNDATIONS, ASSOCIATIONS AND CHARITIES

The findings from the previous section show that foundations, associations and charities in the European Union seem sufficiently well regulated from an anti-money laundering/terrorist financing point of view.

However, the analysis highlights areas for intervention to improve the regulation of these entities and to reduce aspects that may make them attractive to criminals. The suggestions now proposed focus on those ML/TF risk indicators which, on the basis of the foregoing analysis, are more problematic because they are present in a large part of EU Member State legislation.

As the above analysis highlighted some areas for intervention relevant for all the three entities, some recommendations common to foundations, associations and charities are first proposed (sub-section 16.3.1). Some recommendations peculiar to each single entity are then made (sub-section

³⁷⁴ The laws examined are those of Austria, Belgium, Bulgaria, Czech Republic, Hungary, Italy, Latvia, Luxembourg, Poland, Slovakia, Slovenia, Spain and Sweden.

³⁷⁵ See note no. 346.

³⁷⁶ See note no. 335.

16.3.2). Also, considering that the suggestions included in some recommendations have been dealt with or put forward, during the execution of this Study, in documents by international and EU organisations, this is mentioned in a footnote.

16.3.1 Recommendations common to foundations, associations and charities

A first suggestion concerns the supervisory authority. As the analysis has shown, the great majority of the EU Member States have authorities which supervise foundations and charities;³⁷⁷ the problem is that, usually, the legislation does not regulate the powers of this entity in detail, but only provides general information on its scope. Legislators should state in detail the powers, instruments, inspection procedures, and activities of the supervisory authority. Only if this entity is able to work efficiently and effectively will its activities be useful in combating exploitation of foundations, associations and charities by criminals for money laundering/terrorist financing purposes. As already illustrated, only exhaustive legislation can really improve the regulation of an institution.³⁷⁸ In this regard, a good example of supervisory authority regulation is provided by the Irish and UK laws on charities.

Moreover, the effectiveness of the supervisory authority's work would be heightened by specific yearly refresher courses on the topic³⁷⁹ for its staff. Persons employed by the authority would acquire better knowledge of the problem and of the possible risk of the sector's exploitation.³⁸⁰

The analysis has highlighted that risk indicators nos. 7 (absence of legal provisions requiring verification of the identity/credentials/good faith of the beneficiary/ies), 8 (absence of legal provisions requiring verification of the identity/credentials/good faith of the donor/s) and 9 (absence of legal provisions requiring verification of the identity/credentials/good faith of the associate organisation/s) very frequently apply to the legislations of the EU Member States. This gap in legislation could be filled by the introduction of a code of conduct for foundations, associations and charities which expressly required this kind of verification. Unfortunately, none of the laws analysed contains provisions stating a general duty for foundations, associations and charities to adopt a code of conduct. For these reasons, a possible means to hamper exploitation of foundations, associations and charities would be the introduction into the legislations of the EU Member States of express legal provisions requiring the adoption of a code of conduct specifically envisaging verification of the identity/credentials/good faith of the beneficiary(ies),

³⁷⁷ Czech Republic, Estonia, Latvia and Poland are exceptions.

³⁷⁸ In Ireland, for example, the Charity Regulation Bill 2006 provides for a closely integrated system for supervision of the sector. Provisions like those contained in this document would be useful in the legislations of each EU country on foundations.

³⁷⁹ Foundations, associations and charities risks for money laundering/terrorist financing and procedures of exploitation.

³⁸⁰ The subject has been taken into consideration also by these documents: European Commission (2005: 3), European Commission (2005a: 5, 14).

donor(s), associate organisation(s).³⁸¹ Such provisions would increase the accountability of the entire sector, as well as its public trust. The introduction of a European Code of Conduct as a template for the development of internal codes of conduct³⁸² would indubitably help focus the sector's attention on the most problematic issues requiring specific solutions.³⁸³

Legal provisions requiring foundations, associations and charities to maintain registered bank accounts would also be desirable; all the operations undertaken by organisations could be straightforwardly monitored, and the authorities could report suspicious operations to the investigative authorities.³⁸⁴

Other interventions in MS regulation of foundations, associations and charities could be the introduction of provisions which expressly: (1) prohibit cash transfers above a fixed threshold; (2) require exhaustive checks on donations above a fixed threshold. In fact, the related risk indicators (no. 14 and no. 15) are present in the great majority of the laws examined. Some clarifications on this point are needed: it should be borne in mind that cash transfers, because they tend not to leave traces, are among instruments preferred by criminal groups to launder money or finance terrorism. Moreover, large donations frequently disguise transfers of dirty money or money intended for terrorist financing. To be noted is that, especially for charities, even if they make disbursements by cheque or wire transfers rather than in currency, sometimes, for example in the case of humanitarian assistance provided in rural areas of many developing countries or in remote areas afflicted by natural disasters, the use of these financial arrangements is not readily available. Nevertheless, the prohibition of cash transfers above a fixed threshold seems too stringent a requirement, especially in the case of a serious humanitarian emergency. For these reasons and to meet the charitable organisation's needs,³⁸⁵ in the case of humanitarian aid, it would be better to suggest an effective improvement of the checks on the trail of the money. The more these checks are effective and frequent, the less would be the likelihood of misuse of the money for money laundering/terrorist financing purposes.

Another suggestion is the introduction, into those regulations which do not contain them, of express legal provisions requiring tax authorities to carry

³⁸¹ The subject has been taken into consideration also by these documents: European Commission (2002: 5), European Commission (2005a: 16).

³⁸² Internal code means a code of conduct of a specific foundation, association, charity.

³⁸³ It is important to stress that this recommendation (inviting MSs to introduce legal provisions requiring verification of the identity/credential/good faith of the beneficiary(s)/donor(s)/associate organisation(s)) involves the sensitive issue of privacy. In fact, the person(s) or organisation(s) in touch with the foundation, association, charity, may want to keep this information secret and not to reveal them to third parties. A solution could be the high level of confidentiality of these data, which could be used only by the competent investigative authorities in case of suspicious ML/TF offences.

³⁸⁴ The subject has been taken into consideration also by these documents: European Commission (2005: 5), FATF (2002: 3).

³⁸⁵ It is important to highlight that charitable and humanitarian organisations provide indispensable services for both national and world communities.

out effective and, above all, regular tax audits.³⁸⁶ To be noted is that, in particular, charities usually receive public grants, so periodic checks would be desirable.

Last but not least, the great majority of the EU Member States should be recommended to adopt, in their regulations on foundations, associations and charities, legal provisions requiring co-operation and information exchange at both national and transnational level.³⁸⁷ In fact, co-operation and information exchange are among the best practices to combat money laundering and terrorist financing.³⁸⁸

The above issues and suggestions are summed up in the following recommendations below.

Recommendations common to foundations, associations and charities

Recommendation 1: inviting MSs to introduce legal provisions stating in greater detail the tasks of the supervisory authority of foundations, associations and charities in order to enhance its role in preventing the misuse of foundations, associations and charities for money laundering/terrorist financing purposes

Background and rationale

MSs legislation does not usually regulate the powers of the supervisory authority of foundations, associations and charities in detail; rather, it only sets out general information on its scope. A higher level of detail in the description of this authority's powers could enhance its role in preventing the misuse of foundations, associations and charities for money laundering/terrorist financing purposes.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions which state in greater detail the powers, instruments, procedures of inspection and activities of the supervisory authority of foundations, associations and charities in order to enhance its role in preventing the misuse of these entities for money laundering/terrorist financing purposes.

³⁸⁶ The subject has been taken into consideration also by these documents: European Commission (2005: 2), European Commission (2005a: 13).

³⁸⁷ The subject has been taken into consideration also by these documents: FATF (2004: 9), European Commission (2005: 2, 3), European Commission (2005a: 2–3, 14).

³⁸⁸ The confidentiality of the information exchanged between competent authorities must be guaranteed in order not to violate the privacy right, which nowadays is a very sensitive issue.

Recommendation 2: inviting MSs to provide the staff of the supervisory authority of foundations, associations and charities with annual refresher courses on the risks that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes, and on the relative counter-measures

Background and rationale

In order to ensure the greater effectiveness of the supervisory authority's action, specific annual refresher courses on the risk that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes would raise staff awareness of possible misuse of these entities for criminal purposes, as well as their capacity to respond to this threat adequately.

Recommendation

Action should be taken at EU level to invite Member States to provide the staff of the supervisory authority of foundations, associations and charities with annual refresher courses on the risk that these entities may be exploited for money laundering/terrorist financing purposes, and on the relative counter-measures.

Recommendation 3: inviting MSs to introduce legal provisions requiring verification of the identity/credentials/good faith of the beneficiary(s)/donor(s)/associate organisation(s)

Background and rationale

The legislation of the EU Member States usually lacks legal provisions requiring verification of the identity/credentials/good faith of the beneficiary(s)/donor(s)/associate organisation(s). This increases the risk that foundations, associations and charities will be exploited for criminal purposes, because it gives anonymity to beneficiary(s)/donor(s)/associate organisation(s) and impedes investigation and prosecution against them.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring verification of the identity/credentials/good faith of the beneficiary(s)/donor(s)/associate organisation(s).

Recommendation 4: inviting MSs to introduce legal provisions requiring foundations, associations and charities to maintain exclusively registered bank accounts

Background and rationale

MSs legislation on foundations, associations and charities does not usually contain express legal provisions requiring them to maintain exclusively registered bank accounts. This increases the risk that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes, because they may transfer money through the informal banking system, which enables concealment of the destination of the funds and makes investigations by the authorities much more difficult.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring foundations, associations and charities to maintain exclusively registered bank accounts.

Recommendation 5: inviting MSs to introduce legal provisions improving checks on money trail in case of cash transfers involving foundations, associations and charities

Background and rationale

Legislation on foundations, associations and charities of the EU Member States does not contain express legal provisions prohibiting cash transfers above a fixed threshold. This increases the risk that these institutions may be exploited for money laundering/terrorist financing purposes, because cash transfers are an excellent way to maintain anonymity in that they do not leave traces. As the prohibition of cash transfers over a fixed threshold is too stringent a measure to meet all the charitable and humanitarian needs of foundations, associations, charities, an improvement of checks on money trail is desirable instead. This can enable a balance of the demands of humanitarian aid, on the one side, with the need to combat the misuse of these entities, on the other.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions improving checks on money trail in case of cash transfers involving foundations, associations and charities.

Recommendation 6: inviting MSs to introduce legal provisions requiring exhaustive checks on donations above a fixed threshold

Background and rationale

The bulk of MSs regulation on foundations, associations and charities does not contain legal provisions requiring exhaustive checks on donations above a fixed threshold. This increases the risk that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes, because large donations may conceal the transfer of dirty money or of money intended for terrorist financing.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring exhaustive checks on donations above a fixed threshold.

Recommendation 7: inviting MSs to introduce legal provisions requiring tax authorities to carry out regular and effective tax audits on foundations, associations and charities

Background and rationale

Not all the EU Member States legislations on foundations, associations and charities contain express legal provisions requiring tax authorities to carry out regular and effective tax audit on these entities. This increases the risk that foundations, associations and charities may be exploited for money laundering/terrorist financing purposes, because possible misuses for criminal purposes are more difficult to detect.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring tax authorities to carry out regular and effective tax audits on foundations, associations and charities.

Recommendation 8: inviting MSs to introduce legal provisions requiring the authority supervising foundations, associations and charities to co-operate and exchange information with national law enforcement agencies

Background and rationale

EU Member States legislation on foundations, associations and charities does not contain express legal provisions requiring the authority supervising foundations, associations and charities to co-operate and exchange information with national law enforcement agencies. This increases the risk that these entities may be exploited for money laundering/terrorist financing purposes, because investigations and prosecutions against persons misusing these entities for money laundering and terrorist financing purposes may be less successful.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring the authority supervising foundations, associations and charities to co-operate and exchange information with national law enforcement agencies.

Recommendation 9: inviting MSs to introduce legal provisions requiring co-operation and information exchange at transnational level between their national law enforcement agencies and authorities supervising foundations, associations and charities on the one hand, and the corresponding entities in the other EU MSs, on the other

Background and rationale

EU Member States legislation on foundations, associations and charities does not contain express legal provisions requiring co-operation and information exchange at transnational level between national law enforcement agencies and authorities supervising foundations, associations and charities and the corresponding entities in the other EU MSs. This increases the risk that these entities may be exploited for money laundering/terrorist financing purposes, because money laundering and terrorist financing are transnational crimes, the effective fight against which requires co-operation and information exchange among the relevant authorities of the various MSs.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring co-operation and information exchange at transnational level between their national law enforcement agencies and authorities supervising foundations, associations and charities on the one hand, and the corresponding entities in the other EU MSs, on the other.

16.3.2 Recommendations specific to foundations, associations, charities

Recommendation specific to foundations

With specific reference to the institution of foundations, concrete help in combating money laundering and terrorist financing activities which exploit loopholes in foundations regulation would be provided by the introduction, into the legislations of those countries which do not have this kind of provision, of articles requiring independent auditing to guarantee the veracity of annual reports.³⁸⁹ As seen above, all EU legislations on foundations provide for the presentation of annual accounts containing detailed breakdowns of incomes and expenditures; but only a few of them have legal provisions expressly introducing independent auditing.³⁹⁰

Recommendation specific to associations

As the analysis carried out in sub-section 16.2.3 shows, a problem concerning the regulation of associations throughout the European Union is the absence, in a good number of countries, of legal provisions establishing a supervisory authority.³⁹¹ Regulation of this institution could be improved by the introduction of such legal provisions for both recognised and non-recognised associations. Although introducing such provisions also for non-recognised associations might be construed as a restriction on the freedom of association, it is here regarded as necessary in order to prevent the movement of criminals from the controlled sector (recognised associations) to the uncontrolled one (unrecognised associations).

Recommendations specific to charities

An area for intervention is highlighted by risk indicator no. 3 (absence of legal provisions prohibiting the name of a charity from resembling the name of another one), which is quite frequently present in the legislations of the EU Member States reviewed. Adoption of such legal provisions is recommended in order to prevent confusion and thereby reduce the risk that criminals may disguise their illicit activities by taking advantage of the “identity” of another charity.

Another recommendation to improve the regulation of charities in the EU Member States concerns the introduction of legal provisions requiring independent audits to guarantee the veracity of annual statements.³⁹² In fact, as the above analysis shows, not all the legislations of the EU Member States contain such legal provisions.

The above issues and suggestions are summed up in the following recommendations below.

³⁸⁹ The subject has been taken into consideration also by these documents: FATF (2002: 2).

³⁹⁰ Austria, Belgium, Czech Republic, Denmark, Latvia, the Netherlands, Slovakia, Slovenia Spain and Sweden.

³⁹¹ This is the case of, for example, Belgium, Estonia, Finland, France, Lithuania, Luxembourg, Spain and Sweden.

³⁹² The subject has been taken into consideration also by these documents: FATF (2002: 2).

Special recommendation for foundations

Recommendation 10: inviting MSs to introduce legal provisions requiring independent auditing of foundations to guarantee the veracity of annual reports

Background and rationale

A substantial number of Member States have no legal provisions requiring independent auditing of foundations to guarantee the veracity of annual reports. This increases the risk that foundations will be exploited for money laundering/terrorist financing purposes, because annual reports may be falsified in order to conceal criminal activities and financial flows. In the absence of provisions requiring independent auditing of annual reports, possible misuses of foundations for criminal purposes are more difficult to detect.

Recommendation

Action should be taken at EU level to invite Member States which still lack them to introduce legal provisions requiring independent auditing of foundations to guarantee the veracity of their annual reports.

Special recommendation for associations

Recommendation 11: inviting MSs to introduce legal provisions requiring an authority to supervise associations

Background and rationale

A substantial number of MSs lack legal provisions establishing a supervisory authority. This increases the risk that associations may be exploited for money laundering/terrorist financing purposes, because it may become more difficult to detect criminal misuse.

Recommendation

Action should be taken at EU level to invite Member States to introduce legal provisions requiring creation of an authority to supervise associations.

Special recommendations for charities

Recommendation 12: inviting MSs to introduce legal provisions prohibiting the name of a charity from resembling the name of another charity

Background and rationale

Not all MSs legislation have provisions prohibiting the name of a charity from resembling the name of another one. This is because criminals may deliberately create confusion by using, for the charity that they set up, a name very similar to that of a widely known and reliable organisation. They may thus seek to disguise their illicit activities by exploiting the “identity” of another charity in order a) to attract funds more easily; and b) to make investigations/prosecutions more difficult.

Recommendation

Action should be taken at EU level to invite those Member States still lacking them to introduce legal provisions prohibiting the name of a charity from resembling the name of another charity.

Recommendation 13: inviting MSs to introduce legal provisions requiring independent auditing of charities to guarantee the veracity of their annual reports

Background and rationale

A substantial number of Member States do not have any legal provision requiring independent auditing of charities to guarantee the veracity of their annual reports. This increases the risk that charities may be exploited for money laundering/terrorist financing purposes, because annual reports may be falsified in order to conceal criminal activities and financial flows; in the absence of provisions requiring independent audits of annual reports, possible misuses of charities for criminal purposes are more difficult to detect.

Recommendation

Action should be taken at EU level to invite Member States still lacking them to introduce legal provisions requiring the independent auditing of charities to guarantee the veracity of the annual reports.

17.

BIBLIOGRAPHY

Alexander R. (2004), "The 2003 Money Laundering Regulations", in *Journal of Money Laundering Control*, vol. 8, n. 1.

Arrow K., Debreu G. (1954), "The Existence of an Equilibrium for a Competitive Economy", *Econometrica*, vol. XII, 265–290.

Baptista C.P. (n.d.), *Foundation Law in Portugal*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentssseal200207.html>.

Becht M. (2006), "Corporate Mobility Comes to Europe: the Evidence", Conference held in Helsinki on 5 October 2006.

Belgian Financial Intelligence Processing Unit (2005), *12th Annual Report*, available on the Internet at http://www.ctif-cfi.be/menu.php?lang=en&page=ann_rep.

Bell R.E. (2002), "The prosecution of lawyers for money laundering", in *Journal of Money Laundering Control*, vol. 6, n. 1.

Blöcker K. (2002), "Reporting suspicions of money laundering and whistleblowing under German law", in *Journal of Money Laundering Control*, vol. 6, n. 1.

Brite (2006), *Service Case 4: Background Document on the EU Regulatory Framework in the Field of Money Laundering, Background Paper, version 2*, October.

Bundeskriminalamt (2005), *Annual Report*, available on the Internet at <http://www.bka.de/>.

Bushman M., Piotroski J., Smith A. (2004), "What Determines Corporate Transparency?", in *Journal of Accounting Research*, vol. 12, n. 2, May.

Cairns E. (1988), *Charities Law and Practice*, Sweet and Maxwell, London.

CEDAG (2006), *The Proposed Statute for a European Association: Background and Challenges*, Brussels, 28 February, available on the Internet at http://eesc.europa.eu/sco/group/meetings/08_28_02_2006/CEDAG_en.pdf.

Cellule de Renseignement Financier – Parquet de Luxembourg (2005), *Rapport d'activité pour 2003 et 2004*, November, available on the Internet at http://www.gouvernement.lu/dossiers/justice/crf/Rapport_2003-2004.pdf.

Chevrier E. (2005), "The French Government's will to fight organized crime and clean up the legal professions: the awkward compromise between professional secrecy and mandatory reporting", in *Crime, Law & Social Change*, n. 42.

Conseil Supérieur de l'Ordre des Experts Comptables (n.d.), *L'essentiel de la déontologie de l'expert comptable. Code des devoirs professionnels*, available on the Internet at http://www.experts-comptables.com/Documents/guide_deontologie.pdf.

Consiglio Nazionale dei Dottori Commercialisti (2004), *Norme di deontologia professionale*, available on the Internet at http://www.cndc.it/CMS/Documenti/910_vxiikqtukn.pdf.

Consiglio Nazionale Forense (2006), *La normativa antiriciclaggio per gli avvocati. Dossier di analisi e documentazione*, 29 April, available on the Internet at http://www.consigionazionaleforense.it/CNFNews/Primopiano/antiriciclaggio%202006/CNF-%20dossier%20antiriciclaggio%20L_ANALISI.pdf.

Consultative Committee of Accountancy Bodies - Ireland (2005), *Anti-Money Laundering Guidance*, September, available on the Internet at <http://www.icaireland.ie/documents/M42%20Anti-Money%20Laundering%20Guidance%20ROI1.pdf>.

Consultative Committee of Accountancy Bodies - Ireland (2005a), *Anti-Money Laundering Procedures*, September, available on the Internet at <http://www.icaireland.ie/documents/Anti-money%20laundering%20procedures%20ROI%20updated%20Sept%202005%20ICAI%20final%2013%2009%2005.pdf>.

Daly S., Anheier H. (2005), *Preventing the Abuse of Non-profits to Finance Terrorism - The EU response*, March, available on the Internet at <http://www.allavida.org/alliance/axmar05d.html>.

Danovi R. (2006), *La normativa antiriciclaggio e i professionisti*, Giuffrè editore, Milano.

Di Nicola A., Zoffi P. (2005), "Italian lawyers and criminal clients. Risks and countermeasures", in *Crime, Law & Social Change*, n. 42.

Driscoll L., Phels B. (1993), *The Charities Act 1992 and 1993*, National Council for voluntary organisations, London.

ECNL (2005), *Comments on Draft Recommendations to Member States Regarding a Code of Conduct for Non-Profit Organisations to Promote Transparency and Accountability Best Practices*, 25 August, available on the Internet at http://www.donorsforum.sk/nove_SK/infobod/ECNL%20Comments.pdf.

EFC (2002), *Foundation in the European Union Profiling Legal and Fiscal Environments*, European Foundation Centre.

EFC (2002a), *Foundation Legal and Fiscal Profile: Austria*, April, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/austriaprofile.pdf>.

EFC (2002b), *Foundation Legal and Fiscal Profile: Belgium*, April, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/belgiumprofile.pdf>.

EFC (2002c), *Foundation Legal and Fiscal Profile: Denmark*, April, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/denmarkprofile.pdf>.

EFC (2002d), *Foundation Legal and Fiscal Profile: Finland*, April, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/finlandprofile.pdf>.

EFC (2002e), *Foundation Legal and Fiscal Profile: Germany*, August, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/germanyprofile.pdf>.

EFC (2002f), *Foundation Legal and Fiscal Profile: Greece*, April, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/greeceprofile.pdf>.

EFC (2002g), *Foundation Legal and Fiscal Profile: Italy*, April, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/Italyprofile.pdf>.

EFC (2002h), *Foundation Legal and Fiscal Profile: Luxembourg*, April, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/luxembourgprofile.pdf>.

EFC (2002i), *Foundation Legal and Fiscal Profile: Sweden*, April, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/swedenprofile.pdf>.

EFC (2002j), *Foundation Legal and Fiscal Profile: Portugal*, April, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/portugalprofile.pdf>.

EFC (2002k), *Foundation Legal and Fiscal Profile: The Netherlands*, April, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/netherlandsprofile.pdf>.

EFC (2002l), *Foundation Legal and Fiscal Profile: United Kingdom/Focus on England and Wales*, April, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/ukprofile.pdf>.

EFC (2003), *Foundation Legal and Fiscal Profile: Spain*, August, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/spainprofile.pdf>.

EFC (2005), *Foundation Legal and Fiscal Profile: France*, June, available on the Internet at <http://www.efc.be/ftp/public/eu/CountryProfiles/franceprofile.pdf>.

EFC (2005a), *Proposal for a Regulation on a European Statute for Foundations*, Brussels, January.

Egmont group (1999), *100 Cases from the Egmont Group – A Compilation of 100 Sanitised Cases on Successes and Learning Moments in the Fight against Money Laundering*, available on the Internet at <http://www.egmontgroup.org/100casesgb.pdf>.

European Commission (2005), *Draft Recommendation to Member States Regarding a Code of Conduct for Non-Profit Organisations to Promote Transparency and Accountability Best Practices*, Brussels, 22 July, available on the Internet at http://ec.europa.eu/justice_home/news/consulting_public/code_conduct_npo/draft_recommendations_en.pdf.

European Commission (2005a), *Commission Communication to the Council, the European Parliament and the European Economic and Social Committee; the Prevention of and Fight against Terrorist Financing through Enhanced National Level Coordination and Greater Transparency of the Non-Profit Sector*, Brussels, 29 November, COM (2005) 620, available on the Internet at http://eurlex.europa.eu/LexUriServ/site/en/com/2005/com2005_0620en01.pdf.

European Commission (2005b), Joint Research Centre, Commission Internal Document, *Analysis of the EU10 Non-profit Sector for Monitoring and Control*, September.

European Commission (2005c), Joint Research Centre, Commission Internal Document, *Analysis of the Non-Profit Sector in the EU15 for Monitoring and Control*, October.

European Commission (2006), Commission staff working document, *The Application to the Legal Profession of Directive 91/308/EEC on the Prevention of the Use of the Financial System for the Purpose of Money Laundering*, Brussels, 19 December, SEC 1793, available on the Internet at <http://register.consilium.europa.eu/pdf/en/06/st17/st17064.en06.pdf>.

European Commission, Enterprise Directorate General (2002), *Benchmarking the Administration of Business Start-ups*, Bruxelles, January.

European Union (2005), *Statute for a European Association*, available on the Internet at <http://europa.eu/scadplus/leg/en/lvb/l26017.htm>.

FATF (2001), *Report on Money Laundering Typologies 2000–2001*, 1 February, available on the Internet at <http://www.fatf-gafi.org/dataoecd/29/36/34038090.pdf>.

FATF (2001a), *Annual Report 2000–2001*, 22 June, available on the Internet at <http://www.fatf-gafi.org/dataoecd/13/2/34328033.pdf>.

FATF (2002), *Combating the Abuse of Non-Profit Organisations. International Best Practices*, 11 October, available on the Internet at http://apgml.org/issues/docs/14/Appendix%20F_Best%20Practices%20Paper-NPO_en.doc.

FATF (2002a), *Report on Money Laundering Typologies 2001–2002*.

FATF (2003), *Report on Money Laundering Typologies 2002–2003*, 14 February, available on the Internet at <http://www.fatf-gafi.org/dataoecd/29/33/34037958.pdf>.

FATF (2004), *The Forty Recommendations*, available on the Internet at [http://www.fatf-gafi-](http://www.fatf-gafi.org/dataoecd/29/33/34037958.pdf)

gafi.org/document/28/0,2340,en_32250379_32236930_33658140_1_1_1_1,00.html#40recs.

FATF (2004a), *Report on Money Laundering Typologies 2003–2004*, 26 February, available on the Internet at <http://www.fatf-gafi.org/dataoecd/19/11/33624379.PDF>.

FATF (2004b), *Annual Report 2003–2004*, 2 July, available on the Internet at <http://www.fatf-gafi.org/dataoecd/32/31/35396215.pdf>.

FATF (2004c), *Special Recommendations on Terrorist Financing*, 22 October, available on the Internet at <http://www.fatf-gafi.org/dataoecd/8/17/34849466.pdf>.

FATF (2005), *Third Mutual Evaluation Report – Anti-Money Laundering and Combating the Financing of Terrorism – Belgium*, June, available on the Internet at <http://www.fatf-gafi.org/dataoecd/55/52/37709419.pdf>.

FATF (2005a), *Belgium: Report on Observance of Standards and Codes – FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism*, 21 November, available on the Internet at <http://www.imf.org/external/pubs/ft/scr/2006/cr0672.pdf>.

FATF (2006), *Methodology on Assessing Compliance with the FATF 40 Recommendations and the FATF 9 Special Recommendations*, Paris, June, available on the Internet at <http://www.fatf-gafi.org/dataoecd/45/15/34864111.pdf>.

FATF (2006a), *The Misuse of Corporate Vehicles, Including Trust and Company Service Providers*, 13 October, available on the Internet at <http://www.fatf-gafi.org/dataoecd/30/46/37627377.pdf>.

FATF (2006b), *Third Mutual Evaluation Report on Anti-Money Laundering and Combating the Financing of Terrorism – Portugal*, 13 October, available on the Internet at <http://www.fatf-gafi.org/dataoecd/55/49/37708742.pdf>.

FATF (2006c), *Third Mutual Evaluation Report on Anti-Money Laundering and Combating the Financing of Terrorism – Denmark*, 22 June, available on the Internet at <http://www.fatf-gafi.org/dataoecd/1/26/37588381.pdf>.

FATF (2006d), *Third Mutual Evaluation/Detailed Assessment Report Anti-Money Laundering and Combating the Financing of Terrorism – Ireland*, 17 February, available on the Internet at <http://www.fatf-gafi.org/dataoecd/63/29/36336845.pdf>.

FATF (2006e), *Mutual Evaluation Report on Anti-Money Laundering and Combating the Financing of Terrorism – Italy*, 28 February, available on the Internet at <http://www.fatf-gafi.org/dataoecd/52/29/36221355.pdf>.

FATF (2006f), *Third Mutual Evaluation Report on Anti-Money Laundering and Combating the Financing of Terrorism – Spain*, 23 June, available on the Internet at <http://www.fatf-gafi.org/dataoecd/52/3/37172019.pdf>.

FATF (2006g), *Third Mutual Evaluation/Detailed Assessment Report Anti-Money Laundering and Combating the Financing of Terrorism – Sweden*, 17

February, available on the Internet at <http://www.fatf-gafi.org/dataoecd/26/35/36461995.pdf>.

FATF (2006h), *Interpretative Note to Special Recommendation VIII: Non-Profit Organisations*, 21 February, available on the Internet at <http://www.fatf-gafi.org/dataoecd/16/6/36174688.pdf>.

Financial Intelligence Analysis Unit – Malta (2005), *Annual Report*, available on the Internet at http://www.fiumalta.org/pdfs/annual_rpt_05.pdf.

Finnish National Bureau of Investigation (2005), *Report*, available on the Internet at [http://www.poliisi.fi/poliisi/krp/home.nsf/files/KRP_vuosikert2005_eng/\\$file/KRP_vuosikert2005_eng.pdf](http://www.poliisi.fi/poliisi/krp/home.nsf/files/KRP_vuosikert2005_eng/$file/KRP_vuosikert2005_eng.pdf).

Finnish National Bureau of Investigation (n.d.), *Money laundering Clearing House Best Practices*, available on the Internet at [http://www.intermin.fi/poliisi/krp/home.nsf/pages/8C1379ED95BB1960C225718F00217D77/\\$file/RAHANPESU+BEST+PRACTICES.doc](http://www.intermin.fi/poliisi/krp/home.nsf/pages/8C1379ED95BB1960C225718F00217D77/$file/RAHANPESU+BEST+PRACTICES.doc).

Gallop B. (n.d.), *Foundation Law in Belgium*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentssseal200207.html>.

Gallop B. (n.d.a), *New Belgian Law Nears Approval*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentssseal200207.html>.

Gardiner S. (1990), *An Introduction to the Law of Trusts*, Clarendon Law Series, Clarendon Press, Oxford.

Gill M., Taylor G. (2004), "Preventing Money Laundering or Obstructing Business?", in *British Journal of Criminology*, vol. 44, n.4, Centre for Crime and Justice Studies (ISTD).

Gilmore W.C. (2004), *Dirty Money. The Evolution of International Measures to Counter Money Laundering and the Financing of Terrorism*, Council of Europe Publishing, Strasbourg.

Goliduki I. (n.d.), *Foundation Law In Poland*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentssseal200207.html>.

Graziadei M., Mattei U., Smith L. (2005), *Commercial Trusts in European Private Law*, Cambridge University Press.

Her Majesty's Treasury (2005), *The Third Money Laundering Directive: Regulatory Impact Assessment*, 16 September, available on the Internet at <http://www.hm-treasury.gov.uk/media/5E8/8F/200509RIA1.pdf>.

Her Majesty's Treasury and the Department of Trade and Industry (2002), *Regulatory Impact Analysis. Disclosure of Beneficial Ownership of Unlisted Companies*, July 2002, available on the Internet at http://www.hm-treasury.gov.uk/media/DE2/7A/ownership_long.pdf.

Howell J., van Reenen P. (2005), *Scoping Study: Cost Benefit Analysis of Transparency Requirements in the Company/Corporate Field*, 28 February, available on the Internet at

http://ec.europa.eu/justice_home/doc_centre/crime/doc/study_cost_benefit_transparency_en.pdf.

IFAC (2004), *Anti-Money Laundering – 2nd edition*, March, available on the Internet at http://www.ifac.org/Members/Downloads/Anti-Money_Launder_Rev2.pdf.

IFAC (2005), *Code of Ethics for Professional Accountants*, June, available on the Internet at http://www.ifac.org/Members/Downloads/2005_Code_of_Ethics.pdf.

IFSL – International Financial Services London (2005), *Accounting Services: City Business Series*, London, October, available on the Internet at <http://www.ifsl.org.uk>.

Ilgus V. (n.d.), *Foundation Law in Lithuania*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentssseal200207.html>.

International Monetary Fund (2003), *Detailed Assessment Report on Anti-Money Laundering and the Financing of Terrorism – Czech Republic*, December, available on the Internet at http://www.cnb.cz/www.cnb.cz/cz/dohled_fin_trh/bankovni_dohled/bankovni_dohled/hodnoceni_bd_a_bs/download/imf_cr_rosc_oct_2003.pdf.

International Monetary Fund (2004), *Financial Intelligence Units: an Overview*, Washington D.C.

International Monetary Fund (2005), *Hungary: Report on the Observance of Standards and Codes – FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism*, September, available on the Internet at <http://www.imf.org/external/pubs/ft/scr/2005/cr05347.pdf>.

Kostalova K. (n.d.), *Foundation Law in Slovakia*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentssseal200207.html>.

Krieger-Faust S. (2006), *Impact de la lutte anti-blanchiment sur la place financière*, Editions Portalis, Luxembourg.

Lander S. (2006), *Review of the Suspicious Activity Reports Regime*, March, available on the Internet at http://www.soca.gov.uk/downloads/SOCAtheSARsReview_FINAL_Web.pdf.

Lankhorst F., Nelen H. (2005), “Professional services and organized crime in the Netherlands”, in *Crime, Law and Social Change*, n. 42.

Lemaistre D. (n.d.), *Foundation Law in France*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentssseal200207.html>.

Levi M., Nelen H., Lankhorst F. (2005), “Lawyers as Crime Facilitators in Europe: an Introduction and Overview”, in *Crime, Law & Social Change*, n. 42.

Levi M., Reuter P. (2006), “Money Laundering”, in *Crime and Justice: A Review of Research*, Chicago University Press, vol. 34.

Lupoi M. (2001), *Trusts*, Giuffrè editore, Milano.

Luxton P. (2001), *The Law of Charities*, Oxford University Press, Oxford.

Maggioni M.A., Uberti T.E. (2007), "Inter-Regional Knowledge Flows in Europe: an Econometric Analysis" in Frenken K. (ed.), *Applied Evolutionary Economics and Economic Geography*, Edward Elgar, Cheltenham, pp. 230–255.

Mänd K. (n.d.), *Foundation Law in Estonia*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentsseal200207.html>.

Meizaine Z. (n.d.), *Foundation Law in Latvia*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentsseal200207.html>.

Meyn C. (n.d.), *Foundation Law in Germany*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentsseal200207.html>.

Middleton D.J., Levi M. (2005), "The Role of Solicitors in Facilitating Organized Crime: Situational Crime Opportunities and their Regulation", in *Crime, Law & Social Change*, n. 42.

Minervini A. (2006), *La normativa antiriciclaggio negli studi professionali*, Simone editore, Napoli.

Ministero dell' Economia e delle Finanze (n.d.), *Antiriciclaggio. Relazione al Parlamento per l'anno 2005*, available on the Internet at <http://www.dt.tesoro.it/Aree-Docum/Prevenzion/Antiriciclaggio/Documentaz/Atti-e-Con/Relazione-al-parlamento-2005.pdf>.

Ministry of Finance of the Republic of Poland (2006), *Information of the General Inspectorate of Financial Information on Counteracting Introduction into Financial Circulation of Property Values Derived from Illegal or Undisclosed Sources and on Counteracting the Financing of Terrorism*, March, available on the Internet at http://www.mf.gov.pl/_files_/giif/materialy_konferencyjne/sprawozdanie_2005_ang.doc.

Moja (2005), *Il Trust nell'esperienza di alcuni paesi di Civil Law ed il ruolo della Legge di San Marino*, Fondazione Banca Centrale della Repubblica di San Marino, 24 June, available on the Internet at http://www.assotrusters.it/Pagine/REL_SMarino_Moja_22.6.05.pdf.

Moneyval (2002), *Second Round Evaluation Report on the Czech Republic (summary)*, 28 June, available on the Internet at [http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/PCR-EV\(2002\)8SummE-CzechRep2.pdf](http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/PCR-EV(2002)8SummE-CzechRep2.pdf).

Moneyval (2003), *Second Round Evaluation Report on Lithuania (summary)*, 4 July, available on the Internet at [http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL\(2003\)5SummE-Lithuania2.pdf](http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL(2003)5SummE-Lithuania2.pdf).

Moneyval (2003a), *Second Round Evaluation Report on Malta (summary)*, 11 April, available on the Internet at [http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL\(2003\)1SummE-Malta2.pdf](http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL(2003)1SummE-Malta2.pdf).

Moneyval (2003b), *Second Round Evaluation Report on Poland (summary)*, 12 December, available on the Internet at [http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL\(2003\)2SummE-Poland2.pdf](http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL(2003)2SummE-Poland2.pdf).

Moneyval (2003c), *Second Round Evaluation Report on Romania (summary)*, 4 July, available on the Internet at [http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL\(2003\)9SummE-Romania2.pdf](http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL(2003)9SummE-Romania2.pdf).

Moneyval (2004), *Second Round Evaluation Report on Estonia (summary)*, 14 May, available on the Internet at [http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL\(2004\)7SummE-Estonia2.pdf](http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL(2004)7SummE-Estonia2.pdf).

Moneyval (2004a), *Second Round Evaluation Report on Latvia (summary)*, 17 May, available on the Internet at [http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL\(2004\)5SummE-Latvia2.pdf](http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL(2004)5SummE-Latvia2.pdf).

Moneyval (2004b), *Second Round Evaluation Report on Bulgaria (summary)*, 14 May, available on the Internet at [http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL\(2003\)7SummE-Bulgaria2.pdf](http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/MONEYVAL(2003)7SummE-Bulgaria2.pdf).

Moneyval (2005), *Third Round Report on Hungary - Anti-Money Laundering and Combating the Financing of Terrorism*, 9 November, available on the Internet at http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/3rd%20Round/MONEYVAL%20_2005_%2017%20E%20HUNGARY-%20FINAL%20Report%20ROSCREP%20IMF.pdf.

Moneyval (2005a), *Third Round Detailed Assessment Report on Slovenia - Anti-Money Laundering and Combating the Financing of Terrorism*, 7 July, available on the Internet at http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/3rd%20Round/MONEYVAL%20_2005_%2015%20E%20SLOVENIA3.pdf.

Moneyval (2005b), *Third Round Report on Hungary - Anti-Money Laundering and Combating the Financing of Terrorism. Compliance with the European Union Anti-Money Laundering Directives*, 9 November, available on the Internet at http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/3rd

%20Round/MONEYVAL%20_2005_%2017%20E%20HUNGARY-%20EU%20aspects.pdf.

Moneyval (2006), *Third Round Detailed Assessment Report on Cyprus – Anti-Money Laundering and Combating the Financing of Terrorism*, 3 February, available on the Internet at http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/3rd%20Round/MONEYVAL%20_2005_%2020%20E%20IIRD%20Report%20CYPRUS.pdf.

Moneyval (2006a), *Third Round Detailed Assessment Report on Slovakia – Anti-Money Laundering and Combating the Financing of Terrorism*, 14 September, available on the Internet at http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/evaluations/3rd%20Round/MONEYVAL%20_2006_%2009%20E%20SLOVAKIA%20Final%20Report.pdf.

Moneyval (2006b), *Progress Report on Hungary*, 5 September, available on the Internet at [http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/Evaluations/3rd%20Round/MONEYVAL\(2006\)%2016%20E%20Progrep%20Hungary%20PLEN%20REV.pdf](http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/Evaluations/3rd%20Round/MONEYVAL(2006)%2016%20E%20Progrep%20Hungary%20PLEN%20REV.pdf).

Moneyval (2006c), *Progress Report on Slovenia*, 31 August, available on the Internet at [http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/Evaluations/3rd%20Round/MONEYVAL\(2006\)15%20E%20Progrep%20Slovenia.pdf](http://www.coe.int/t/e/legal_affairs/legal_cooperation/combating_economic_crime/5_money_laundering/Evaluations/3rd%20Round/MONEYVAL(2006)15%20E%20Progrep%20Slovenia.pdf).

Oakley A.J. (1998), *The Modern Law of Trusts*, Sweet and Maxwell, London.

OECD (2001), *Behind the Corporate Veil – Using Corporate Vehicles for Illicit Purposes*, Paris.

Pajas P. (n.d.), *Foundation Law in Czech Republic*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentssseal200207.html>.

Patsouris E. (n.d.), *Foundation Law in Greece*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentssseal200207.html>.

Ping He (2006), “Lawyers, Notaries, Accountants and Money Laundering”, in *Journal of Money Laundering Control*, vol. 9, n. 1.

Price Water House Coopers Global Technology Centre (2002), *Anti Money Laundering: New Rules, New Challenges, New Solutions*, Price Water House Coopers Edition, Menlo Park, CA.

Rhodes R., Palastrand S. (2004), “A Guide to Money Laundering Legislation”, in *Journal of Money Laundering Control*, vol. 8, n. 1.

Roule T.J. (2002), “Hungary: Recent Efforts to Strengthen Legislation and Domestic Anti-Money Laundering Agency Capabilities”, in *Journal of Money Laundering Control*, vol. 6, n.1.

Savona E.U., De Feo M.A. (1997), "Money Trails: International Money Laundering Trends and Prevention/Control Policies", in Savona E.U., *Responding to Money Laundering. International perspectives*, Harwood Academic Publishers, Amsterdam.

Schlüter A. (n.d.), *Foundation and Charity Law in Germany*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentsseal200207.html>.

Schlüter A., Then V., Walkenhorst P. (2001), *Foundations in Europe, Society Management and Law*, Directory of Social Change, London.

Schneider S. (2006), "Testing the Limits of Solicitor-Client Privilege. Lawyers, Money Laundering and Suspicious Transaction Reporting", in *Journal of Money Laundering Control*, vol. 9, n. 1.

SEPBLAC (2004), *Annual Report*, available on the Internet at http://www.seplac.es/espanol/informes_y_publicaciones/annual_report_2004.pdf.

Shaughnessy P. (2002), "The New EU Money Laundering Directive: Lawyers as Gatekeepers and Whistleblowers", in *Law and policy in international business*, vol. 34, afl. 1.

Siederer N. (n.d.), *Foundation Law in United Kingdom*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentsseal200207.html>.

Sunell R. (n.d.), *Foundation Law in Finland*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentsseal200207.html>.

Surmatz H. (n.d.), *Foundation Law in Sweden*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentsseal200207.html>.

The Association of Chartered Certified Accountants (2006), *Money Laundering Regulations for the United Kingdom and the Republic of Ireland*, available on the Internet at http://www.accaglobal.com/pubs/members/professionalstandards/rules_standards/guidelines/money_laund.pdf.

The Auditing Practices Board (2007), *Money Laundering - Interim Guidance for Auditors in the United Kingdom*, January, available on the Internet at [http://www.frc.org.uk/images/uploaded/documents/Practice%20Note%2012%20Interim%20\(Revised\).pdf](http://www.frc.org.uk/images/uploaded/documents/Practice%20Note%2012%20Interim%20(Revised).pdf).

The British Institute of International and Comparative Law (2006), *Comparative Implementation of EU Directives (II) - Money Laundering*, December, available on the Internet at http://213.86.34.248/NR/rdonlyres/528A5F1F-C1D9-4F14-8B8C-532448E2C9DA/0/BC_RS_Money_Laundering_FINALPRINTVERSION.pdf.

The Chartered Institute of Management Accountants (2004), *Anti-Money Laundering. What Every Accountant Should Know. A Guide to the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003*, available on the Internet at http://www.cimaglobal.com/cps/rde/xbcr/SID-0AAAC564-C9E602FC/live/antimoneylaundering_guide_22112004.pdf.

The European Union's Phare Programme for Lithuania (2005), *Final Report Strengthening the Administrative and Technical Capacity of the FCIS While Implementing Effective Money Laundering Prevention Measures*, available on the Internet at <http://www.fntt.lt/uploads/docs/finaleng.pdf>.

The Institute of Certified Public Accountants of Cyprus (2004), *Guidance Notes for Accountants and Auditors*, November.

The Institute of Chartered Accountants in England and Wales (2004), *Anti-Money Laundering (Proceeds of Crime and Terrorism). Second Interim Guidance for Accountants*, 10 March, available on the Internet at http://www.icaew.co.uk/viewer/index.cfm?AUB=TB2I_62604.

The Institute of Chartered Accountants in England and Wales (2006), *Code of Ethics*, 1 September, available on the Internet at <http://www.icaew.co.uk/index.cfm?route=143703>.

The Institute of Chartered Accountants in England and Wales (2006a), *Guidance on Changes to the Money Laundering Reporting Requirements: the Exemption from Reporting Knowledge or Suspicion of Money Laundering Formed in Privileged Circumstances*, February, available on the Internet at <http://www.icaew.co.uk/index.cfm?route=123853>.

The Institute of Chartered Accountants in England and Wales (2006b), *The Confidentiality of Money Laundering Suspicious Activity Reports (SARs) in the United Kingdom*, September, available on the Internet at <http://www.icaew.co.uk/index.cfm?route=142355>.

The Institute of Chartered Accountants in Ireland (2005), *Blow the Whistle, Who, Why, When and Where? The "Whistleblowing" Obligations of Accountants in the Republic of Ireland*, May, available on the Internet at <http://www.icaei.ie/documents/whistleblowing%20May%202005.pdf>.

The Institute of Chartered Accountants in Ireland (2006), *Code of Ethics for Members*, available on the Internet at <http://www.icaei.ie/documents/Code%20of%20Ethics.pdf>.

The Institute of Enterprise Auditors in Luxembourg (2006), *Obligations légales et professionnelles du réviseur d'entreprises en relation avec la prévention du blanchiment et du financement du terrorisme*, June.

The Malta Institute of Accountants (2005), *Prevention of Money Laundering. Guidance Notes for Auditors, External Accountants and Tax Advisors*, 1 November, available on the Internet at http://www.miamalta.org/AML_Guidance_Notes_Nov05.pdf.

The Malta Institute of Accountants (2006), *Prevention of Money Laundering and Terrorism Funding for Auditors, External Accountants and Tax Advisors*, 7 March, available on the Internet at http://www.miamalta.org/PML_Information_on_Paper_01_06.pdf.

The Oxford Dictionary (1994), 5th edition, Oxford Clarendon Press.

The Swedish Company Registration Office (2007), *European Commerce Registers Forum 2005 Survey*, available on the Internet at

http://www.ecrforum.org/member/Documentation/2005ECRF_surveyreport.pdf.

Tóth M. and Gál I.L. (2004), "The Fight against Money Laundering in Hungary", in *Journal of Money Laundering Control*, vol. 8, n. 2.

Tracfin (2005), *Rapport d'activité*, available on the Internet at <http://www.tracfin.minefi.gouv.fr/ressources/raptracfin2005.pdf>.

TRANSCRIME – University of Trento (2001) *Transparency and Money Laundering. Study of the Regulation and Its Implementation, in the EU Member States, that Obstruct Anti-Money laundering International Co-operation (Banking/Financial and Corporate/Company Regulative Fields)*, October, Trento.

U.S. Department of the Treasury (2002), *Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities (revised version)*, available on the Internet at <http://www.ustreas.gov/press/releases/reports/0929%20finalrevised.pdf>.

UN (1998), *Financial Havens, Banking Secrecy and Money Laundering*, available on the Internet at <http://www.imolin.org/imolin/finhaeng.html>.

Vella-Baldacchino R. (2005), "Malta's Role in the International Fight against Money Laundering", in *Journal of Money Laundering Control*, vol. 8, n.3.

Vrije Universiteit Amsterdam (The Netherlands) (2003), with the participation of TRANSCRIME – University of Trento (Italy), Cardiff School of Social Sciences (UK) and Poitiers University (France), *Dilemmas Facing the Legal Professions and Notaries in Their Professional Relationship with Criminal Clients, Final Report*, Falcone Project, November, Amsterdam.

Weidel C. (n.d.), *Foundation Law in Austria*, available on the Internet at <http://www.efc.be/Newsletters/Seal/contentssseal200207.html>.

ANNEXES

ANNEX A.

MODEL 0 AND MODEL 1 MATRIXES PER TRANSPARENCY REQUIREMENT

MODEL 0: COST AND BENEFIT ITEMS OF REQUIREMENT 1: "DUTY TO DISCLOSE THE BENEFICIAL OWNERSHIP OF PRIVATE AND PUBLIC UNLISTED COMPANIES"

Area of incidence	Direct/ In direct	Costs	Benefits
Government	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	M0_1_G_CI1 Decrease in tax revenues	M0_1_G_BI1 Increase in tax revenues
LEA	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	M0_1_L_BI1 Deterring intermediary connivance
Intermediaries	Direct	M0_1_I_CD1 BO identification costs	<i>not applicable</i>
		M0_1_B_CD1 Banks' training costs	
		M0_1_B_CD2 Banks' internal controls costs	
		M0_1_B_CD3 Banks' lobbying Costs	
		M0_1_A_CD1 Accountants' training costs	
		M0_1_A_CD2 Accountants' internal controls costs	
	Indirect	M0_1_A_CD3 Accountants' lobbying costs	
		M0_1_I_CI1 BO identification duplication costs	M0_1_B_BI1 Banks' clientele information benefits – Services quality
		M0_1_B_CI1 Banks' clientele loss costs	M0_1_B_BI2 Banks' clientele information benefits – Financial stabilisation
		M0_1_A_CI1 Accountants' clientele loss costs	M0_1_B_BI3 Banks' clientele gain benefits
		M0_1_B_BI4 Banks' reputational benefits	
		M0_1_A_BI1 Accountants' clientele information benefits	
		M0_1_A_BI2 Accountants' clientele gain benefits	
		M0_1_A_BI3 Accountants' reputational benefits	
Individuals	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>

Businesses	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	M0_1_E_CI1	Business fiscal costs		
		M0_1_E_CI2	Access to credit unfair costs	M0_1_E_BI1	Reduction in unfair competition
Wider costs and benefits	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	<i>not applicable</i>	
		M0_1_W_CI2	Market concentration costs		
EU and MS	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	M0_1_U_CI1	EU internal dishomogeneity costs	M0_1_U_BI1	Capital inflows towards EU Member States
		M0_1_U_CI2	EU political costs		
		M0_1_U_CI3	Capital outflows towards Extra EU countries		
Human rights	Direct	<i>not applicable</i>		<i>not applicable</i>	
	Indirect	<i>not applicable</i>		<i>not applicable</i>	

MODEL 0: COST AND BENEFIT ITEMS OF REQUIREMENT 2: "DUTY OF ONGOING MONITORING AND THE UPDATING OF INFORMATION ON BENEFICIAL OWNERSHIP"

Area of incidence	Direct/ Indirect	Costs	Benefits
Government	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
LEA	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Intermediaries	Direct	M0_2_I_CD1 BO data updating costs	<i>not applicable</i>
	Indirect	M0_2_I_CI1 BO data updating duplication costs	<i>not applicable</i>
Individuals	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Businesses	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Wider costs and benefits	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
EU and MS	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Human rights	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>

MODEL 0: COST AND BENEFIT ITEMS OF REQUIREMENT 3: "DUTY OF KEEPING RECORDS ON BENEFICIAL OWNERSHIP"

Area of incidence	Direct/ Indirect	Costs	Benefits
Government	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
LEA	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Intermediaries	Direct	M0_3_I_CD1 BO registration and record keeping costs M0_3_B_CD1 Banks' ICT costs M0_3_A_CD1 Accountants' ICT costs	<i>not applicable</i>
	Indirect	M0_3_I_CI1 BO record keeping duplication costs	<i>not applicable</i>
Individuals	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Businesses	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Wider costs and benefits	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
EU and MS	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Human rights	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	M0_3_H_CI1 Clients privacy and data protection costs	<i>not applicable</i>

MODEL 0: COST AND BENEFIT ITEMS OF REQUIREMENT 4: "DUTY TO REPORT THE INFORMATION ON BENEFICIAL OWNERSHIP TO FINANCIAL INTELLIGENCE UNITS/LAW ENFORCEMENT AGENCIES"

Area of incidence	Direct/ Indirect	Costs	Benefits
Government	Direct	M0_4_G_CD1 Costs for persons convicted of Money Laundering M0_4_G_CD2 Costs for prosecution and sentencing M0_4_G_CD3 Costs of Asset Recovery	M0_4_G_BD1 Asset Recovery
	Indirect	<i>not applicable</i>	<i>not applicable</i>
LEA	Direct	M0_4_F_CD1 STR analysis cost M0_4_F_CD2 FIU other costs M0_4_F_CD3 FIU training costs M0_4_L_CD1 LEA investigation costs	M0_4_F_BD1 BO data searching time saving
	Indirect	M0_4_F_CI1 Increase in FIU staff personnel costs	<i>not applicable</i>
Intermediaries	Direct	M0_4_B_CD1 BO data addition to STR costs for banks M0_4_B_CD2 STR sending costs for banks M0_4_A_CD1 BO data addition to STR costs for accountants M0_4_A_CD2 STR sending costs for accountants	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Individuals	Direct	M0_4_D_CD1 Fewer opportunities to hide BO identity	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Businesses	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Wider costs and benefits	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
EU and MS	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Human rights	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	M0_4_H_BI1 Increase % in persons prosecuted for ML

MODEL 0: COST AND BENEFIT ITEMS OF REQUIREMENT 5: "DUTY TO MAKE THE INFORMATION ON BENEFICIAL OWNERSHIP AVAILABLE TO THE PUBLIC"

Area of incidence	Direct/ Indirect	Costs	Benefits
Government	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
LEA	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Intermediaries	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Individuals	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Businesses	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Wider cost and benefit	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	M0_5_W_CI1 Use of less transparent legal entities	M0_5_W_BI1 Market transparency benefits
EU and MS	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Human rights	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>

MODEL 1 : COST AND BENEFIT ITEMS OF REQUIREMENT 1: "DUTY TO DISCLOSE THE BENEFICIAL OWNERSHIP OF PRIVATE AND PUBLIC UNLISTED COMPANIES"

Area of incidence	Direct/Indirect	Costs	Benefits
Government	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	M1_1_G_CI1 Decrease in tax revenues	M1_1_G_BI1 Increase in tax revenues
LEA	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Intermediaries	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	M1_1_B_CI1 Banks' clientele loss costs	M1_1_B_BI1 Banks' clientele information benefits – Services quality
		M1_1_A_CI1 Accountants' clientele loss costs	M1_1_B_BI2 Banks' clientele information benefits – Financial stabilisation
			M1_1_B_BI3 Banks' clientele gain benefits
		M1_1_A_BI1 Accountants' clientele information benefits	
		M1_1_A_BI2 Accountants' clientele gain benefits	
Individuals	Direct	M1_1_D_CD1 Not registered BO data filing costs	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Businesses	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	M1_1_E_CI1 Business fiscal costs	M1_1_E_BI1 Reduction in unfair competition
		M1_1_E_CI2 Access to credit unfair costs	
	M1_1_E_CI3 Employers/Industrial Association lobbying costs		
Wider costs and benefits	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
EU and MS	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	M1_1_U_BI1 Capital inflows towards EU Member States
Human rights	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>

MODEL 1 : COST AND BENEFIT ITEMS OF REQUIREMENT 2: "DUTY OF ONGOING MONITORING AND THE UPDATING OF INFORMATION ON BENEFICIAL OWNERSHIP"

Area of incidence	Direct/ Indirect	Costs	Benefits
Government	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
LEA	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Intermediaries	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Individuals	Direct	M1_2_D_CD1 Not registered BO data updating costs	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Businesses	Direct	M1_2_E_CD1 BO data updating costs	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Wider costs and benefits	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
EU and MS	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Human rights	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>

MODEL 1: COST AND BENEFIT ITEMS OF REQUIREMENT 3: "DUTY OF KEEPING RECORDS ON BENEFICIAL OWNERSHIP"

Area of incidence	Direct/ Indirect	Costs	Benefits
Government	Direct	M1_3_G_CD1 Central Registry costs	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
LEA	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Intermediaries	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Individuals	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	M1_3_E_CD1 BO record keeping and data filing to the Central Registry	<i>not applicable</i>
Businesses	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Wider costs and benefits	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
EU and MS	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Human rights	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>

MODEL 1 : COST AND BENEFIT ITEMS OF REQUIREMENT 4: "DUTY TO REPORT THE INFORMATION ON BENEFICIAL OWNERSHIP TO FINANCIAL INTELLIGENCE UNITS/LAW ENFORCEMENT AGENCIES"

Area of incidence	Direct/ Indirect	Costs	Benefits
Government	Direct	M1_4_G_CD1 Cost for persons convicted of Money Laundering M1_4_G_CD2 Costs for prosecution and sentencing M1_4_G_CD3 Costs of Asset Recovery	M1_4_G_BD1 Asset Recovery
	Indirect	<i>not applicable</i>	<i>not applicable</i>
LEA	Direct	M1_4_L_CD1 LEA investigation costs M1_4_L_CD2 BO data searching costs	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Intermediaries	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Individuals	Direct	M1_4_D_C11 Fewer opportunities to hide BO identity	<i>not applicable</i>
	Indirect	<i>not applicable</i>	M1_4_D_B11 Benefits in terms of sharing liabilities against the company
Businesses	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Wider costs and benefits	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
EU and MS	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Human rights	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	M1_4_H_B11 Increase % in person prosecuted for ML

MODEL 1: COST AND BENEFIT ITEMS OF REQUIREMENT 5: "DUTY TO MAKE THE INFORMATION ON BENEFICIAL OWNERSHIP AVAILABLE TO THE PUBLIC"

Area of incidence	Direct/ Indirect	Costs	Benefits
Government	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
LEA	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Intermediaries	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Individuals	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Businesses	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Wider costs and benefits	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	M1_5_W_BI1 Market transparency benefits
EU and MS	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	<i>not applicable</i>	<i>not applicable</i>
Human rights	Direct	<i>not applicable</i>	<i>not applicable</i>
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	<i>not applicable</i>

ANNEX B.**VARIABLES AND DATA SOURCES**

Code	Ordinary variable name	Unit of measure	Data source
X1	Assets recovered (annual average 2000–2005) Note: for Netherlands, Poland, data is referred to year 2004	euro	Questionnaire LEA / FIU; INCSR Volume II 2006; http://www.soca.gov.uk/
X2	Number of LEA investigators Note: for Germany number of investigators of Federal Financial Crime Investigators Task Force; for UK number of investigators of NCIS		Questionnaire LEA; INCSR Volume II 2006; SARs Review 2006
X3	Number of LEA investigations on money laundering in 2005 Note: for Austria, Bulgaria data is referred to year 2004; for France, Greece, Malta, Poland, Slovakia, Spain United Kingdom the data has been estimated starting from the average EU ratio STR/investigations		Questionnaire LEA;
X4	Number of persons prosecuted for money laundering in 2005 Note: for France, Netherlands, Portugal, Slovakia, United Kingdom, the number of person convicted for money laundering in 2005(X7) was considered		Questionnaire LEA
X5	Estimate percentage of investigations on money laundering starting from STRs Note: according to the majority of the estimations provided by the LEA experts, the variable X5 varies in a range from 29% to the 70%. The average % of investigations on money laundering starting from STRs is 58%. This average value has been applied to the following countries: Austria, Bulgaria, Denmark, Finland, France, Germany, Greece, Malta, Poland, Portugal, Slovakia, Spain, Sweden, UK.		Questionnaire LEA

X6	Average years of imprisonment for money laundering Note: the variable refers to the average between the maximum penalty and the minimum penalty, range from 1.5 (Bulgaria) to 9.5 (Cyprus), average 4.4. The average has been assigned to: Finland, Malta; Poland, Sweden.	years	Questionnaire LEA; European Legal Database on Drugs; UNODC-IMoLIN
X7	Number of people convicted for money laundering in 2005 Note: for Belgium annual average period 1993-2004; for Czech Republic, France, Luxembourg, Netherlands, Poland data is referred to year 2004; for Germany data is referred to year 2003; for United Kingdom data is referred to year 2000		Questionnaire LEA; INCSR Volume II 2006; European Legal Database on Drugs; UNODC - IMoLIN
X8	Annual cost per person imprisoned Note: for Austria, Bulgaria, Czech Republic, Denmark, Estonia, France, Greece, Ireland, Luxembourg, Romania, Spain data was calculated using European Average Indexed to Eurostat PPP and comparative prices level index (Government services index)	euro	European Sourcebook of Crime and Criminal Justice Statistics; Eurostat;
X9	Annual budget of the Company Registry Office in 2005	euro	Questionnaire CRO
X10	Percentage of Companies Registry Office budget financed by government		Questionnaire CRO
X11	Percentage of Companies Registry Office budget financed by companies		Questionnaire CRO
X12	Estimate of the ICT cost necessary to make Companies Registry available on-line to LEA	euro	Questionnaire CRO; European Companies Registries' websites
X13	Number of STR sent to the national FIU in 2005 Note: for Netherlands data year 2004; for Poland and Romania data refers to jan-oct 2005;		Questionnaire FIU; INCSR Volume II 2006;

X14	<p>Percentage of the annual number of STR regarding transactions carried out by PPUC</p> <p>Note: according to the estimations provided by the FIU experts on this variable, the variable X14 assumes values in a range from 15% to 74%. The average % of STR regarding transactions carried out by private or public unlisted companies is 44%. This average value has been applied to the following countries: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Sweden, UK.</p>		Questionnaire FIU
X15	<p>Estimated % decrease in the number of Accountants PPUC clients due to M1</p> <p>Note: After consultation with experts the number of PPUC that are also clients of accounting firm has estimated to decrease by 10% due to the implementation of Model 1. This estimate has been assigned to all the 27 EU Member States.</p>		Transcrime estimation
X16	<p>Time necessary to analyse an STR (in hours)</p> <p>Note: The range is between 4–6 hours and 3–4 months of work necessary to deal with a suspicious transaction report. According to the 15 estimates provided, the average value of this variable is 253 hours of work, approximately one month. However, the median is around 28 hours of work, approximately less than two days. Transcrime decided to use the average value between the median and the average, i.e. 140 hours of work, or approximately 17 working days for the following countries: Austria, Estonia, Finland, France, Germany, Greece, Ireland, Lithuania, Luxembourg, Netherlands, Poland, UK.</p>	hours	Questionnaire FIU
X17	<p>FIU personnel gross hourly labour costs</p> <p>Note: for this variable Transcrime has used the hourly labour cost provided by FIU officials. For some countries this data was not available or it could not be disclosed to the wider public. For this reason, the value has been calculated using European Average Indexed to Eurostat PPP and comparative prices level index (Government services index) for the following countries: Austria, Belgium, Czech Rep., Finland, France, Germany, Greece, Ireland, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Slovenia, Spain, UK.</p>	euro	Questionnaire FIU

X18	Number of STR transmitted by FIU to competent authorities Note: for Netherlands data is referred to year 2004		Questionnaire FIU
X19	FIU operating costs in 2005 Note: for United Kingdom data is referred to NCIS 2005/06; operating costs have been estimated using number of full time employees and gross hourly labour cost calculated using European Average Indexed to Eurostat PPP and comparative prices level index (Government services index) for the following countries: Austria, Denmark, Estonia, France, Germany, Greece, Hungary, Ireland, Luxembourg, Netherlands, Portugal, Slovakia.	euro	Questionnaire FIU
X20	FIU other costs in 2005 Note: calculated using the EU average percentage of other costs on FIU operating costs (22%) for the following countries: Austria, Czech Rep, Denmark, Estonia, France, Germany, Greece, Hungary, Ireland, Luxembourg, Netherlands, Portugal, Slovakia, Spain, UK.	euro	Questionnaire FIU
X21	FIU training costs in 2005 Note: calculated using the EU average percentage of FIU training costs on FIU operating costs (3.4%) for the following countries: Austria, Belgium, Bulgaria, Denmark, Estonia, France, Germany, Greece, Hungary, Ireland, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain, UK.	euro	Questionnaire FIU
X22	FIU personnel charges in 2005 Note: calculated using the EU average percentage of FIU personnel charges on FIU operating costs (76%) for Spain and UK.	euro	Questionnaire FIU
X23	FIU number of analysts		Questionnaire FIU
X24	Estimate increase in FIU staff in order to deal with the increase in the number of STR due to Model 0 BO transparency requirements Note: this was calculated using the average value provided by the national experts (13.8%) for those countries that agreed with the necessity of an increase in FIU staff but do not provide any estimate: Austria, Bulgaria, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Lithuania, Netherlands, Poland, Romania, Spain, UK.		Questionnaire FIU

X25	Number Credit Institutions (CI) in the country in 2005		
X26	CI Total Assets 2005	euro	ECB – <i>EU Banking Sector Stability Report</i> , November 2006; ECB – <i>EU Banking Structure Report</i> , October 2006
X27	CI Total Income 2005	Euro	
X28	CI Total Expenses 2005	Euro	
X29	CI Staff Expenses 2005	euro	ECB data; DJ Stoxx Banks
X30	CI Total Employees 2005		
X31	CI Gross hourly labour cost Note: where not indicated, estimated by dividing X29 by X30 by average number of hours of labour per year of a full time employee (estimated in 2000)	euro	Transcrime Elaboration on ECB data
X32	Number of PPUC registered in the National Companies Registry		Questionnaire CRO; European Commerce Registers Forum 2005 Survey; Thomson Financial Datastream
X33	Banking sector capital outflows due to Model 0 (% of CI Total Assets 2005) Note: the following National Banking Association representatives disagree with the possibility of capital outflow due to Model 0 implementation: Cyprus Czech Republic, Denmark, Finland, Greece, Hungary, Lithuania, Luxembourg, Malta, Poland, Portugal, Spain, Sweden. Therefore, 0% has been assigned to X33 for these countries. The following countries do not provide any agreement/disagreement on this issue: Belgium, Bulgaria, France, Germany, Ireland, Netherlands, Romania. Therefore, 0% has been assigned to X33 for these countries. The EU Member States whose National Bankers Associations agree without providing any estimate have been assigned with the EU average (0.10%)		Questionnaire NBA

X34	<p>Banking sector capital inflow due to Model 0 (% of CI Total Assets 2005)</p> <p>Note: the following National Banking Association representatives disagree with the possibility of capital inflows due to Model 0 implementation: Czech Republic, Denmark, Finland, Greece, Hungary, Latvia, Portugal, Slovenia, Spain, Sweden. Therefore, 0% has been assigned to X34 for these countries. The following countries have been assigned with the EU average (0.001%): Belgium, Bulgaria, Cyprus, Estonia, France, Germany, Ireland, Italy, Lithuania, Luxembourg, Malta, Netherlands, Poland, Romania, Slovakia, UK.</p>		Questionnaire NBA
X35	CI Loans to non-financial companies 2005		ECB – European Central Bank, <i>EU Banking Structure Report</i> , October 2006
X36	Non performing loans (% of Total Loans to non-financial companies)		
X37	<p>Percentage reduction in non performing loans due to BO disclosure requirements implementation</p> <p>Note: the following National Banking Association representatives disagree with the possibility of a reduction of non performing loans due to Model 0 implementation: Denmark, Estonia, Finland, Hungary, Latvia, Luxembourg, Malta, Slovenia, Spain. Therefore, 0% has been assigned to X37 for these countries. The following countries have been assigned with the EU average (2%): Austria, Belgium, Bulgaria, Cyprus, Czech Republic, France, Germany, Greece, Ireland, Lithuania, Netherlands, Portugal, Romania, Sweden, UK.</p>		Questionnaire NBA
X38	<p>Beneficial Owner identification time</p> <p>Note:</p>	hours	Questionnaire NBA
X39	<p>Beneficial Owner registration and record keeping time</p> <p>Note: the following countries have been assigned with the EU average (0.16 hours): Belgium, Bulgaria, Cyprus, Estonia, Finland, France, Ireland, Netherlands, Romania, Sweden, UK.</p>	hours	Questionnaire NBA

X40	Beneficial Owner data adding to STR time Note: the following countries have been assigned with the EU average (0.29 hours): Belgium, Bulgaria, Cyprus, Estonia, Finland, France, Ireland, Netherlands, Romania, Sweden, UK.	hours	Questionnaire NBA
X41	Hours of labour of training on Model 0 BO Disclosure requirements per employee Note: 13 NBA representatives have provided a data for X41 referred to their country. The average based on the data available (6.37 hours) has been assigned to the following countries: Belgium, Bulgaria, Cyprus, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Latvia, Netherlands, Romania, UK.	hours	Questionnaire NBA
X42	Banking sector estimate of lobbying cost for Model 0 and Model 1 BO disclosure regulation	euro	Questionnaire NBA
X43	Banks' average control costs on interns' compliance with Third Directive BO Disclosure requirements Note: the following countries have been assigned with a value calculated starting from the European average percentage share of Total expenses devoted to Internal Control (0.64 %) related to Model 0: Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary Ireland, Latvia, Lithuania, Netherlands, Poland, Romania, Slovakia, Spain, Sweden, UK.		Questionnaire NBA
X44	Banks' average ICT costs related to Model 0 BO Disclosure system Note: the following countries have been assigned with a value calculated starting from the European average percentage share of Total expenses devoted to ICT (0.9%) related to Model 0: Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Hungary Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Romania, Slovakia, Spain, Sweden, UK.		Questionnaire NBA
X45	Annual number of STR sent by banking sector to FIU		Questionnaire FIU
X46	Percentage of STR sent by post on the total number of STR sent in the country		Questionnaire FIU

X47	Banking sector estimate increase in prices and fees for services provided due to Model O BO transparency requirements Note: the following countries have been assigned with the EU average percentage increase (0.9%): Belgium, Bulgaria, Czech Republic, Cyprus, Estonia, Finland, France, Germany, Ireland, Italy, Latvia, Lithuania, Netherlands, Romania, Slovakia, Spain, UK.		Questionnaire NBA
X48	Stamp costs	euro	http://europa.eu
X49	Total members National Accountants Association (NAA)		Questionnaire NAA; POBA Survey November 2006
X50	Total number of accounting firms communicated by FIU		Questionnaire FIU
X51	Total NAA members revenues		Questionnaire NAA
X52	Total NAA clients		Questionnaire NAA
X53	Companies clients of NAA members		Questionnaire NAA
X54	Percentage reduction of NAA clients due to Model O BO disclosure requirements Note: the following countries provide no answer to this question and have been assigned with 0%: Austria, Belgium, Bulgaria, Czech Republic, Finland, France, Germany, Greece, Ireland, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK.		Questionnaire NAA
X55	Training costs per accounting firm		Questionnaire NAA
X56	NAA members internal controls costs		Questionnaire NAA
X57	NAA members ICT costs		Questionnaire NAA

X58	Annual number of STR sent by accounting firms to FIU		Questionnaire FIU
X59	NAA members increase in prices and fees for services provided due to Model 0 BO transparency requirements Note: all countries except Italy, Latvia, Lithuania and Slovenia has been assigned with European average Estimate of increase (3%)		Questionnaire NAA
X60	Accountants' lobbying costs	euro	Questionnaire NAA
X61	Average annual hours of work Note: estimated on average as 2000 hours of work per year, i.e. 8 hours per day multiplied by 250 annual working days.	hours	Transcrime estimation
X62	Percentage of the total criminal justice expenditure due to police investigation cost Note: estimated on average as 60% of the total criminal justice expenditure		Transcrime estimation
X63	Percentage of asset management fees Note: estimated on average as 1% of the net asset value.		Transcrime estimation
X64	Average taxation on capital Note: estimated on average as 20% of the value of the capital gain.		Transcrime estimation
X65	Percentage increase in capital outflows attributable to Model 1 transparency requirements Note: the percentage increase in capital outflows attributable to Model 1 transparency requirements has been estimated at 10% after consultation with experts cooperating in the Study.		Transcrime estimation
X66	Time necessary to fill out the form necessary to notify transfers of legal ownership of shares to the national Companies Registry Note: according to the estimates provided by the National Companies Registry Offices, the variable has been assigned with 10 minutes in all 27 EU Member States.	hours	Questionnaire CRO

X67	<p>Estimate percentage of capital outflows towards extra EU countries</p> <p>Note: according to the estimations provided by the National Bankers' Associations on this variable, the percentage of capital outflows towards extra EU countries varies from 70 to 100%, with an average value of 85%. This average value has been applied to the following countries: Belgium, Bulgaria, Czech Republic, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Netherlands, Poland, Romania, Slovakia, Spain, Sweden, UK.</p>		Questionnaire NBA
-----	--	--	-------------------

ANNEX C.

COST AND BENEFIT ITEMS INDICATORS AND FORMULAS

Area of incidence: Government			
Code	Item Name	Indicator and calculating rule	Formula
M0_4_G_CD1	Costs for persons convicted of Money Laundering	Calculated multiplying the average time of imprisonment foreseen by the national legislation for money laundering by the number of persons convicted for money laundering in 2005; then multiplying the result by the annual average cost to government per person imprisoned and dividing the result by the annual number of investigations. Finally this annual cost of persons convicted for money laundering per investigation has been multiplied by the increase in the number of investigations deriving from sensitive variable Y1	$[[X6 * X7 * X8] / X3] * [X3 * Y1 * X14 * X5]$
M0_4_G_CD2	Costs for prosecution and sentencing	Calculated supposing the increase in the costs for prosecution and sentencing to be equal to the increase in investigation costs in Model 0 divided by 60 and multiplied by 40. We assume the costs for prosecution and sentencing to be the 40% of total criminal justice expenditure, while police investigation costs account for the 60%	$[[[X3 * Y1 * X14 * X5] * [X2 * X61 * X17 / X3]] / X62] * (1 - X62)$
M0_4_G_CD3	Costs of Asset Recovery	Calculated by multiplying the increase in monetary value of the asset recovered on average from 2000 to 2005 (expressed by cost item M0_4_G_BD1) due to Model 0 implementation by the percentage of fees for asset management estimated as 2% of the asset value	$[(X1 / X3) * [X3 * Y1 * X14 * X5]] * X63$
M0_1_G_CI1	Decrease in tax revenues	Calculated applying a 20% discount to the estimate value of capital outflow from the banking sector according to Model 0. The calculation is subject to statement of agreement/disagreement to question 32 of the questionnaire addressed to National Banking Association	$X33 * X26 * X64$

M0_4_G_BD1	Asset Recovery	Calculated by multiplying the increase in monetary value of the asset recovered on average from 2000 to 2005 due to Model 0 implementation by the foreseen % increase in investigation foreseen by Model 0	$X1 * Y1 * X14 * X5$
M0_1_G_BI1	Increase in tax revenues	Calculated by multiplying the increase in capital inflows foreseen under Model 0 by the average taxation on capital	$X34 * X26 * X64$
M1_3_G_CD1	Central Registry costs	Corresponds to the estimated ICT cost to make the companies' database available online to LEA. This cost is supposed to be faced entirely by Government, whatever the actual percentage of government contributions to the Companies Registry Office budget. Where the Companies database is an electronic database already accessible online to law enforcement agencies no cost is considered	$X12 * X10$
M1_4_G_CD1	Costs for persons convicted of Money Laundering	Calculated by multiplying the average time of imprisonment foreseen by the national legislation for money laundering by the number of persons convicted for money laundering in 2005; then multiplying the result by the annual average cost to government per person imprisoned and dividing the result by the annual number of investigations. Finally this annual cost of persons convicted for money laundering per investigation has been multiplied by the increase in the number of investigation	$X6 * X7 * X8 * Y10 * X5$
M1_4_G_CD2	Costs for prosecution and sentencing	Calculated supposing the increase in the costs for prosecution and sentencing to be equal to the increase in investigation costs in Model 1 divided by 60 and multiplied by 40. We assume the costs for prosecution and sentencing to be the 40% of total criminal justice expenditure, while police investigations costs accounting for the 60%	$[[X3 * Y10 * X5 * [(X2 * X61 * X17) / X3]] / X62] * (1 - X62)$
M1_4_G_CD3	Costs of Asset Recovery	Calculated by multiplying the increase in monetary value of the Asset Recovered in 2005 (expressed by cost item M0_4_G_BD1) by the average fees on asset management.	$X1 * Y10 * X5 * X63$
M1_1_G_CI1	Decrease in tax revenues	Calculated applying a 20% discount to the estimate value of capital value from the banking sector as for Model 1	$X33 * (1 + X65) * X64 * X26$

M1_4_G_BD1	Asset Recovery	Calculated by multiplying the ratio of monetary value of Assets Recovered to number of investigations by the estimated increase in the number of investigations	$X1 * Y10 * X5$
M1_1_G_BI1	Increase in tax revenues	Calculated by multiplying the increase in capital inflows foreseen under Model 1 by the average taxation on capital	$X34 * X64 * X26$
Area of Incidence: LEA			
M0_4_F_CD1	STR Analysis cost	Calculated by multiplying the average time that FIU analysts spend in examining a single STR, expressed in hours of work, by the average gross hourly labour cost, and then multiplied by the sensitive variable Y1	$X16 * X17 * X13 * Y1 * X14$
M0_4_F_CD2	FIU other Costs	Calculated by dividing the total annual FIU operating costs diminished of personnel charges and training costs by the total annual number of STR received by the FIU. This cost item is calculated per single STR and then multiplied by the variable Y1 multiplied by X14	$(X20 / X13) * (X13 * Y1 * X14)$
M0_4_F_CD3	FIU training costs	Calculated by dividing the annual FIU training costs by the total number of STR received by the FIU. This cost item is calculated per single STR and then multiplied by the variable Y1 multiplied by X14	$(X21 / X13) * (X13 * Y1 * X14)$
M0_4_L_CD1	LEA investigation costs	Calculated by multiplying the percentage increase in the number of investigations due to STR regarding transactions carried out by private or public unlisted companies by the cost of a single investigation Notes to calculating rule: the percentage increase in the number of investigations takes into account only the percentage of investigations that start from a suspicious transaction report as reported by LEA officials in the questionnaire addressed to national Law Enforcement Agencies. The cost of a single investigation has been approximated by the annual labour cost for LEA investigators divided by the annual number of investigations.	$[X3 * (Y1 * X14 * X5)] * [(X2 * (X61 * X17)) / X3]$
M0_4_F_CI1	Increase in FIU staff personnel costs	Calculated by multiplying the % increase in staff personnel estimated by national FIU official by the current FIU personnel charges	$X22 * X24$

M0_4_F_BD1	Beneficial owner data searching time saving	Calculated by multiplying the BO identification time by the FIU gross hourly labour cost, the total no of STR, the annual increase in the number of STR, the % of STR regarding PPUC	$X38 * X17 * X13 * Y1 * X14$
M0_1_L_BI1	Deterring intermediary connivance	Statement of agreement/disagreement	LEA questionnaire _ Q12
M1_4_L_CD1	LEA Investigation costs	Calculated by multiplying the cost of a single investigation by the percentage increase in the number of investigations due to the availability to LEA of information on beneficial ownership of private or public unlisted companies. The cost of a single investigation has been approximated by the annual labour cost for LEA investigators divided by the annual number of investigations.	$(X3 * Y10) * [(X2 * (X61 * X17)) / X3]$
M1_4_L_CD2	Beneficial owner data searching costs	Calculated by multiplying the estimated time devoted to beneficial ownership identification by the FIU average hourly labour costs. The result has been multiplied by the number of additional investigations calculated for Model 1	$(X38 * X17) * [X3 + (X3 * Y10)]$

Area of Incidence: Intermediaries

M0_1_I_CD1	BO identification costs	Calculated by multiplying time devoted by banks to disclose beneficial ownership, used as a proxy of average intermediaries time devoted to disclose clients' BO, by banking sector hourly labour gross cost, by number of total private and public unlisted companies (PPUC) registered in the national companies registry, and by number of beneficial owners per PPUC as assessed in Model 0. A sub classification has been carried out in dividing the total number of beneficial owners in high risk-beneficial owners and low-risk beneficial owners	$(X31 * X32 * X38 * Y3) * \{Y5 + [Y6 * (1 - Y8)] + [Y7 * (1 + Y9)]\}$
M0_2_I_CD1	BO data updating costs	Calculated by multiplying time devoted by intermediaries to disclose beneficial ownership data in the internal database, by hourly labour gross cost, by number of intermediaries' clients, by number of beneficial ownership shareholding transfer per year.	$X31 * X32 * X38 * Y3 * Y4$
M0_3_I_CD1	BO registration and record keeping costs	Calculated by multiplying Beneficial owner data record keeping costs by the number of repetitions of BO data record keeping procedures applied to the same client	$X31 * X32 * X39 * Y3$

M0_1_B_CD1	Banks' training costs	Calculated by multiplying number of hours devoted to Model 0 training per employee, by number of banks' employees, by hourly labour gross costs	$X30 * X31 * X41$
M0_1_B_CD2	Banks' internal control costs	Calculated by multiplying the average percentage of banks' operating costs attributable to Model 0 BO disclosure compliance, internal control costs by national banking sector total expenses	$X25 * X43$
M0_1_B_CD3	Banks' lobbying costs	Costs indicated by national Bankers' Associations as lobbying costs	$X42$
M0_3_B_CD1	Banks' ICT costs	Calculated by multiplying the average percentage of banks operating costs attributable to Model 0 implementation with regard to ICT costs by national banking sector total expenses;	$X25 * X44$
M0_4_B_CD1	BO data addition to STR costs for banks	Calculated by multiplying hourly labour gross cost by time devoted to add BO data on STR, multiplied by the number of STR sent by banks to FIU in 2005, increased with the surplus of STR estimated by national FIU on the basis of the implementation of Model 0 requirements, multiplied by the percentage of national STR regarding transactions carried out by PPUC	$X45 * (1 + Y1) * X14 * X31 * X40$
M0_4_B_CD2	STR sending costs for banks	Calculated by multiplying the percentage increase in STR estimated by national FIU due to Model 0 implementation, by the number of STR sent by banks in 2005, by percentage of STR sent by post, multiplied by ordinary stamp costs	$X45 * (1 + Y1) * X14 * X46 * X48$
M0_1_A_CD1	Accountants' training costs	Calculated by multiplying average training costs per accounting firm per year by number of accounting firms registered in the national accountants association	$X49 * X55$
M0_1_A_CD2	Accountants' internal control costs	Calculated by multiplying the average costs attributable to Model 0 BO disclosure compliance internal controls by number of accounting firms registered in the national accountants association	$X49 * X56$
M0_1_A_CD3	Accountants' lobbying costs	Costs indicated by national Associations of Accountants as lobbying costs	$X60$
M0_3_A_CD1	Accountants' ICT costs	ICT costs borne by accountants to comply with Model 0 BO disclosure requirements	$X25 * X44$

M0_4_B_CD1	BO data addition to STR costs for accountants	Calculated by multiplying hourly labour gross cost by time devoted to add BO data on STR, multiplied by the number of STR sent by accountants to FIU in 2005, increased with the surplus of STR estimated by national FIU on the basis of the implementation of Model 0 requirements, multiplied by the percentage of national STR regarding transactions carried out by PPUC	$X58*(1+Y1)*X14*X31*X40$
M0_4_A_CD2	STR sending costs for accountants	Calculated by multiplying the percentage increase in STR estimated by national FIU due to Model 0 implementation, by the number of STR sent by accounting firms in 2005, by percentage of STR sent by post, multiplied by ordinary stamp costs	$X58*(1+Y1)*X14*X46*X48$
M0_1_I_CI1	BO identification duplication costs	Calculated by multiplying Beneficial Owner identification cost by the estimated number of repetitions of BO identification procedures applied to the same client	$(M0_1_I_CD1) * Y12$
M0_2_I_CI1	Beneficial Owner data updating duplication costs	Calculated by multiplying Beneficial Owner data updating costs by the number of repetitions of BO data updating procedures applied to the same client	$(M0_2_I_CD1) * Y12$
M0_3_I_CI1	Beneficial owner record keeping duplication costs	Calculated by multiplying Beneficial owner data record keeping costs by the number of repetitions of BO data record keeping procedures applied to the same client	$(M0_3_I_CD1) * Y12$
M0_1_B_CI1	Banks' clientele loss costs	Calculated by multiplying banks' estimate of percentage increase in capital outflows from the banking sector by national banking sector total assets	$X33*X26$
M0_1_A_CI1	Accountants' clientele loss costs	Calculated by multiplying accountants estimated reduction in clientele (%) by estimate of the number of clients represented by PPUC, by total national accountant association revenues per client	$X51*X54$
M0_1_B_BI1	Banks' clientele information benefits – Services quality	Statement of agreement/disagreement	NBA Questionnaire
M0_1_B_BI2	Banks' clientele information benefits – Financial stabilisation	Calculated by multiplying total national banking sector loans to companies by percentage of PPUC on total national companies, by % of non performing loans on total loans, by estimated % reduction in non performing loans	$X35*X36*X37$
M0_1_B_BI3	Banks' clientele gain benefits	Calculated by multiplying estimated % increase in capital inflow into the banking sector by national banking sector total assets	$X34*X26$
M0_1_B_BI4	Banks' reputational benefits	Qualitative assessment	Not applicable
M0_1_A_BI1	Accountants' clientele information benefits	Qualitative assessment	Not applicable

M0_1_A_BI2	Accountants' clientele gain benefits	Calculated by multiplying estimated % increase in clientele by estimate of the number of clients represented by PPUC, by total national accountant association revenues per client	
M0_1_A_BI3	Accountants' reputational benefits	Statement of agreement/disagreement	NAA Questionnaire
M1_1_B_CI1	Banks' clientele loss costs	Calculated integrating Model 0 increase in capital outflow with a percentage loss increase (> 0%) attributable to Model 1 implementation	$X33 * X26 * (1 + X65)$
M1_1_A_CI1	Accountants' clientele loss costs	Calculated integrating Model 0 percentage client loss with a percentage loss increase (> 0%) attributable to Model 1 implementation system	$X51 * X54 * (1 + X15)$
M1_1_B_BI1	Banks' clientele information benefits – Services quality	Statement of agreement/disagreement	NBA Questionnaire
M1_1_B_BI2	Banks' clients information benefits – Financial stabilisation	Calculated by multiplying total national banking sector loans to companies by percentage of PPUC on total national companies, by % of non performing loans on total loans, by estimated % reduction in non performing loans	= M0_1_B_BI2
M1_1_B_BI3	Banks' clientele gain benefits	Calculated by multiplying estimated % increase in capital inflow into the banking sector by national banking sector total assets	= M0_1_B_BI3
M1_1_A_BI1	Accountants' clientele information benefits	Statement of agreement/disagreement	NAA Questionnaire
M1_1_A_BI2	Accountants' clientele gain benefits	Calculated by multiplying estimated % increase in accountants' clientele multiplied by the monetary value of a single client	

Area of Incidence: Individuals, with special attention to those of filing and forwarding disclosures

M0_4_D_CD1	Fewer opportunities to hide beneficial owner identity	Qualitative assessment	Not applicable
M1_1_D_CD1	Not registered beneficial owner data filing costs	Calculated by multiplying the total number of PPUC registered in the companies' registry by 0.17 hours, gross hourly labour cost, sensitive variable Y2 and Y3 and the % of not registered BO	$(X66 * X31) * [X32 * ((Y2 * Y3) * Y11)]$
M1_2_D_CD1	Not registered beneficial owner data updating costs	Calculated by multiplying the total number of PPUC registered in the companies' registry by 0.17 hours, gross hourly labour cost, sensitive variable Y2 and Y3 and Y4	$(X66 * X31) * [X32 * (Y4 * Y2 * Y3)]$
M1_4_D_CI1	Fewer opportunities to hide beneficial owner identity	Qualitative assessment	Not applicable
M1_4_D_BI1	Benefits in terms of sharing liabilities against the company	Qualitative assessment	Not applicable

Area of Incidence: Businesses

M0_1_E_CI1	Business fiscal costs	Statement of agreement/disagreement	FIU questionnaire _ Q41
M0_1_E_CI2	Access to credit unfair costs	Statement of agreement/disagreement	EIA questionnaire _ Q9,10,11
M0_1_E_BI1	Reduction in unfair competition	Statement of agreement/disagreement	EIA questionnaire _ Q14
M0_1_E_BI2	Improvement in market efficiency	Statement of agreement/disagreement	EIA questionnaire _ Q12
M1_2_E_CD1	Beneficial owner data updating costs	Calculated by multiplying the cost of the time devoted by intermediaries to disclose beneficial ownership data in the internal database, used as a proxy of time devoted by business to update BO data in the Central Registry, by number of total PPUC registered in the country, by number of beneficial owners per PPUC company in Model 1, by estimated number of beneficial ownership shareholding transfers per year	$(M0_2_I_CD1)*Y2$
M1_3_E_CI1	Beneficial owner record keeping and data filing to the Central Registry	Calculated by multiplying time devoted by intermediaries to register beneficial owner data in the internal database, used as a proxy of businesses BO data filing and record keeping costs, by hourly labour gross cost, by number of total PPUC registered in the country, by number of beneficial owners per PPUC company Notes to calculating rule: please note that, differently from Model 0, number of BO per PPUC company has changed, due to fact that 25% BO threshold of companies shares or voting rights is abandoned by Model 1 in favour of a 10% BO threshold, thus presumably resulting in a larger number of beneficial owners per company	$(M0_3_I_CD1)*Y2$
M1_1_E_CI1	Business fiscal costs	Qualitative assessment	$(M1_1_E_CI1) > (M0_1_E_CI1)$
M1_1_E_CI2	Access to credit unfair costs	Qualitative assessment	$(M1_1_E_CI2) < (M0_1_E_CI2)$
M1_1_E_CI3	Employers/Industrial Association lobbying costs	Annual lobbying expenses from business sector	Not applicable
M1_1_E_BI1	Reduction in unfair competition	Statement of agreement/disagreement	EIA questionnaire _ Q13
Area of incidence: Wider costs and benefits			
M0_1_W_CI1	Increase in intermediaries' prices and fees	Statement of agreement/disagreement	NBA questionnaire_Q33 ; NAA questionnaire_Q45
M0_1_W_CI2	Market concentration costs	Statement of agreement/disagreement	NBA questionnaire_ Q36
M0_5_W_CI1	Use of less transparent legal entities	Statement of agreement/disagreement	NAA questionnaire

M0_5_W_BI1	Market transparency benefits	Statement of agreement/disagreement	NBA questionnaire ; NAA questionnaire ; EIA questionnaire
M1_5_W_CI1	Use of less transparent legal entities	Statement of agreement/disagreement	NAA questionnaire
M1_5_W_BI1	Market transparency benefits	Statement of agreement/disagreement	NBA questionnaire ; NAA questionnaire ; EIA questionnaire
Area of incidence: EU and Member States			
M0_1_U_CI1	EU internal dishomogeneity costs	Qualitative assessment	Not applicable
M0_1_U_CI2	EU political costs	Qualitative assessment	Not applicable
M0_1_U_CI3	Capital outflows towards extra EU countries	Calculated by multiplying to the sum of capital outflows from each EU 27 country the percentage estimated corresponding to outflows towards extra EU member states;	$\Sigma(M0_1_B_CI1)*X67(\text{Average } 27)$
M0_1_U_BI1	Capital inflows from extra EU countries	Calculated as % of total assets which flows into the country as a consequence of Model 0 introduction	$\Sigma(M0_1_B_BI3)$
M1_1_U_CI1	Capital outflows towards extra EU countries	Calculated by multiplying to the sum of capital outflows from each EU 27 country the percentage estimated corresponding to outflows towards extra EU member states;	$\Sigma(M1_1_B_CI1)*X67(\text{Average } 27)$
M1_1_U_BI1	Capital inflows from extra EU countries	Calculated as % of total assets which flows into the country as a consequence of Model 0 introduction	$\Sigma(M1_1_B_BI3)$
Area of incidence: Human Rights			
M0_3_H_CI1	Clients privacy and data protection costs	Not applicable	Not applicable
M0_4_H_BI1	Increase in persons prosecuted for money laundering	Calculated by multiplying increase in STRS, % of STR referring to PPUC, % of investigations on ML starting from an STR	$Y1 * X14 * X5$
M1_5_H_CI1	Individuals' privacy and data protection costs	Not applicable	Not applicable
M1_4_H_BI1	Increase % in persons prosecuted for ML	Not applicable	Not applicable

ANNEX D.

COST BENEFIT TABLES FOR THE 27 EU MSs

Notes to the tables: meaning of “not applicable”, “not available”, “not relevant”

not applicable:

- when referred to cost or benefit items: no value can be identified and assessed for that particular cost/benefit item.
- when referred to areas of incidence: no cost or benefit items can be identified for that particular area of incidence.

not available:

the value of the cost/benefit item could not be assessed due to lack of data.

not relevant:

the monetary value of the cost/benefit item has been assessed lower than 1000 Euro.

1. AUSTRIA

1.1 Austria: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	14,418	M0_4_G_BD1	Asset Recovery	1,961,173
		M0_4_G_CD2	Costs for prosecution and sentencing	9,083			
		M0_4_G_CD3	Costs of Asset Recovery	19,612			
	TOTAL DIRECT		43,113			1,961,173	1,918,060
	Indirect	M0_1_G_CI1	Decrease in tax revenues	60,000,000	M0_1_G_BI1	Increase in tax revenues	10,000,000
TOTAL INDIRECT		60,000,000			10,000,000	-50,000,000	
LEA	Direct	M0_4_F_CD1	STR analysis cost	54,893	M0_4_F_BD1	BO data searching time saving	not relevant
		M0_4_F_CD2	FIU other costs	6,495			
		M0_4_F_CD3	FIU training costs	1,041			
		M0_4_L_CD1	LEA investigation costs	13,625			
	TOTAL DIRECT		76,054			391	-75,663
Indirect	M0_4_F_CI1	Increase in staff personnel costs	61,131	M0_1_L_BI1	Deterring intermediary connivance	agree	
TOTAL INDIRECT		61,131			0	-61,131	
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	2,786,234	not applicable		
		M0_2_I_CD1	BO data updating costs	85,730			
		M0_3_I_CD1	BO registration and record keeping costs	357,209			
		M0_1_B_CD1	Banks' training costs	31,513,275			
		M0_1_B_CD2	Banks' internal controls costs	17,600,000			
		M0_1_B_CD3	Banks' lobbying Costs	1,000,000			
		M0_3_B_CD1	Banks' ICT costs	17,600,000			
		M0_4_B_CD1	BO data addition to STR costs for banks	not relevant			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	0			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			70,943,163		0	-70,943,163
	Indirect	M0_1_I_CI1	BO identification duplication costs	2,228,987	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M0_2_I_CI1	BO data updating duplication costs	68,584	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	36,469,800
		M0_3_I_CI1	BO record keeping duplication costs	285,768	M0_1_B_BI3	Banks' clientele gain benefits	50,000,000
		M0_1_B_CI1	Banks' clientele loss costs	300,000,000	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			302,583,339		86,469,800	-216,113,539
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	agree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	disagree	M0_1_E_BI2	Improvement in market efficiency	agree
TOTAL INDIRECT			0		0	0	
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: agree	M0_5_W_BI1	Market transparency benefits	NBA: agree; EIA: agree
		M0_1_W_CI2	Market concentration costs	agree			
M0_5_W_CI1		Use of less transparent legal entities	not available				
TOTAL INDIRECT			0		0	0	
EU and MS	Direct			not applicable		not applicable	

Annex D. Cost Benefit Tables for the 27 EU MSs

	TOTAL DIRECT		0		0	0
	Indirect	M0_1_U_CI1 EU internal dishomogeneity costs	not applicable	M0_1_U_BI1 Capital inflows towards EU Member States		
		M0_1_U_CI2 EU political costs				
		M0_1_U_CI3 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
Human rights	Direct		not applicable	not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M0_3_H_CI1 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-69,100,766
TOTAL INDIRECT						-266,174,670
<i>Total (monetary)</i>						-335,275,436

1.2 Austria: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)
Government	Direct	M1_3_G_CD1 Central Registry costs	0	M1_4_G_BD1 Asset Recovery	2,941,759	
		M1_4_G_CD1 Cost for persons convicted of ML	21,627			
		M1_4_G_CD2 Costs for prosecution and sentencing	13,625			
		M1_4_G_CD3 Costs of Asset Recovery	29,418			
	TOTAL DIRECT		64,669		2,941,759	2,877,090
Indirect	M1_1_G_CI1 Decrease in tax revenues	66,000,000	M1_1_G_BI1 Increase in tax revenues	10,000,000		
	TOTAL INDIRECT	66,000,000		10,000,000	-56,000,000	
LEA	Direct	M1_4_L_CD1 LEA investigation costs	35,144	not applicable		
		M1_4_L_CD2 BO data searching costs	2,383			
	TOTAL DIRECT		37,527		0	-37,527
	Indirect	not applicable		not applicable		
TOTAL INDIRECT		0		0	0	
Intermediaries	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_B_CI1 Banks' clientele loss costs	330,000,000	M1_1_B_BI1 Banks' clientele info benefits – Services quality	agree	
		M1_1_A_CI1 Accountants' clientele loss costs	0	M1_1_B_BI2 Banks' clientele info benefits – Financial stabilisation	36,469,800	
				M1_1_B_BI3 Banks clientele gain benefits	50,000,000	
			M1_1_A_BI1 Accountants' clientele information benefits	not available		
			M1_1_A_BI2 Accountants' clientele gain benefits	not applicable		
TOTAL INDIRECT		330,000,000		86,469,800	-243,530,200	
Individuals	Direct	M1_1_D_CD1 Not registered BO data filing costs	54,117	not applicable		
		M1_2_D_CD1 Not registered BO data updating costs	21,647			
	TOTAL DIRECT		75,764		0	-75,764
	Indirect	M1_4_D_CI1 Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1 Benefits in terms of sharing liabilities against company	not applicable	
TOTAL INDIRECT		0		0	0	

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1 BO data updating costs	128,595	not applicable			
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	535,814				
	TOTAL DIRECT		664,410		0	-664,410	
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available		
		M1_1_E_CI2 Access to credit unfair costs	not applicable				
M1_1_E_CI3 Employers/Industrial Association lobbying costs		not available					
TOTAL INDIRECT		0		0	0		
Wider cost and benefit	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: agree; EIA: agree		
	TOTAL INDIRECT		0		0	0	
EU and MS	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable		
	TOTAL INDIRECT		0		0	0	
Human rights	Direct	not applicable		not applicable			
	TOTAL DIRECT					0	
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	5%		
	TOTAL INDIRECT		0		0		
TOTAL DIRECT						2,099,389	
TOTAL INDIRECT						-299,530,200	
<i>Total (monetary)</i>						<i>-297,430,811</i>	

2. BELGIUM

2.1 Belgium: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	230,307	M0_4_G_BD1	Asset Recovery	2,150,679
		M0_4_G_CD2	Costs for prosecution and sentencing	10,172			
		M0_4_G_CD3	Costs of Asset Recovery	21,507			
	TOTAL DIRECT			261,985			2,150,679
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	1,627,350	
	TOTAL INDIRECT		0			1,627,350	1,627,350
LEA	Direct	M0_4_F_CD1	STR analysis cost	265,298	M0_4_F_BD1	BO data searching time saving	7,014
		M0_4_F_CD2	FIU other costs	59,968			
		M0_4_F_CD3	FIU training costs	5,257			
		M0_4_L_CD1	LEA investigation costs	15,258			
	TOTAL DIRECT			345,780			7,014
Indirect	M0_4_F_CI1	Increase in staff personnel costs	0	M0_1_L_BI1	Deterring intermediary connivance	disagree	
TOTAL INDIRECT			0			0	0
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	7,698,732	not applicable		
		M0_2_I_CD1	BO data updating costs	236,884			
		M0_3_I_CD1	BO registration and record keeping costs	2,179,350			
		M0_1_B_CD1	Banks' training costs	19,661,676			
		M0_1_B_CD2	Banks' internal controls costs	69,787,894			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	96,588,690			
		M0_4_B_CD1	BO data addition to STR costs for banks	28,121			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			196,181,348		0	-196,181,348
	Indirect	M0_1_I_CI1	BO identification duplication costs	6,158,986	M0_1_B_BI1	Banks' clientele info benefits – Services quality	not available
		M0_2_I_CI1	BO data updating duplication costs	189,507	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	27,187,200
		M0_3_I_CI1	BO record keeping duplication costs	1,743,480	M0_1_B_BI3	Banks' clientele gain benefits	8,136,751
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			8,091,973		35,323,951	27,231,977
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	disagree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
TOTAL INDIRECT			0		0	0	
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	not available	M0_5_W_BI1	Market transparency benefits	not available
		M0_1_W_CI2	Market concentration costs	not available			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
TOTAL INDIRECT			0		0	0	
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

	Indirect	M0_1_U_CI1	EU internal dishomogeneity costs	not applicable	M0_1_U_BI1	Capital inflows towards EU Member States	not applicable	
		M0_1_U_CI2	EU political costs	not applicable				
		M0_1_U_CI3	Capital outflows towards Extra EU countries	not applicable				
	TOTAL INDIRECT			0			0	0
Human rights	Direct		not applicable			not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M0_3_H_CI1	Clients privacy and data protection costs	not applicable	M0_4_H_BI1	Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT			0			0	0
TOTAL DIRECT								-194,631,421
TOTAL INDIRECT								28,859,327
<i>Total (monetary)</i>								<i>-165,772,094</i>

2.2 Belgium: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	3,226,018	
		M1_4_G_CD1	Cost for persons convicted of ML	345,460				
		M1_4_G_CD2	Costs for prosecution and sentencing	15,258				
		M1_4_G_CD3	Costs of Asset Recovery	32,260				
	TOTAL DIRECT			392,978			3,226,018	2,833,040
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	1,627,350		
	TOTAL INDIRECT		0			1,627,350	1,627,350	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	39,460		not applicable		
		M1_4_L_CD2	BO data searching costs	5,864				
	TOTAL DIRECT			45,323			0	-45,323
	Indirect		not applicable			not applicable		
TOTAL INDIRECT			0			0	0	
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	not available	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	27,187,200	
					M1_1_B_BI3	Banks clientele gain benefits	8,136,751	
				M1_1_A_BI1	Accountants' clientele information benefits	not available		
TOTAL INDIRECT			0	M1_1_A_BI2	Accountants' clientele gain benefits	not applicable	35,323,951	
TOTAL INDIRECT			0			35,323,951	35,323,951	
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	not available		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	not available				
	TOTAL DIRECT			0			0	0
Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable		

	TOTAL INDIRECT		0		0	0	
Businesses	Direct	M1_2_E_CD1 BO data updating costs	355,326	not applicable			
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	3,269,025				
	TOTAL DIRECT		3624351.47		0	-3,624,351	
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available		
		M1_1_E_CI2 Access to credit unfair costs	not applicable				
M1_1_E_CI3 Employers/Industrial Association lobbying costs		not available					
TOTAL INDIRECT		0		0	0		
Wider cost and benefit	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	not available		
	TOTAL INDIRECT		0		0	0	
EU and MS	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable		
	TOTAL INDIRECT		0		0	0	
Human rights	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	5%		
	TOTAL INDIRECT		0		0		
TOTAL DIRECT						-836,635	
TOTAL INDIRECT						36,951,301	
<i>Total (monetary)</i>						<i>36,114,666</i>	

3. BULGARIA

3.1 Bulgaria: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	0	M0_4_G_BD1	Asset Recovery	0
		M0_4_G_CD2	Costs for prosecution and sentencing	0			
		M0_4_G_CD3	Costs of Asset Recovery	0			
	TOTAL DIRECT		0		0	0	
	Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	33,249
TOTAL INDIRECT		0		33,249	33,249		
LEA	Direct	M0_4_F_CD1	STR analysis cost	53,712	M0_4_F_BD1	BO data searching time saving	90
		M0_4_F_CD2	FIU other costs	3,947			
		M0_4_F_CD3	FIU training costs	766			
		M0_4_L_CD1	LEA investigation costs	11,967			
	TOTAL DIRECT		70,392		90	-70,302	
Indirect	M0_4_F_CI1	Increase in staff personnel costs	13,846	M0_1_L_BI1	Deterring intermediary connivance	not available	
TOTAL INDIRECT		13,846		0	-13,846		
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	243,152	not applicable		
		M0_2_I_CD1	BO data updating costs	7,482			
		M0_3_I_CD1	BO registration and record keeping costs	71,089			
		M0_1_B_CD1	Banks' training costs	557,716			
		M0_1_B_CD2	Banks' internal controls costs	1,979,577			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	2,739,799			
		M0_4_B_CD1	BO data addition to STR costs for banks	168			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			5,598,983		0	-5,598,983
	Indirect	M0_1_I_CI1	BO identification duplication costs	194,522	M0_1_B_BI1	Banks' clientele info benefits – Services quality	not available
		M0_2_I_CI1	BO data updating duplication costs	5,985	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	3,387,930
		M0_3_I_CI1	BO record keeping duplication costs	56,872	M0_1_B_BI3	Banks' clientele gain benefits	166,243
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			257,379		3,554,173	3,296,795
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	disagree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	disagree	M0_1_E_BI2	Improvement in market efficiency	strongly agree
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	not available	M0_5_W_BI1	Market transparency benefits	EIA: strongly agree
		M0_1_W_CI2	Market concentration costs	not available			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	

Annex D. Cost Benefit Tables for the 27 EU MSs

	TOTAL DIRECT		0		0	0
		M0_1_U_CI1 EU internal dishomogeneity costs	not applicable	M0_1_U_BI1 Capital inflows towards EU Member States	not applicable	
		M0_1_U_CI2 EU political costs	not applicable			
	Indirect	M0_1_U_CI3 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_CI1 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	5%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-5,669,285
TOTAL INDIRECT						3,316,197
<i>Total (monetary)</i>						-2,353,088

3.2 Bulgaria: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	3,226,018	
		M1_4_G_CD1	Cost for persons convicted of ML	345,460				
		M1_4_G_CD2	Costs for prosecution and sentencing	15,258				
		M1_4_G_CD3	Costs of Asset Recovery	32,260				
	TOTAL DIRECT			392,978			3,226,018	2,833,040
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	1,627,350		
	TOTAL INDIRECT		0			1,627,350	1,627,350	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	39,460		not applicable		
		M1_4_L_CD2	BO data searching costs	5,864				
	TOTAL DIRECT			45,323			0	-45,323
	Indirect		not applicable			not applicable		
TOTAL INDIRECT			0			0	0	
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	not available	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	27,187,200	
					M1_1_B_BI3	Banks clientele gain benefits	8,136,751	
					M1_1_A_BI1	Accountants' clientele information benefits	not available	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT			0			35,323,951	35,323,951	
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	not available		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	not available				
	TOTAL DIRECT			0			0	0
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
TOTAL INDIRECT			0			0	0	

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1	BO data updating costs	355,326	not applicable			
		M1_3_E_CD1	BO record keeping and data filing to the CR costs	3,269,025				
	TOTAL DIRECT			3,624,351		0	-3,624,351	
	Indirect	M1_1_E_CI1	Business fiscal costs	not applicable	M1_1_E_BI1	Reduction in unfair competition	not available	
		M1_1_E_CI2	Access to credit unfair costs	not applicable				
M1_1_E_CI3		Employers/Industrial Association lobbying costs	not available					
TOTAL INDIRECT			0		0	0		
Wider cost and benefit	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_W_CI1	Use of less transparent legal entities	not applicable	M1_5_W_BI1	Market transparency benefits	not available	
	TOTAL INDIRECT			0		0	0	
EU and MS	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_1_U_CI1	Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1	Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT			0		0	0	
Human rights	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_H_CI1	Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1	Increase % in persons prosecuted for ML	5%	
	TOTAL INDIRECT			0		0		
TOTAL DIRECT							-836,635	
TOTAL INDIRECT							36,951,301	
<i>Total (monetary)</i>							<i>36,114,666</i>	

4. CYPRUS

4.1 Cyprus: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	71,744	M0_4_G_BD1	Asset Recovery	29,110
		M0_4_G_CD2	Costs for prosecution and sentencing	12,799			
		M0_4_G_CD3	Costs of Asset Recovery	291			
	TOTAL DIRECT		84,834		29,110	-55,724	
	Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	93,088
TOTAL INDIRECT		0		93,088	93,088		
LEA	Direct	M0_4_F_CD1	STR analysis cost	3,276	M0_4_F_BD1	BO data searching time saving	138
		M0_4_F_CD2	FIU other costs	3,796			
		M0_4_F_CD3	FIU training costs	77			
		M0_4_L_CD1	LEA investigation costs	19,198			
	TOTAL DIRECT		26,348		138	-26,210	
Indirect	M0_4_F_CI1	Increase in staff personnel costs	18,170	M0_1_L_BI1	Deterring intermediary connivance	strongly agree	
TOTAL INDIRECT		18,170		0	-18,170		
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	1,226,863	not applicable		
		M0_2_I_CD1	BO data updating costs	37,750			
		M0_3_I_CD1	BO registration and record keeping costs	358,693			
		M0_1_B_CD1	Banks' training costs	904,598			
		M0_1_B_CD2	Banks' internal controls costs	7,480,224			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	10,352,870			
		M0_4_B_CD1	BO data addition to STR costs for banks	362			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	0			

		M0_3_A_CD1	Accountants' ICT costs	not available				
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant				
		M0_4_A_CD2	STR sending costs for accountants	not relevant				
	TOTAL DIRECT			20,361,359			0	-20,361,359
	Indirect	M0_1_I_CI1	BO identification duplication costs	981,491	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree	
		M0_2_I_CI1	BO data updating duplication costs	30,200	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	3,440,862	
		M0_3_I_CI1	BO record keeping duplication costs	286,954	M0_1_B_BI3	Banks' clientele gain benefits	465,442	
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable	
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	agree	
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable	
				M0_1_A_BI3	Accountants' reputational benefits	agree		
	TOTAL INDIRECT			1,298,644			3,906,304	2,607,659
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect			not applicable		not applicable		
	TOTAL INDIRECT			0			0	0
Businesses	Direct			not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M0_1_E_CI1	Fiscal costs	agree	M0_1_E_BI1	Reduction in unfair competition	not available	
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available	
	TOTAL INDIRECT			0			0	0
Wider cost and benefit	Direct			not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: agree	M0_5_W_BI1	Market transparency benefits	NBA: agree; NAA: agree	
		M0_1_W_CI2	Market concentration costs	disagree				
	M0_5_W_CI1	Use of less transparent legal entities	agree					
	TOTAL INDIRECT			0			0	0
EU and MS	Direct			not applicable		not applicable		

	TOTAL DIRECT		0		0	0
	Indirect	M0_1_U_CI1 EU internal dishomogeneity costs M0_1_U_CI2 EU political costs M0_1_U_CI3 Capital outflows towards Extra EU countries	not applicable not applicable not applicable	M0_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
	Direct		not applicable	not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_CI1 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	5.28%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-20,443,293
TOTAL INDIRECT						2,682,578
<i>Total (monetary)</i>						-17,760,715

4.2 Cyprus: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M1_3_G_CD1 Central Registry costs	865,250	M1_4_G_BD1 Asset Recovery	43,665		
		M1_4_G_CD1 Cost for persons convicted of ML	107,616				
		M1_4_G_CD2 Costs for prosecution and sentencing	19,198				
		M1_4_G_CD3 Costs of Asset Recovery	not relevant				
	TOTAL DIRECT		992,064		43,665	-948,400	
	Indirect	M1_1_G_CI1 Decrease in tax revenues	0	M1_1_G_BI1 Increase in tax revenues	93,088		
	TOTAL INDIRECT		0		93,088	93,088	
LEA	Direct	M1_4_L_CD1 LEA investigation costs	48,809	not applicable			
		M1_4_L_CD2 BO data searching costs	4,482				
		TOTAL DIRECT		53,291		0	-53,291
		Indirect	not applicable		not applicable		
	TOTAL INDIRECT		0		0	0	
Intermediaries	Direct	not applicable		not applicable			
		TOTAL DIRECT	0		0	0	
	Indirect	M1_1_B_CI1 Banks' clientele loss costs	0	M1_1_B_BI1 Banks' clientele info benefits – Services quality	agree		
		M1_1_A_CI1 Accountants' clientele loss costs	0	M1_1_B_BI2 Banks' clientele info benefits – Financial stabilisation	3,440,862		
				M1_1_B_BI3 Banks clientele gain benefits	465,442		
			M1_1_A_BI1 Accountants' clientele information benefits	agree			
			M1_1_A_BI2 Accountants' clientele gain benefits	not applicable			
	TOTAL INDIRECT		0		3,906,304	3,906,304	
Individuals	Direct	M1_1_D_CD1 Not registered BO data filing costs	28,623	not applicable			
		M1_2_D_CD1 Not registered BO data updating costs	11,449				
		TOTAL DIRECT		40,072		0	-40,072
		Indirect	M1_4_D_CI1 Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1 Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT		0		0	0	

Businesses	Direct	M1_2_E_CD1 BO data updating costs	56,624	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	538,039			
	TOTAL DIRECT		594,663		0	-594,663
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	
Wider cost and benefit	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: agree; NAA: agree	
	TOTAL INDIRECT		0		0	0
EU and MS	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
TOTAL INDIRECT		0		0	0	
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT					0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	8%	
TOTAL INDIRECT		0		0		
TOTAL DIRECT						-1,636,427
TOTAL INDIRECT						3,999,392
<i>Total (monetary)</i>						<i>2,362,966</i>

5. CZECH REPUBLIC

5.1 Czech Republic: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	11,185	M0_4_G_BD1	Asset Recovery	2,290,998
		M0_4_G_CD2	Costs for prosecution and sentencing	4,326			
		M0_4_G_CD3	Costs of Asset Recovery	22,910			
	TOTAL DIRECT		38,421		2,290,998	2,252,577	
	Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	161,840
TOTAL INDIRECT		0		161,840	161,840		
LEA	Direct	M0_4_F_CD1	STR analysis cost	18,302	M0_4_F_BD1	BO data searching time saving	610
		M0_4_F_CD2	FIU other costs	8,093			
		M0_4_F_CD3	FIU training costs	5,587			
		M0_4_L_CD1	LEA investigation costs	6,488			
	TOTAL DIRECT		38,471		610	-37,861	
Indirect	M0_4_F_CI1	Increase in staff personnel costs	53,340	M0_1_L_BI1	Deterring intermediary connivance	agree	
TOTAL INDIRECT		53,340		0	-53,340		
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	473,375	not applicable		
		M0_2_I_CD1	BO data updating costs	14,565			
		M0_3_I_CD1	BO registration and record keeping costs	364,135			
		M0_1_B_CD1	Banks' training costs	2,054,424			
		M0_1_B_CD2	Banks' internal controls costs	15,295,834			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	21,169,927			
		M0_4_B_CD1	BO data addition to STR costs for banks	2,311			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	0			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			39,374,571		0	-39,374,571
	Indirect	M0_1_I_CI1	BO identification duplication costs	378,700	M0_1_B_BI1	Banks' clientele info benefits – Services quality	not available
		M0_2_I_CI1	BO data updating duplication costs	11,652	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	5,653,200
		M0_3_I_CI1	BO record keeping duplication costs	291,308	M0_1_B_BI3	Banks' clientele gain benefits	809,199
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			681,660		6,462,399	5,780,739
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	agree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
TOTAL INDIRECT			0		0	0	
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	not available	M0_5_W_BI1	Market transparency benefits	not available
		M0_1_W_CI2	Market concentration costs	disagree			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
TOTAL INDIRECT			0		0	0	
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

Annex D. Cost Benefit Tables for the 27 EU MSs

		M0_1_U_CI1	EU internal dishomogeneity costs	not applicable	M0_1_U_BI1	Capital inflows towards EU Member States	not applicable	
	Indirect	M0_1_U_CI2	EU political costs	not applicable				
		M0_1_U_CI3	Capital outflows towards Extra EU countries	not applicable				
	TOTAL INDIRECT			0			0	0
	Direct		not applicable			not applicable		
	TOTAL DIRECT			0			0	0
Human rights	Indirect	M0_3_H_CI1	Clients privacy and data protection costs	not applicable	M0_4_H_BI1	Increase % in persons prosecuted for ML	5%	
	TOTAL INDIRECT			0			0	0
TOTAL DIRECT								-37,159,855
TOTAL INDIRECT								5,889,239
<i>Total (monetary)</i>								-31,270,616

5.2 Czech Republic: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	3,436,497	
		M1_4_G_CD1	Cost for persons convicted of ML	16,778				
		M1_4_G_CD2	Costs for prosecution and sentencing	6,488				
		M1_4_G_CD3	Costs of Asset Recovery	34,365				
	TOTAL DIRECT			57,631			3,436,497	3,378,866
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	161,840		
	TOTAL INDIRECT		0			161,840	161,840	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	16,129	not applicable			
		M1_4_L_CD2	BO data searching costs	not relevant				
	TOTAL DIRECT			16,129			0	-16,129
	Indirect	not applicable			not applicable			
TOTAL INDIRECT			0			0	0	
Intermediaries	Direct	not applicable			not applicable			
	TOTAL DIRECT			0			0	0
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	not available	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	5,653,200	
					M1_1_B_BI3	Banks clientele gain benefits	809,199	
				M1_1_A_BI1	Accountants' clientele information benefits	not available		
				M1_1_A_BI2	Accountants' clientele gain benefits	not applicable		
TOTAL INDIRECT			0			6,462,399	6,462,399	
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	27,583	not applicable			
		M1_2_D_CD1	Not registered BO data updating costs	11,033				
	TOTAL DIRECT			38,617			0	-38,617
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
TOTAL INDIRECT			0			0	0	

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1 BO data updating costs	21,848	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	546,202			
	TOTAL DIRECT		568,050		0	-568,050
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
M1_1_E_CI3 Employers/Industrial Association lobbying costs		not available				
TOTAL INDIRECT		0		0	0	
Wider cost and benefit	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	not available	
	TOTAL INDIRECT		0		0	0
EU and MS	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT					0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	8%	
	TOTAL INDIRECT		0		0	
TOTAL DIRECT						2,756,070
TOTAL INDIRECT						6,624,239
<i>Total (monetary)</i>						<i>9,380,309</i>

6. DENMARK

6.1 Denmark: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	6,333,998	M0_4_G_BD1	Asset Recovery	190,282
		M0_4_G_CD2	Costs for prosecution and sentencing	66,214			
		M0_4_G_CD3	Costs of Asset Recovery	1,903			
	TOTAL DIRECT		6,402,115		190,282	-6,211,832	
	Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	0
TOTAL INDIRECT		0		0	0		
LEA	Direct	M0_4_F_CD1	STR analysis cost	480	M0_4_F_BD1	BO data searching time saving	480
		M0_4_F_CD2	FIU other costs	5,327			
		M0_4_F_CD3	FIU training costs	853			
		M0_4_L_CD1	LEA investigation costs	99,321			
	TOTAL DIRECT		105,981		480	-105,501	
Indirect	M0_4_F_CI1	Increase in staff personnel costs	50,133	M0_1_L_BI1	Deterring intermediary connivance	agree	
TOTAL INDIRECT		50,133			0	-50,133	
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	4,050,293	not applicable		
		M0_2_I_CD1	BO data updating costs	124,624			
		M0_3_I_CD1	BO registration and record keeping costs	1,038,537			
		M0_1_B_CD1	Banks' training costs	11,847,162			
		M0_1_B_CD2	Banks' internal controls costs	44,970,897			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	62,241,167			
		M0_4_B_CD1	BO data addition to STR costs for banks	653			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	0			

		M0_3_A_CD1	Accountants' ICT costs	not available				
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant				
		M0_4_A_CD2	STR sending costs for accountants	not relevant				
	TOTAL DIRECT			124,273,333			0	-124,273,333
	Indirect	M0_1_I_CI1	BO identification duplication costs	3,240,235	M0_1_B_BI1	Banks' clientele info benefits – Services quality	disagree	
		M0_2_I_CI1	BO data updating duplication costs	99,700	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0	
		M0_3_I_CI1	BO record keeping duplication costs	830,829	M0_1_B_BI3	Banks' clientele gain benefits	0	
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable	
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	agree	
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable	
				M0_1_A_BI3	Accountants' reputational benefits	disagree		
	TOTAL INDIRECT			4,170,763			0	-4,170,763
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect			not applicable		not applicable		
	TOTAL INDIRECT			0			0	0
Businesses	Direct			not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M0_1_E_CI1	Fiscal costs	disagree	M0_1_E_BI1	Reduction in unfair competition	not available	
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available	
	TOTAL INDIRECT			0			0	0
Wider cost and benefit	Direct			not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: disagree	M0_5_W_BI1	Market transparency benefits	NBA: disagree; NAA: agree	
		M0_1_W_CI2	Market concentration costs	disagree				
	M0_5_W_CI1	Use of less transparent legal entities	disagree					
	TOTAL INDIRECT			0			0	0
EU and MS	Direct			not applicable		not applicable		

	TOTAL DIRECT		0		0	0
		M0_1_U_CI1 EU internal dishomogeneity costs	not applicable	M0_1_U_BI1 Capital inflows towards EU Member States	not applicable	
		M0_1_U_CI2 EU political costs	not applicable			
	Indirect	M0_1_U_CI3 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
	Direct		not applicable		not applicable	
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_CI1 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	3.09%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-130,590,666
TOTAL INDIRECT						-4,220,896
<i>Total (monetary)</i>						<i>-134,811,563</i>

6.2 Denmark: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	285,423	
		M1_4_G_CD1	Cost for persons convicted of ML	9,500,997				
		M1_4_G_CD2	Costs for prosecution and sentencing	99,321				
		M1_4_G_CD3	Costs of Asset Recovery	2,854				
	TOTAL DIRECT			9,603,172			285,423	-9,317,749
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	0		
	TOTAL INDIRECT			0		0	0	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	256,187		not applicable		
		M1_4_L_CD2	BO data searching costs	40,479				
	TOTAL DIRECT			296,666			0	-296,666
	Indirect		not applicable			not applicable		
TOTAL INDIRECT			0			0	0	
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	disagree	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0	
					M1_1_B_BI3	Banks clientele gain benefits	0	
				M1_1_A_BI1	Accountants' clientele information benefits	agree		
				M1_1_A_BI2	Accountants' clientele gain benefits	not applicable		
TOTAL INDIRECT			0			0	0	
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	78,669		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	31,468				
	TOTAL DIRECT			110,137			0	-110,137
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT			0			0	0

Businesses	Direct	M1_2_E_CD1 BO data updating costs	186,937	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	1,557,805			
	TOTAL DIRECT		1,744,742		0	-1,744,742
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	
Wider cost and benefit	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: disagree; NAA: agree	
	TOTAL INDIRECT		0		0	0
EU and MS	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	nv	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT					0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	4.63%	
	TOTAL INDIRECT		0		0	
TOTAL DIRECT						-11,469,293
TOTAL INDIRECT						0
<i>Total (monetary)</i>						-11,469,293

7. ESTONIA

7.1 Estonia: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	4,508	M0_4_G_BD1	Asset Recovery	not available	
		M0_4_G_CD2	Costs for prosecution and sentencing	874				
		M0_4_G_CD3	Costs of Asset Recovery	not available				
	TOTAL DIRECT			5,382			0	-5,382
	Indirect	M0_1_G_CI1	Decrease in tax revenues	2,416,196	M0_1_G_BI1	Increase in tax revenues	18,243	
TOTAL INDIRECT			2,416,196			18,243	-2,397,954	
LEA	Direct	M0_4_F_CD1	STR analysis cost	34,740	M0_4_F_BD1	BO data searching time saving	208	
		M0_4_F_CD2	FIU other costs	970				
		M0_4_F_CD3	FIU training costs	155				
		M0_4_L_CD1	LEA investigation costs	1,312				
	TOTAL DIRECT			37,176			208	-36,968
Indirect	M0_4_F_CI1	Increase in staff personnel costs	23,924	M0_1_L_BI1	Deterring intermediary connivance	agree		
TOTAL INDIRECT			23,924			0	-23,924	
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	236,068	not applicable			
		M0_2_I_CD1	BO data updating costs	7,264				
		M0_3_I_CD1	BO registration and record keeping costs	69,018				
		M0_1_B_CD1	Banks' training costs	191,783				
		M0_1_B_CD2	Banks' internal controls costs	1,329,192				
		M0_1_B_CD3	Banks' lobbying Costs	not available				
		M0_3_B_CD1	Banks' ICT costs	1,839,644				
		M0_4_B_CD1	BO data addition to STR costs for banks	1,061				
		M0_4_B_CD2	STR sending costs for banks	not relevant				
		M0_1_A_CD1	Accountants' training costs	not available				
		M0_1_A_CD2	Accountants' internal controls costs	not available				
		M0_1_A_CD3	Accountants' lobbying costs	0				

		M0_3_A_CD1	Accountants' ICT costs	not available				
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant				
		M0_4_A_CD2	STR sending costs for accountants	not relevant				
	TOTAL DIRECT			3,674,029			0	-3,674,029
	Indirect	M0_1_I_CI1	BO identification duplication costs	188,854	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree	
		M0_2_I_CI1	BO data updating duplication costs	5,811	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0	
		M0_3_I_CI1	BO record keeping duplication costs	55,214	M0_1_B_BI3	Banks' clientele gain benefits	91,213	
		M0_1_B_CI1	Banks' clientele loss costs	12,080,981	M0_1_B_BI4	Banks' reputational benefits	not applicable	
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	agree	
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable	
				M0_1_A_BI3	Accountants' reputational benefits	agree		
	TOTAL INDIRECT			12,330,861			91,213	-12,239,648
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect			not applicable		not applicable		
	TOTAL INDIRECT			0			0	0
Businesses	Direct			not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M0_1_E_CI1	Fiscal costs	disagree	M0_1_E_BI1	Reduction in unfair competition	not available	
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available	
	TOTAL INDIRECT			0			0	0
Wider cost and benefit	Direct			not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: agree ; NAA:agree	M0_5_W_BI1	Market transparency benefits	NBA: agree; NAA: agree	
		M0_1_W_CI2	Market concentration costs	disagree				
		M0_5_W_CI1	Use of less transparent legal entities	not available				
	TOTAL INDIRECT			0			0	0
EU and MS	Direct			not applicable		not applicable		

Annex D. Cost Benefit Tables for the 27 EU MSs

	TOTAL DIRECT		0		0	0
		M0_1_U_CI1 EU internal dishomogeneity costs	not applicable	M0_1_U_BI1 Capital inflows towards EU Member States	not applicable	
		M0_1_U_CI2 EU political costs	not applicable			
	Indirect	M0_1_U_CI3 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_CI1 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	4%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-3,716,379
TOTAL INDIRECT						-14,661,526
<i>Total (monetary)</i>						<i>-18,377,905</i>

7.2 Estonia: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M1_3_G_CD1 Central Registry costs	0	M1_4_G_BD1 Asset Recovery	not available		
		M1_4_G_CD1 Cost for persons convicted of ML	6,761				
		M1_4_G_CD2 Costs for prosecution and sentencing	1,312				
		M1_4_G_CD3 Costs of Asset Recovery	not available				
	TOTAL DIRECT		8,073		0	-8,073	
	Indirect	M1_1_G_CI1 Decrease in tax revenues	2,657,816	M1_1_G_BI1 Increase in tax revenues	18,243		
	TOTAL INDIRECT		2,657,816		18,243	-2,639,573	
LEA	Direct	M1_4_L_CD1 LEA investigation costs	2,186	not applicable			
		M1_4_L_CD2 BO data searching costs	not relevant				
		TOTAL DIRECT		2,186		0	-2,186
		Indirect	not applicable		not applicable		
	TOTAL INDIRECT		0		0	0	
Intermediaries	Direct	not applicable		not applicable			
		TOTAL DIRECT	0		0	0	
	Indirect	M1_1_B_CI1 Banks' clientele loss costs	13,289,080	M1_1_B_BI1 Banks' clientele info benefits – Services quality	agree		
		M1_1_A_CI1 Accountants' clientele loss costs	0	M1_1_B_BI2 Banks' clientele info benefits – Financial stabilisation	0		
				M1_1_B_BI3 Banks clientele gain benefits	91,213		
			M1_1_A_BI1 Accountants' clientele information benefits	agree			
			M1_1_A_BI2 Accountants' clientele gain benefits	not applicable			
	TOTAL INDIRECT	13,289,080		91,213	-13,197,866		
Individuals	Direct	M1_1_D_CD1 Not registered BO data filing costs	5,454	not applicable			
		M1_2_D_CD1 Not registered BO data updating costs	2,181				
		TOTAL DIRECT	7,635		0	-7,635	
		Indirect	M1_4_D_CI1 Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1 Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT		0		0	0	

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1 BO data updating costs	10,895	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	103,527			
	TOTAL DIRECT		114,423		0	-114,423
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	
Wider cost and benefit	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: agree; NAA: agree	
	TOTAL INDIRECT		0		0	0
EU and MS	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
TOTAL INDIRECT		0		0	0	
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT					0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	5.92%	
TOTAL INDIRECT		0		0		
TOTAL DIRECT						-132,316
TOTAL INDIRECT						-15,837,440
<i>Total (monetary)</i>						-15,969,756

8. FINLAND

8.1 Finland: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	not available	M0_4_G_BD1	Asset Recovery	51,861	
		M0_4_G_CD2	Costs for prosecution and sentencing	20,298				
		M0_4_G_CD3	Costs of Asset Recovery	519				
	TOTAL DIRECT		20,817		51,861	31,045		
	Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	0	
TOTAL INDIRECT		0		0	0			
LEA	Direct	M0_4_F_CD1	STR analysis cost	452,921	M0_4_F_BD1	BO data searching time saving	2,711	
		M0_4_F_CD2	FIU other costs	116,175				
		M0_4_F_CD3	FIU training costs	18,917				
		M0_4_L_CD1	LEA investigation costs	120,436				
	TOTAL DIRECT		708,450		2,711	-705,739		
Indirect	M0_4_F_CI1	Increase in staff personnel costs	na	M0_1_L_BI1	Deterring intermediary connivence	not available		
TOTAL INDIRECT		0		0	0			
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	2,663,899	not applicable			
		M0_2_I_CD1	BO data updating costs	81,966				
		M0_3_I_CD1	BO registration and record keeping costs	778,832				
		M0_1_B_CD1	Banks' training costs	4,330,529				
		M0_1_B_CD2	Banks' internal controls costs	15,057,219				
		M0_1_B_CD3	Banks' lobbying Costs	not available				
		M0_3_B_CD1	Banks' ICT costs	20,839,675				
		M0_4_B_CD1	BO data addition to STR costs for banks	1,756				
		M0_4_B_CD2	STR sending costs for banks	not relevant				
		M0_1_A_CD1	Accountants' training costs	not available				
		M0_1_A_CD2	Accountants' internal controls costs	not available				
		M0_1_A_CD3	Accountants' lobbying costs	0				

		M0_3_A_CD1	Accountants' ICT costs	not available				
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant				
		M0_4_A_CD2	STR sending costs for accountants	not relevant				
	TOTAL DIRECT			43,753,877			0	-43,753,877
	Indirect	M0_1_I_CI1	BO identification duplication costs	2,131,119	M0_1_B_BI1	Banks' clientele info benefits – Services quality	disagree	
		M0_2_I_CI1	BO data updating duplication costs	65,573	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0	
		M0_3_I_CI1	BO record keeping duplication costs	623,066	M0_1_B_BI3	Banks' clientele gain benefits	0	
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable	
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available	
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable	
				M0_1_A_BI3	Accountants' reputational benefits	not available		
	TOTAL INDIRECT			2,819,758			0	-2,819,758
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect			not applicable		not applicable		
	TOTAL INDIRECT			0			0	0
Businesses	Direct			not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M0_1_E_CI1	Fiscal costs	not available	M0_1_E_BI1	Reduction in unfair competition	not available	
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available	
	TOTAL INDIRECT			0			0	0
Wider cost and benefit	Direct			not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	not available	M0_5_W_BI1	Market transparency benefits	NBA: disagree	
		M0_1_W_CI2	Market concentration costs	disagree				
		M0_5_W_CI1	Use of less transparent legal entities	not available				
	TOTAL INDIRECT			0			0	0
EU and MS	Direct			not applicable		not applicable		
	TOTAL DIRECT			0			0	0

		M0_1_U_CI1	EU internal dishomogeneity costs	not applicable	M0_1_U_BI1	Capital inflows towards EU Member States	not applicable	
	Indirect	M0_1_U_CI2	EU political costs	not applicable				
		M0_1_U_CI3	Capital outflows towards Extra EU countries	not applicable				
	TOTAL INDIRECT			0			0	0
	Direct		not applicable			not applicable		
	TOTAL DIRECT			0			0	0
Human rights	Indirect	M0_3_H_CI1	Clients privacy and data protection costs	not applicable	M0_4_H_BI1	Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT			0			0	0
TOTAL DIRECT								-44,428,571
TOTAL INDIRECT								-2,819,758
<i>Total (monetary)</i>								<i>-47,248,329</i>

8.2 Finland: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M1_3_G_CD1 Central Registry costs	0	M1_4_G_BD1 Asset Recovery	77,792		
		M1_4_G_CD1 Cost for persons convicted of ML	not available				
		M1_4_G_CD2 Costs for prosecution and sentencing	32,177				
		M1_4_G_CD3 Costs of Asset Recovery	not relevant				
	TOTAL DIRECT		32,177		77,792	45,615	
	Indirect	M1_1_G_CI1 Decrease in tax revenues	0	M1_1_G_BI1 Increase in tax revenues	0		
	TOTAL INDIRECT		0		0	0	
LEA	Direct	M1_4_L_CD1 LEA investigation costs	na	not applicable			
		M1_4_L_CD2 BO data searching costs	6,075				
		TOTAL DIRECT		6,075		0	-6,075
		Indirect	not applicable		not applicable		
	TOTAL INDIRECT		0		0	0	
Intermediaries	Direct	not applicable		not applicable			
		TOTAL DIRECT		0		0	
	Indirect	M1_1_B_CI1 Banks' clientele loss costs	0	M1_1_B_BI1 Banks' clientele info benefits – Services quality	disagree		
		M1_1_A_CI1 Accountants' clientele loss costs	0	M1_1_B_BI2 Banks' clientele info benefits – Financial stabilisation	0		
				M1_1_B_BI3 Banks clientele gain benefits	0		
			M1_1_A_BI1 Accountants' clientele information benefits	not available			
			M1_1_A_BI2 Accountants' clientele gain benefits	not applicable			
	TOTAL INDIRECT		0		0	0	
Individuals	Direct	M1_1_D_CD1 Not registered BO data filing costs	61,540	not applicable			
		M1_2_D_CD1 Not registered BO data updating costs	24,616				
		TOTAL DIRECT		86,156		0	-86,156
		Indirect	M1_4_D_CI1 Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1 Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT		0		0	0	

Businesses	Direct	M1_2_E_CD1 BO data updating costs	122,949	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	1,168,248			
	TOTAL DIRECT		1,291,198		0	-1,291,198
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	
Wider cost and benefit	TOTAL DIRECT		0		0	0
Wider cost and benefit	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
EU and MS	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: disagree	
	TOTAL INDIRECT		0		0	0
EU and MS	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT					0
Human rights	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	5%	
	TOTAL INDIRECT		0		0	
TOTAL DIRECT						-1,337,814
TOTAL INDIRECT						0
<i>Total (monetary)</i>						<i>-1,337,814</i>

9. FRANCE

9.1 France: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	503,685	M0_4_G_BD1	Asset Recovery	not available
		M0_4_G_CD2	Costs for prosecution and sentencing	344,839			
		M0_4_G_CD3	Costs of Asset Recovery	not available			
	TOTAL DIRECT		848,524		0	-848,524	
Government	Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	7,849,206
	TOTAL INDIRECT		0		7,849,206	7,849,206	
LEA	Direct	M0_4_F_CD1	STR analysis cost	1,319,904	M0_4_F_BD1	BO data searching time saving	7,900
		M0_4_F_CD2	FIU other costs	23,367			
		M0_4_F_CD3	FIU training costs	3,744			
		M0_4_L_CD1	LEA investigation costs	275,895			
	TOTAL DIRECT		1,622,910		7,900	-1,615,010	
LEA	Indirect	M0_4_F_CI1	Increase in staff personnel costs	219,930	M0_1_L_BI1	Deterring intermediary connivance	not available
	TOTAL INDIRECT		219,930		0	-219,930	
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	37,330,888	not applicable		
		M0_2_I_CD1	BO data updating costs	1,148,643			
		M0_3_I_CD1	BO registration and record keeping costs	10,914,266			
		M0_1_B_CD1	Banks' training costs	116,010,848			
		M0_1_B_CD2	Banks' internal controls costs	411,773,267			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	569,907,444			
		M0_4_B_CD1	BO data addition to STR costs for banks	57,458			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			1,147,142,813		0	-1,147,142,813
	Indirect	M0_1_I_CI1	BO identification duplication costs	29,864,710	M0_1_B_BI1	Banks' clientele info benefits – Services quality	not available
		M0_2_I_CI1	BO data updating duplication costs	918,914	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	183,281,100
		M0_3_I_CI1	BO record keeping duplication costs	8,731,413	M0_1_B_BI3	Banks' clientele gain benefits	39,246,031
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			39,515,037		222,527,131	183,012,094
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	not available	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
TOTAL INDIRECT			0		0	0	
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	not available	M0_5_W_BI1	Market transparency benefits	not available
		M0_1_W_CI2	Market concentration costs	not available			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
TOTAL INDIRECT			0		0	0	
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

Annex D. Cost Benefit Tables for the 27 EU MSs

	Indirect	M0_1_U_C11	EU internal dishomogeneity costs	not applicable	M0_1_U_B11	Capital inflows towards EU Member States	not applicable	
		M0_1_U_C12	EU political costs	not applicable				
		M0_1_U_C13	Capital outflows towards Extra EU countries	not applicable				
	TOTAL INDIRECT			0			0	0
	Direct			not applicable			not applicable	
	TOTAL DIRECT			0			0	0
Human rights	Indirect	M0_3_H_C11	Clients privacy and data protection costs	not applicable	M0_4_H_B11	Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT			0			0	0
TOTAL DIRECT								-1,149,606,348
TOTAL INDIRECT								190,641,371
<i>Total (monetary)</i>								<i>-958,964,977</i>

9.2 France: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)			
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	not available		
		M1_4_G_CD1	Cost for persons convicted of ML	331,353					
		M1_4_G_CD2	Costs for prosecution and sentencing	546,647					
		M1_4_G_CD3	Costs of Asset Recovery	not available					
	TOTAL DIRECT			877,999			0	-877,999	
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	7,849,206			
	TOTAL INDIRECT			0		7,849,206		7,849,206	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	48,629		not applicable			
		M1_4_L_CD2	BO data searching costs	90,674					
	TOTAL DIRECT			139,304			0	-139,304	
	Indirect		not applicable			not applicable			
TOTAL INDIRECT			0			0	0		
Intermediaries	Direct		not applicable			not applicable			
	TOTAL DIRECT			0			0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	not available		
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	183,281,100		
					M1_1_B_BI3	Banks clientele gain benefits	39,246,031		
					M1_1_A_BI1	Accountants' clientele information benefits	not available		
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable				
TOTAL INDIRECT			0			222,527,131	222,527,131		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	862,402		not applicable			
		M1_2_D_CD1	Not registered BO data updating costs	344,961					
	TOTAL DIRECT			1,207,362			0	-1,207,362	
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable		
	TOTAL INDIRECT			0			0	0	

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses		M1_2_E_CD1 BO data updating costs	1,722,964	not applicable		
	Direct	M1_3_E_CD1 BO record keeping and data filing to the CR costs	16,371,399			
	TOTAL DIRECT		18,094,363		0	-18,094,363
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
		M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			
	TOTAL INDIRECT		0		0	0
Wider cost and benefit	Direct		not applicable	not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	not available	
	TOTAL INDIRECT		0		0	0
EU and MS	Direct		not applicable	not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
Human rights	Direct		not applicable	not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	5%	
	TOTAL INDIRECT		0		0	
TOTAL DIRECT						-20,319,028
TOTAL INDIRECT						230,376,338
<i>Total (monetary)</i>						<i>210,057,309</i>

10. GERMANY

10.1 Germany: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	299,009	M0_4_G_BD1	Asset Recovery	not available
		M0_4_G_CD2	Costs for prosecution and sentencing	11,874			
		M0_4_G_CD3	Costs of Asset Recovery	not available			
	TOTAL DIRECT			310,883		0	-310,883
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	10,527,004	
	TOTAL INDIRECT		0			10,527,004	10,527,004
LEA	Direct	M0_4_F_CD1	STR analysis cost	886,391	M0_4_F_BD1	BO data searching time saving	5,305
		M0_4_F_CD2	FIU other costs	227,362			
		M0_4_F_CD3	FIU training costs	37,021			
		M0_4_L_CD1	LEA investigation costs	235,701			
TOTAL DIRECT			1,386,475		5,305	-1,381,169	
Indirect	M0_4_F_CI1	Increase in staff personnel costs	233,646	M0_1_L_BI1	Deterring intermediary connivance	not available	
	TOTAL INDIRECT		233,646			0	-233,646
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	16,952,711	not applicable		
		M0_2_I_CD1	BO data updating costs	521,622			
		M0_3_I_CD1	BO registration and record keeping costs	7,755,128			
		M0_1_B_CD1	Banks' training costs	137,066,110			
		M0_1_B_CD2	Banks' internal controls costs	486,507,607			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	673,342,173			
		M0_4_B_CD1	BO data addition to STR costs for banks	14,248			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

Annex D. Cost Benefit Tables for the 27 EU MSs

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			1,322,159,600		0	-1,322,159,600
	Indirect	M0_1_I_CI1	BO identification duplication costs	13,562,169	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M0_2_I_CI1	BO data updating duplication costs	417,297	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	232,231,500
		M0_3_I_CI1	BO record keeping duplication costs	6,204,103	M0_1_B_BI3	Banks' clientele gain benefits	52,635,021
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	disagree
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			20,183,569		284,866,521	264,682,952
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	not available	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
TOTAL INDIRECT			0			0	
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: agree ; NAA: disagree	M0_5_W_BI1	Market transparency benefits	NBA: agree ; NAA: agree
		M0_1_W_CI2	Market concentration costs	agree			
		M0_5_W_CI1	Use of less transparent legal entities	disagree			
TOTAL INDIRECT			0			0	0
EU and MS	Direct			not applicable		not applicable	

	TOTAL DIRECT		0		0	0
		M0_1_U_C11 EU internal dishomogeneity costs	not applicable	M0_1_U_B11 Capital inflows towards EU Member States	not applicable	
	Indirect	M0_1_U_C12 EU political costs	not applicable			
		M0_1_U_C13 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_C11 Clients privacy and data protection costs	not applicable	M0_4_H_B11 Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-1,323,851,652
TOTAL INDIRECT						274,976,310
<i>Total (monetary)</i>						-1,048,875,342

10.2 Germany: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)			
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	not available		
		M1_4_G_CD1	Cost for persons convicted of ML	448,514					
		M1_4_G_CD2	Costs for prosecution and sentencing	17,811					
		M1_4_G_CD3	Costs of Asset Recovery	not available					
	TOTAL DIRECT			466,325			0	-466,325	
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	10,527,004			
	TOTAL INDIRECT			0		10,527,004		10,527,004	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	45,941			not applicable		
		M1_4_L_CD2	BO data searching costs	4,303					
	TOTAL DIRECT			50,244			0	-50,244	
	Indirect		not applicable			not applicable			
TOTAL INDIRECT			0			0	0		
Intermediaries	Direct		not applicable			not applicable			
	TOTAL DIRECT			0			0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	agree		
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	232,231,500		
					M1_1_B_BI3	Banks clientele gain benefits	52,635,021		
				M1_1_A_BI1	Accountants' clientele information benefits	disagree			
				M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT			0			284,866,521		284,866,521	
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	391,634			not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	156,654					
	TOTAL DIRECT			548,288			0	-548,288	
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable		
	TOTAL INDIRECT			0			0	0	

Businesses	Direct	M1_2_E_CD1 BO data updating costs	782,433	not applicable			
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	11,632,693				
	TOTAL DIRECT		12,415,126		0	-12,415,126	
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available		
		M1_1_E_CI2 Access to credit unfair costs	not applicable				
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	0	
Wider cost and benefit	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: agree ; NAA: agree		
TOTAL INDIRECT		0		0	0		
EU and MS	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable		
TOTAL INDIRECT		0		0	0		
Human rights	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	4%		
TOTAL INDIRECT		0		0			
TOTAL DIRECT						-13,479,982	
TOTAL INDIRECT						295,393,525	
<i>Total (monetary)</i>						<i>281,913,543</i>	

11. GREECE

11.1 Greece: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	not available	M0_4_G_BD1	Asset Recovery	na
		M0_4_G_CD2	Costs for prosecution and sentencing	not available			
		M0_4_G_CD3	Costs of Asset Recovery	not available			
	TOTAL DIRECT		0		0	0	
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	0	
	TOTAL INDIRECT		0		0	0	
LEA	Direct	M0_4_F_CD1	STR analysis cost	0	M0_4_F_BD1	BO data searching time saving	not available
		M0_4_F_CD2	FIU other costs	not available			
		M0_4_F_CD3	FIU training costs	not available			
		M0_4_L_CD1	LEA investigation costs	not available			
TOTAL DIRECT		0		0	0		
Indirect	M0_4_F_CI1	Increase in staff personnel costs	38,367	M0_1_L_BI1	Deterring intermediary connivance	not available	
TOTAL INDIRECT		38,367			0	-38,367	
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	939,336	not applicable		
		M0_2_I_CD1	BO data updating costs	28,903			
		M0_3_I_CD1	BO registration and record keeping costs	143,235			
		M0_1_B_CD1	Banks' training costs	4,597,125			
		M0_1_B_CD2	Banks' internal controls costs	39,880,947			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	49,600,000			
		M0_4_B_CD1	BO data addition to STR costs for banks	not available			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			95,189,545		0	-95,189,545
	Indirect	M0_1_I_CI1	BO identification duplication costs	751,469	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M0_2_I_CI1	BO data updating duplication costs	23,122	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	20,742,000
		M0_3_I_CI1	BO record keeping duplication costs	114,588	M0_1_B_BI3	Banks' clientele gain benefits	0
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			889,179		20,742,000	19,852,821
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	not available	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: disagree	M0_5_W_BI1	Market transparency benefits	NBA: agree
		M0_1_W_CI2	Market concentration costs	disagree			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

Annex D. Cost Benefit Tables for the 27 EU MSs

	Indirect	M0_1_U_CI1 EU internal dishomogeneity costs M0_1_U_CI2 EU political costs M0_1_U_CI3 Capital outflows towards Extra EU countries	not applicable not applicable not applicable	M0_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
	Direct		not applicable	not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_CI1 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-95,189,545
TOTAL INDIRECT						19,814,454
<i>Total (monetary)</i>						<i>-75,375,091</i>

11.2 Greece: costs and benefits for Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	5,000,000	M1_4_G_BD1	Asset Recovery	not available	
		M1_4_G_CD1	Cost for persons convicted of ML	not available				
		M1_4_G_CD2	Costs for prosecution and sentencing	not available				
		M1_4_G_CD3	Costs of Asset Recovery	not available				
	TOTAL DIRECT			5,000,000		0	-5,000,000	
	Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	0	
	TOTAL INDIRECT			0		0	0	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	not available		not applicable		
		M1_4_L_CD2	BO data searching costs	0				
		TOTAL DIRECT			0		0	0
	Indirect		not applicable			not applicable		
	TOTAL INDIRECT			0		0	0	
Intermediaries	Direct		not applicable			not applicable		
		TOTAL DIRECT		0		0	0	0
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	agree	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	20,742,000	
					M1_1_B_BI3	Banks clientele gain benefits	0	
					M1_1_A_BI1	Accountants' clientele information benefits	not available	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
	TOTAL INDIRECT		0		20,742,000		20,742,000	
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	21,700		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	8,680				
		TOTAL DIRECT			30,380		0	-30,380
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT			0		0	0	

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1	BO data updating costs	43,354	not applicable			
		M1_3_E_CD1	BO record keeping and data filing to the CR costs	214,853				
	TOTAL DIRECT			258,207		0	-258,207	
	Indirect	M1_1_E_CI1	Business fiscal costs	not applicable	M1_1_E_BI1	Reduction in unfair competition	not available	
		M1_1_E_CI2	Access to credit unfair costs	not applicable				
M1_1_E_CI3		Employers/Industrial Association lobbying costs	not available					
TOTAL INDIRECT			0		0	0		
Wider cost and benefit	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_W_CI1	Use of less transparent legal entities	not applicable	M1_5_W_BI1	Market transparency benefits	NBA: agree	
	TOTAL INDIRECT			0		0	0	
EU and MS	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_1_U_CI1	Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1	Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT			0		0	0	
Human rights	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_H_CI1	Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1	Increase % in persons prosecuted for ML	5%	
	TOTAL INDIRECT			0		0		
TOTAL DIRECT							-5,288,587	
TOTAL INDIRECT							20,742,000	
<i>Total (monetary)</i>							<i>15,453,413</i>	

12. HUNGARY

12.1 Hungary: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	53,932	M0_4_G_BD1	Asset Recovery	306,580
		M0_4_G_CD2	Costs for prosecution and sentencing	11,310			
		M0_4_G_CD3	Costs of Asset Recovery	3,066			
	TOTAL DIRECT			68,308			306,580
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	0	
	TOTAL INDIRECT		0			0	0
LEA	Direct	M0_4_F_CD1	STR analysis cost	8,119	M0_4_F_BD1	BO data searching time saving	1,083
		M0_4_F_CD2	FIU other costs	15,155			
		M0_4_F_CD3	FIU training costs	2,314			
		M0_4_L_CD1	LEA investigation costs	16,966			
TOTAL DIRECT			42,554			1,083	-41,471
Indirect	M0_4_F_CI1	Increase in staff personnel costs	178,221	M0_1_L_BI1	Deterring intermediary connivance	disagree	
TOTAL INDIRECT			178,221			0	-178,221
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	153,261	not applicable		
		M0_2_I_CD1	BO data updating costs	4,716			
		M0_3_I_CD1	BO registration and record keeping costs	58,947			
		M0_1_B_CD1	Banks' training costs	1,888,094			
		M0_1_B_CD2	Banks' internal controls costs	15,769,141			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	21,824,998			
		M0_4_B_CD1	BO data addition to STR costs for banks	4,333			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	170,110			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			39,873,600		0	-39,873,600
	Indirect	M0_1_I_CI1	BO identification duplication costs	122,609	M0_1_B_BI1	Banks' clientele info benefits – Services quality	disagree
		M0_2_I_CI1	BO data updating duplication costs	3,773	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0
		M0_3_I_CI1	BO record keeping duplication costs	47,157	M0_1_B_BI3	Banks' clientele gain benefits	0
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	strongly agree
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			173,539		0	-173,539
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	disagree	M0_1_E_BI1	Reduction in unfair competition	disagree
		M0_1_E_CI2	Access to credit unfair costs	disagree	M0_1_E_BI2	Improvement in market efficiency	disagree
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA:disagree	M0_5_W_BI1	Market transparency benefits	NBA: disagree; NAA: strongly agree; EIA: disagree
		M0_1_W_CI2	Market concentration costs	disagree			
		M0_5_W_CI1	Use of less transparent legal entities	agree			
	TOTAL INDIRECT			0		0	0

EU and MS	Direct	not applicable		not applicable				
	TOTAL DIRECT		0		0		0	
	Indirect	M0_1_U_C11	EU internal dishomogeneity costs	not applicable	M0_1_U_B11	Capital inflows towards EU Member States	not applicable	
		M0_1_U_C12	EU political costs	not applicable				
	M0_1_U_C13	Capital outflows towards Extra EU countries	not applicable					
	TOTAL INDIRECT		0			0	0	
Human rights	Direct	not applicable		not applicable				
	TOTAL DIRECT		0			0	0	
	Indirect	M0_3_H_C11	Clients privacy and data protection costs	not applicable	M0_4_H_B11	Increase % in persons prosecuted for ML	4%	
	TOTAL INDIRECT			0			0	
TOTAL DIRECT							-39,676,799	
TOTAL INDIRECT							-351,760	
<i>Total (monetary)</i>							-40,028,559	

12.2 Hungary: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	459,871	
		M1_4_G_CD1	Cost for persons convicted of ML	80,898				
		M1_4_G_CD2	Costs for prosecution and sentencing	16,966				
		M1_4_G_CD3	Costs of Asset Recovery	4,599				
	TOTAL DIRECT			102,462			459,871	357,409
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	0		
	TOTAL INDIRECT		0			0	0	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	63,621		not applicable		
		M1_4_L_CD2	BO data searching costs	not relevant				
	TOTAL DIRECT		63,621			0	-63,621	
	Indirect		not applicable			not applicable		
TOTAL INDIRECT		0			0	0		
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT		0			0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	disagree	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0	
					M1_1_B_BI3	Banks clientele gain benefits	0	
					M1_1_A_BI1	Accountants' clientele information benefits	strongly agree	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT		0			0	0		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	22,326		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	8,930				
	TOTAL DIRECT		31,256			0	-31,256	
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT		0			0	0	

Businesses	Direct	M1_2_E_CD1	BO data updating costs	7,074	not applicable			
		M1_3_E_CD1	BO record keeping and data filing to the CR costs	88,420				
	TOTAL DIRECT			95,493		0	-95,493	
	Indirect	M1_1_E_CI1	Business fiscal costs	not applicable	M1_1_E_BI1	Reduction in unfair competition	disagree	
		M1_1_E_CI2	Access to credit unfair costs	not applicable				
TOTAL INDIRECT			0			0	0	
Wider cost and benefit	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_W_CI1	Use of less transparent legal entities	not applicable	M1_5_W_BI1	Market transparency benefits	NBA: disagree; NAA: strongly agree; EIA: disagree	
	TOTAL INDIRECT			0		0	0	
EU and MS	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_1_U_CI1	Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1	Capital inflows towards EU Member States	not applicable	
TOTAL INDIRECT			0		0	0		
Human rights	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_H_CI1	Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1	Increase % in persons prosecuted for ML	5%	
	TOTAL INDIRECT			0		0		
TOTAL DIRECT							167,038	
TOTAL INDIRECT							0	
<i>Total (monetary)</i>							<i>167,038</i>	

13. IRELAND

13.1 Ireland: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	42,235	M0_4_G_BD1	Asset Recovery	1,750,744
		M0_4_G_CD2	Costs for prosecution and sentencing	139,378			
		M0_4_G_CD3	Costs of Asset Recovery	17,507			
	TOTAL DIRECT			199,121			1,750,744
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	1,452,486	
	TOTAL INDIRECT		0			1,452,486	1,452,486
LEA	Direct	M0_4_F_CD1	STR analysis cost	1,407,473	M0_4_F_BD1	BO data searching time saving	8,424
		M0_4_F_CD2	FIU other costs	0			
		M0_4_F_CD3	FIU training costs	0			
		M0_4_L_CD1	LEA investigation costs	209,068			
TOTAL DIRECT			1,616,541			8,424	-1,608,117
Indirect	M0_4_F_CI1	Increase in staff personnel costs	not available	M0_1_L_BI1	Deterring intermediary connivance	agree	
TOTAL INDIRECT			0			0	0
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	3,456,119	not applicable		
		M0_2_I_CD1	BO data updating costs	106,342			
		M0_3_I_CD1	BO registration and record keeping costs	1,010,450			
		M0_1_B_CD1	Banks' training costs	10,733,833			
		M0_1_B_CD2	Banks' internal controls costs	38,099,069			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	52,730,337			
		M0_4_B_CD1	BO data addition to STR costs for banks	46,305			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			106,182,455		0	-106,182,455
	Indirect	M0_1_I_CI1	BO identification duplication costs	2,764,895	M0_1_B_BI1	Banks' clientele info benefits – Services quality	not available
		M0_2_I_CI1	BO data updating duplication costs	85,074	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	32,123,400
		M0_3_I_CI1	BO record keeping duplication costs	808,360	M0_1_B_BI3	Banks' clientele gain benefits	7,262,430
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			3,658,329		39,385,830	35,727,501
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	not available	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	not available	M0_5_W_BI1	Market transparency benefits	not available
		M0_1_W_CI2	Market concentration costs	not available			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

Annex D. Cost Benefit Tables for the 27 EU MSs

	Indirect	M0_1_U_CI1 EU internal dishomogeneity costs M0_1_U_CI2 EU political costs M0_1_U_CI3 Capital outflows towards Extra EU countries	not applicable not applicable not applicable	M0_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
	Direct		not applicable	not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_CI1 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	5%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-106,238,950
TOTAL INDIRECT						37,179,987
<i>Total (monetary)</i>						<i>-69,058,962</i>

13.2 Ireland: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	2,626,116	
		M1_4_G_CD1	Cost for persons convicted of ML	63,353				
		M1_4_G_CD2	Costs for prosecution and sentencing	209,068				
		M1_4_G_CD3	Costs of Asset Recovery	26,261				
	TOTAL DIRECT			298,682			2,626,116	2,327,434
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	1,452,486		
	TOTAL INDIRECT		0			1,452,486	1,452,486	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	313,602		not applicable		
		M1_4_L_CD2	BO data searching costs	not relevant				
	TOTAL DIRECT		313,602			0	-313,602	
	Indirect		not applicable			not applicable		
TOTAL INDIRECT		0			0	0		
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT		0			0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	not available	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	32,123,400	
					M1_1_B_BI3	Banks clientele gain benefits	7,262,430	
					M1_1_A_BI1	Accountants' clientele information benefits	not available	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT		0			39,385,830	39,385,830		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	79,842		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	31,937				
	TOTAL DIRECT		111,778			0	-111,778	
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT		0			0	0	

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1 BO data updating costs	159,513	not applicable			
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	1,515,675				
	TOTAL DIRECT		1,675,188		0	-1,675,188	
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available		
		M1_1_E_CI2 Access to credit unfair costs	not applicable				
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	0	
Wider cost and benefit	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	not available		
TOTAL INDIRECT		0		0	0		
EU and MS	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable		
TOTAL INDIRECT		0		0	0		
Human rights	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	8%		
TOTAL INDIRECT		0		0			
TOTAL DIRECT						226,865	
TOTAL INDIRECT						40,838,316	
<i>Total (monetary)</i>						<i>41,065,182</i>	

14. ITALY

14.1 Italy: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	2,764,440	M0_4_G_BD1	Asset Recovery	not available	
		M0_4_G_CD2	Costs for prosecution and sentencing	82,516				
		M0_4_G_CD3	Costs of Asset Recovery	not available				
	TOTAL DIRECT			2,846,956			0	-2,846,956
Government	Indirect	M0_1_G_CI1	Decrease in tax revenues	512,535,076	M0_1_G_BI1	Increase in tax revenues	3,869,716	
	TOTAL INDIRECT			512,535,076			3,869,716	-508,665,359
LEA	Direct	M0_4_F_CD1	STR analysis cost	141,321	M0_4_F_BD1	BO data searching time saving	5,888	
		M0_4_F_CD2	FIU other costs	46,389				
		M0_4_F_CD3	FIU training costs	not relevant				
	M0_4_L_CD1	LEA investigation costs	123,774					
LEA	TOTAL DIRECT			312,377			5,888	-306,489
	Indirect	M0_4_F_CI1	Increase in staff personnel costs	0	M0_1_L_BI1	Deterring intermediary connivance	not available	
LEA	TOTAL INDIRECT			0			0	0
	Intermediaries	Direct	M0_1_I_CD1	BO identification costs	6,176,851	not applicable		
M0_2_I_CD1			BO data updating costs	190,057				
M0_3_I_CD1			BO registration and record keeping costs	3,167,616				
M0_1_B_CD1			Banks' training costs	48,948,805				
M0_1_B_CD2			Banks' internal controls costs	20,592,000				
M0_1_B_CD3			Banks' lobbying Costs	not available				
M0_3_B_CD1			Banks' ICT costs	392,464,017				
M0_4_B_CD1			BO data addition to STR costs for banks	85,934				
M0_4_B_CD2			STR sending costs for banks	not relevant				
M0_1_A_CD1			Accountants' training costs	not available				
M0_1_A_CD2			Accountants' internal controls costs	not available				
M0_1_A_CD3			Accountants' lobbying costs	not available				

Annex D. Cost Benefit Tables for the 27 EU MSs

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			471,625,280		0	-471,625,280
	Indirect	M0_1_I_CI1	BO identification duplication costs	4,941,481	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree/disagree
		M0_2_I_CI1	BO data updating duplication costs	152,046	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	1,294,916,000
		M0_3_I_CI1	BO record keeping duplication costs	2,534,093	M0_1_B_BI3	Banks' clientele gain benefits	19,348,582
		M0_1_B_CI1	Banks' clientele loss costs	2,562,675,379	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	not available	M0_1_A_BI1	Accountants' clientele information benefits	disagree
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			2,570,302,998		1,314,264,582	-1,256,038,416
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	disagree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
TOTAL INDIRECT			0			0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: agree; NAA: disagree	M0_5_W_BI1	Market transparency benefits	NBA: agree/disagree; NAA: disagree
		M0_1_W_CI2	Market concentration costs	agree/disagree			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
TOTAL INDIRECT			0			0	0
EU and MS	Direct			not applicable		not applicable	

	TOTAL DIRECT		0		0	0
		M0_1_U_C11 EU internal dishomogeneity costs	not applicable	M0_1_U_B11 Capital inflows towards EU Member States	not applicable	
	Indirect	M0_1_U_C12 EU political costs	not applicable			
		M0_1_U_C13 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_C11 Clients privacy and data protection costs	not applicable	M0_4_H_B11 Increase % in persons prosecuted for ML	4%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-474,778,725
TOTAL INDIRECT						-1,764,703,776
<i>Total (monetary)</i>						-2,239,482,501

14.2 Italy: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	not available	
		M1_4_G_CD1	Cost for persons convicted of ML	4,146,660				
		M1_4_G_CD2	Costs for prosecution and sentencing	123,774				
		M1_4_G_CD3	Costs of Asset Recovery	not available				
	TOTAL DIRECT			4,270,434			0	-4,270,434
Indirect	M1_1_G_CI1	Decrease in tax revenues	563,788,583	M1_1_G_BI1	Increase in tax revenues	3,869,716		
	TOTAL INDIRECT		563,788,583			3,869,716	-559,918,867	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	265,230		not applicable		
		M1_4_L_CD2	BO data searching costs	not relevant				
	TOTAL DIRECT		265,230			0	-265,230	
	Indirect		not applicable			not applicable		
TOTAL INDIRECT		0			0	0		
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT		0			0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	2,818,942,917	M1_1_B_BI1	Banks' clientele info benefits – Services quality	agree/disagree	
		M1_1_A_CI1	Accountants' clientele loss costs	not available	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	1,294,916,000	
					M1_1_B_BI3	Banks clientele gain benefits	19,348,582	
			M1_1_A_BI1	Accountants' clientele information benefits	disagree			
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT		2,818,942,917			1,314,264,582	-1,504,678,335		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	475,142		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	190,057				
	TOTAL DIRECT		665,199			0	-665,199	
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT		0			0	0	

Businesses	Direct	M1_2_E_CD1 BO data updating costs	285,085	not applicable			
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	4,751,424				
	TOTAL DIRECT		5,036,509		0	-5,036,509	
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available		
		M1_1_E_CI2 Access to credit unfair costs	not applicable				
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	0	
Wider cost and benefit	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: agree/disagree; NAA: disagree		
	TOTAL INDIRECT		0		0	0	
EU and MS	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable		
TOTAL INDIRECT		0		0	0		
Human rights	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	6%		
	TOTAL INDIRECT		0		0		
TOTAL DIRECT						-10,237,372	
TOTAL INDIRECT						-2,064,597,202	
<i>Total (monetary)</i>						-2,074,834,574	

15. LATVIA

15.1 Latvia: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	not relevant	M0_4_G_BD1	Asset Recovery	16,301
		M0_4_G_CD2	Costs for prosecution and sentencing	not relevant			
		M0_4_G_CD3	Costs of Asset Recovery	not relevant			
	TOTAL DIRECT		432			16,301	15,869
Indirect	M0_1_G_CI1	Decrease in tax revenues	3,180,066	M0_1_G_BI1	Increase in tax revenues	0	
	TOTAL INDIRECT		3,180,066			0	-3,180,066
LEA	Direct	M0_4_F_CD1	STR analysis cost	16,684	M0_4_F_BD1	BO data searching time saving	4,108
		M0_4_F_CD2	FIU other costs	3,369			
		M0_4_F_CD3	FIU training costs	0			
		M0_4_L_CD1	LEA investigation costs	333			
TOTAL DIRECT		20,386			4,108	-16,278	
Indirect	M0_4_F_CI1	Increase in staff personnel costs	16,696	M0_1_L_BI1	Deterring intermediary connivance	agree	
TOTAL INDIRECT		16,696				0	-16,696
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	560,839	not applicable		
		M0_2_I_CD1	BO data updating costs	17,257			
		M0_3_I_CD1	BO registration and record keeping costs	13,274			
		M0_1_B_CD1	Banks' training costs	656,221			
		M0_1_B_CD2	Banks' internal controls costs	2,329,214			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	3,223,707			
		M0_4_B_CD1	BO data addition to STR costs for banks	2,362			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			6,802,874		0	-6,802,874
	Indirect	M0_1_I_CI1	BO identification duplication costs	448,671	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M0_2_I_CI1	BO data updating duplication costs	13,805	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0
		M0_3_I_CI1	BO record keeping duplication costs	10,619	M0_1_B_BI3	Banks' clientele gain benefits	0
		M0_1_B_CI1	Banks' clientele loss costs	15,900,328	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	not available	M0_1_A_BI1	Accountants' clientele information benefits	agree
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			16,373,424		0	-16,373,424
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	agree	M0_1_E_BI1	Reduction in unfair competition	agree
		M0_1_E_CI2	Access to credit unfair costs	disagree	M0_1_E_BI2	Improvement in market efficiency	agree
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: disagree; NAA: agree	M0_5_W_BI1	Market transparency benefits	NBA: agree; NAA: agree; EIA: agree
		M0_1_W_CI2	Market concentration costs	disagree			
		M0_5_W_CI1	Use of less transparent legal entities	agree			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	

Annex D. Cost Benefit Tables for the 27 EU MSs

	TOTAL DIRECT		0		0	0
		M0_1_U_C11 EU internal dishomogeneity costs	not applicable	M0_1_U_B11 Capital inflows towards EU Member States	not applicable	
	Indirect	M0_1_U_C12 EU political costs	not applicable			
		M0_1_U_C13 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_C11 Clients privacy and data protection costs	not applicable	M0_4_H_B11 Increase % in persons prosecuted for ML	1%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-6,803,284
TOTAL INDIRECT						-19,570,186
<i>Total (monetary)</i>						-26,373,469

15.2 Latvia: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	24,451	
		M1_4_G_CD1	Cost for persons convicted of ML	not relevant				
		M1_4_G_CD2	Costs for prosecution and sentencing	333				
		M1_4_G_CD3	Costs of Asset Recovery	not relevant				
	TOTAL DIRECT			333			24,451	24,118
	Indirect	M1_1_G_CI1	Decrease in tax revenues	3,498,072	M1_1_G_BI1	Increase in tax revenues	0	
	TOTAL INDIRECT			3,498,072			0	-3,498,072
LEA	Direct	M1_4_L_CD1	LEA investigation costs	1,730	not applicable			
		M1_4_L_CD2	BO data searching costs	not relevant				
		TOTAL DIRECT			1,730		0	-1,730
		Indirect	not applicable			not applicable		
	TOTAL INDIRECT			0			0	0
Intermediaries	Direct	not applicable			not applicable			
		TOTAL DIRECT		0			0	0
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	17,490,361	M1_1_B_BI1	Banks' clientele info benefits – Services quality	agree	
		M1_1_A_CI1	Accountants' clientele loss costs	not available	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0	
					M1_1_B_BI3	Banks clientele gain benefits	0	
					M1_1_A_BI1	Accountants' clientele information benefits	agree	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
	TOTAL INDIRECT		17,490,361			0	-17,490,361	
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	10,055	not applicable			
		M1_2_D_CD1	Not registered BO data updating costs	4,022				
		TOTAL DIRECT			14,077		0	-14,077
		Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable
	TOTAL INDIRECT			0			0	0

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1 BO data updating costs	25,885	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	19,911			
	TOTAL DIRECT		45,796		0	-45,796
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	agree	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available				
TOTAL INDIRECT		0		0	0	
Wider cost and benefit	Direct		not applicable	not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: agree; NAA: agree; EIA: agree	
	TOTAL INDIRECT		0		0	0
EU and MS	Direct		not applicable	not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
TOTAL INDIRECT		0		0	0	
Human rights	Direct		not applicable	not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	1%	
	TOTAL INDIRECT		0		0	
TOTAL DIRECT						-37,486
TOTAL INDIRECT						-20,988,433
<i>Total (monetary)</i>						-21,025,919

16. LITHUANIA

16.1 Lithuania: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	not relevant	M0_4_G_BD1	Asset Recovery	not relevant
		M0_4_G_CD2	Costs for prosecution and sentencing	not relevant			
		M0_4_G_CD3	Costs of Asset Recovery	not relevant			
	TOTAL DIRECT			0			0
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	20,200	
	TOTAL INDIRECT		0			20,200	20,200
LEA	Direct	M0_4_F_CD1	STR analysis cost	2,001	M0_4_F_BD1	BO data searching time saving	not relevant
		M0_4_F_CD2	FIU other costs	513			
		M0_4_F_CD3	FIU training costs	84			
		M0_4_L_CD1	LEA investigation costs	1,353			
TOTAL DIRECT			3,950			0	-3,950
Indirect	M0_4_F_CI1	Increase in staff personnel costs	na	M0_1_L_BI1	Deterring intermediary connivance	agree	
TOTAL INDIRECT			0			0	0
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	335,722		not applicable	
		M0_2_I_CD1	BO data updating costs	10,330			
		M0_3_I_CD1	BO registration and record keeping costs	81,300			
		M0_1_B_CD1	Banks' training costs	325,510			
		M0_1_B_CD2	Banks' internal controls costs	1,471,774			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	2,036,982			
		M0_4_B_CD1	BO data addition to STR costs for banks	not relevant			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	26,657			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

Annex D. Cost Benefit Tables for the 27 EU MSs

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			4,288,287		0	-4,288,287
	Indirect	M0_1_I_CI1	BO identification duplication costs	268,577	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M0_2_I_CI1	BO data updating duplication costs	8,264	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	1,390,800
		M0_3_I_CI1	BO record keeping duplication costs	65,040	M0_1_B_BI3	Banks' clientele gain benefits	100,998
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	696,778	M0_1_A_BI1	Accountants' clientele information benefits	agree
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			1,038,659		1,491,798	453,139
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	not available	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
TOTAL INDIRECT			0		0	0	
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: agree ; NAA: agree	M0_5_W_BI1	Market transparency benefits	NBA: agree; NAA: agree
		M0_1_W_CI2	Market concentration costs	disagree			
		M0_5_W_CI1	Use of less transparent legal entities	agree			
TOTAL INDIRECT			0		0	0	
EU and MS	Direct			not applicable		not applicable	

	TOTAL DIRECT		0		0	0
		M0_1_U_C11 EU internal dishomogeneity costs	not applicable	M0_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	Indirect	M0_1_U_C12 EU political costs	not applicable			
		M0_1_U_C13 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_C11 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	0%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-4,292,237
TOTAL INDIRECT						473,338
<i>Total (monetary)</i>						-3,818,899

16.2 Lithuania: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	121	
		M1_4_G_CD1	Cost for persons convicted of ML	not relevant				
		M1_4_G_CD2	Costs for prosecution and sentencing	1,353				
		M1_4_G_CD3	Costs of Asset Recovery	not relevant				
	TOTAL DIRECT			1,353		121	-1,232	
Government	Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	20,200	
		TOTAL INDIRECT		0		20,200	20,200	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	126,835		not applicable		
		M1_4_L_CD2	BO data searching costs	not relevant				
	TOTAL DIRECT		126,835		0	-126,835		
	LEA	Indirect		not applicable			not applicable	
TOTAL INDIRECT				0		0	0	
Intermediaries	Direct		not applicable			not applicable		
		TOTAL DIRECT		0		0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	agree	
		M1_1_A_CI1	Accountants' clientele loss costs	766,455	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	1,390,800	
					M1_1_B_BI3	Banks clientele gain benefits	100,998	
					M1_1_A_BI1	Accountants' clientele information benefits	agree	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT		0		1,491,798	1,491,798			
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	6,038		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	2,415				
	TOTAL DIRECT		8,453		0	-8,453		
	Individuals	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable
TOTAL INDIRECT				0		0	0	

Businesses	Direct	M1_2_E_CD1	BO data updating costs	15,495	not applicable			
		M1_3_E_CD1	BO record keeping and data filing to the CR costs	121,950				
	TOTAL DIRECT			137,445		0	-137,445	
	Indirect	M1_1_E_CI1	Business fiscal costs	not applicable	M1_1_E_BI1	Reduction in unfair competition	not available	
		M1_1_E_CI2	Access to credit unfair costs	not applicable				
TOTAL INDIRECT			0			0	0	
Wider cost and benefit	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_W_CI1	Use of less transparent legal entities	not applicable	M1_5_W_BI1	Market transparency benefits	NBA: agree; NAA: agree	
	TOTAL INDIRECT			0		0	0	
EU and MS	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_1_U_CI1	Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1	Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT			0		0	0	
Human rights	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_H_CI1	Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1	Increase % in persons prosecuted for ML	0%	
	TOTAL INDIRECT			0		0		
TOTAL DIRECT							-273,965	
TOTAL INDIRECT							1,511,997	
<i>Total (monetary)</i>							<i>1,238,032</i>	

17. LUXEMBOURG

17.1 Luxembourg: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	4,149	M0_4_G_BD1	Asset Recovery	101,016
		M0_4_G_CD2	Costs for prosecution and sentencing	5,991			
		M0_4_G_CD3	Costs of Asset Recovery	1,010			
	TOTAL DIRECT			11,150			101,016
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	1,221,961	
	TOTAL INDIRECT		0			1,221,961	1,221,961
LEA	Direct	M0_4_F_CD1	STR analysis cost	62,858	M0_4_F_BD1	BO data searching time saving	not relevant
		M0_4_F_CD2	FIU other costs	4,576			
		M0_4_F_CD3	FIU training costs	733			
	M0_4_L_CD1	LEA investigation costs	8,986				
TOTAL DIRECT			77,153			0	-77,153
Indirect	M0_4_F_CI1	Increase in staff personnel costs	0	M0_1_L_BI1	Deterring intermediary connivance	strongly agree	
TOTAL INDIRECT			0			0	0
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	4,004,259	not applicable		
		M0_2_I_CD1	BO data updating costs	123,208			
		M0_3_I_CD1	BO registration and record keeping costs	1,909,723			
		M0_1_B_CD1	Banks' training costs	3,565,881			
		M0_1_B_CD2	Banks' internal controls costs	69,336,575			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	22,782,018			
		M0_4_B_CD1	BO data addition to STR costs for banks	1,322			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			101,722,986		0	-101,722,986
	Indirect	M0_1_I_CI1	BO identification duplication costs	3,203,407	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M0_2_I_CI1	BO data updating duplication costs	98,566	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0
		M0_3_I_CI1	BO record keeping duplication costs	1,527,779	M0_1_B_BI3	Banks' clientele gain benefits	6,109,805
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	agree
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			4,829,752		6,109,805	1,280,053
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	disagree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: disagree; NAA: agree	M0_5_W_BI1	Market transparency benefits	NBA: agree; NAA: agree
		M0_1_W_CI2	Market concentration costs	disagree			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	

Annex D. Cost Benefit Tables for the 27 EU MSs

	TOTAL DIRECT		0		0	0
		M0_1_U_C11 EU internal dishomogeneity costs	not applicable	M0_1_U_B11 Capital inflows towards EU Member States	not applicable	
	Indirect	M0_1_U_C12 EU political costs	not applicable			
		M0_1_U_C13 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_C11 Clients privacy and data protection costs	not applicable	M0_4_H_B11 Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-101,710,272
TOTAL INDIRECT						2,502,014
<i>Total (monetary)</i>						-99,208,258

17.2 Luxembourg: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	2,500,000	M1_4_G_BD1	Asset Recovery	151,525	
		M1_4_G_CD1	Cost for persons convicted of ML	6,224				
		M1_4_G_CD2	Costs for prosecution and sentencing	8,986				
		M1_4_G_CD3	Costs of Asset Recovery	1,515				
	TOTAL DIRECT			2,516,725			151,525	-2,365,201
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	1,221,961		
	TOTAL INDIRECT		0			1,221,961	1,221,961	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	19,256		not applicable		
		M1_4_L_CD2	BO data searching costs	33,112				
	TOTAL DIRECT			52,368			0	-52,368
	Indirect		not applicable			not applicable		
TOTAL INDIRECT			0			0	0	
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	agree	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0	
					M1_1_B_BI3	Banks clientele gain benefits	6,109,805	
					M1_1_A_BI1	Accountants' clientele information benefits	agree	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT			0			6,109,805	6,109,805	
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	77,775		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	31,110				
	TOTAL DIRECT			108,885			0	-108,885
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT			0			0	0

Businesses	Direct	M1_2_E_CD1 BO data updating costs	184,812	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	2,864,585			
	TOTAL DIRECT		3049397.132		0	-3,049,397
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	
			0		0	
Wider cost and benefit	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: agree; NAA: agree	
	TOTAL INDIRECT		0		0	0
EU and MS	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	5%	
	TOTAL INDIRECT		0		0	
TOTAL DIRECT						-5,575,851
TOTAL INDIRECT						7,331,766
<i>Total (monetary)</i>						<i>1,755,915</i>

18. MALTA

18.1 Malta: costs and benefits of Model 0

Area of incidence	Direct/Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	not available	M0_4_G_BD1	Asset Recovery	13,660
		M0_4_G_CD2	Costs for prosecution and sentencing	1,721			
		M0_4_G_CD3	Costs of Asset Recovery	not relevant			
	TOTAL DIRECT		1,721		13,660	11,940	
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	41,936	
	TOTAL INDIRECT		0		41,936	41,936	
LEA	Direct	M0_4_F_CD1	STR analysis cost	14,336	M0_4_F_BD1	BO data searching time saving	not relevant
		M0_4_F_CD2	FIU other costs	not relevant			
		M0_4_F_CD3	FIU training costs	not relevant			
		M0_4_L_CD1	LEA investigation costs	3,047			
TOTAL DIRECT		17,925		0	-17,925		
Indirect	M0_4_F_CI1	Increase in staff personnel costs	30,265	M0_1_L_BI1	Deterring intermediary connivance	not available	
	TOTAL INDIRECT		30,265		0	-30,265	
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	136,758	not applicable		
		M0_2_I_CD1	BO data updating costs	4,208			
		M0_3_I_CD1	BO registration and record keeping costs	38,713			
		M0_1_B_CD1	Banks' training costs	334,743			
		M0_1_B_CD2	Banks' internal controls costs	3,563,829			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	1,886,733			
		M0_4_B_CD1	BO data addition to STR costs for banks	not relevant			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			5,964,990		0	-5,964,990
	Indirect	M0_1_I_CI1	BO identification duplication costs	109,406	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M0_2_I_CI1	BO data updating duplication costs	3,366	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0
		M0_3_I_CI1	BO record keeping duplication costs	30,971	M0_1_B_BI3	Banks' clientele gain benefits	209,682
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
				M0_1_A_BI3	Accountants' reputational benefits	not available	
	TOTAL INDIRECT			143,743		209,682	65,939
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	disagree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: disagree	M0_5_W_BI1	Market transparency benefits	NBA: agree
		M0_1_W_CI2	Market concentration costs	disagree			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

	Indirect	M0_1_U_C11	EU internal dishomogeneity costs	not applicable	M0_1_U_BI1	Capital inflows towards EU Member States	not applicable	
		M0_1_U_C12	EU political costs	not applicable				
		M0_1_U_C13	Capital outflows towards Extra EU countries	not applicable				
	TOTAL INDIRECT			0			0	0
	Direct			not applicable			not applicable	
	TOTAL DIRECT			0			0	0
Human rights	Indirect	M0_3_H_C11	Clients privacy and data protection costs	not applicable	M0_4_H_BI1	Increase % in persons prosecuted for ML	1%	
	TOTAL INDIRECT			0			0	0
TOTAL DIRECT								-5,970,975
TOTAL INDIRECT								77,611
<i>Total (monetary)</i>								-5,893,364

18.2 Malta: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	20,491
		M1_4_G_CD1	Cost for persons convicted of ML	not available			
		M1_4_G_CD2	Costs for prosecution and sentencing	902			
		M1_4_G_CD3	Costs of Asset Recovery	not relevant			
	TOTAL DIRECT		902		20,491	19,589	
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	41,936	
	TOTAL INDIRECT		0		41,936	41,936	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	2,982	not applicable		
		M1_4_L_CD2	BO data searching costs	not relevant			
	TOTAL DIRECT		2,982		0	-2,982	
	Indirect	not applicable			not applicable		
TOTAL INDIRECT			0		0	0	
Intermediaries	Direct	not applicable			not applicable		
		TOTAL DIRECT		0		0	0
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0
					M1_1_B_BI3	Banks clientele gain benefits	209,682
					M1_1_A_BI1	Accountants' clientele information benefits	not available
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable		
TOTAL INDIRECT		0		209,682	209,682		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	not available	not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	not available			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable
		TOTAL INDIRECT		0		0	0

Businesses	Direct	M1_2_E_CD1 BO data updating costs	6,312	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	58,070			
	TOTAL DIRECT		64,382		0	-64,382
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	
Wider cost and benefit	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: agree	
TOTAL INDIRECT		0		0	0	
EU and MS	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
TOTAL INDIRECT		0		0	0	
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	1%	
TOTAL INDIRECT		0		0		
TOTAL DIRECT						-47,775
TOTAL INDIRECT						251,619
<i>Total (monetary)</i>						<i>203,844</i>

19. NETHERLANDS

19.1 Netherlands: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	5,609	M0_4_G_BD1	Asset Recovery	2,377
		M0_4_G_CD2	Costs for prosecution and sentencing	not available			
		M0_4_G_CD3	Costs of Asset Recovery	not relevant			
	TOTAL DIRECT		5,609			2,377	-3,232
	Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	2,617,978
TOTAL INDIRECT		0			2,617,978	2,617,978	
LEA	Direct	M0_4_F_CD1	STR analysis cost	9% of operating costs	M0_4_F_BD1	BO data searching time saving	120,274
		M0_4_F_CD2	FIU other costs	11,795			
		M0_4_F_CD3	FIU training costs	1,890			
		M0_4_L_CD1	LEA investigation costs	not available			
	TOTAL DIRECT		13,685			120,274	106,590
Indirect	M0_4_F_CI1	Increase in staff personnel costs	111,013	M0_1_L_BI1	Deterring intermediary connivance	not available	
TOTAL INDIRECT		111,013			0	-111,013	
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	19,635,039	not applicable		
		M0_2_I_CD1	BO data updating costs	604,155			
		M0_3_I_CD1	BO registration and record keeping costs	5,740,609			
		M0_1_B_CD1	Banks' training costs	40,536,127			
		M0_1_B_CD2	Banks' internal controls costs	143,880,454			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	199,135,175			
		M0_4_B_CD1	BO data addition to STR costs for banks	256,026			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			

		M0_1_A_CD3	Accountants' lobbying costs	not available				
		M0_3_A_CD1	Accountants' ICT costs	not available				
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant				
		M0_4_A_CD2	STR sending costs for accountants	not relevant				
	TOTAL DIRECT			409,787,585			0	-409,787,585
	Indirect	M0_1_I_CI1	BO identification duplication costs	15,708,031	M0_1_B_BI1	Banks' clientele info benefits – Services quality	not available	
		M0_2_I_CI1	BO data updating duplication costs	483,324	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	72,590,700	
		M0_3_I_CI1	BO record keeping duplication costs	4,592,487	M0_1_B_BI3	Banks' clientele gain benefits	13,089,890	
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable	
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available	
						M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
					M0_1_A_BI3	Accountants' reputational benefits	not available	
	TOTAL INDIRECT			20,783,843			85,680,590	64,896,748
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect			not applicable		not applicable		
	TOTAL INDIRECT			0			0	0
Businesses	Direct			not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M0_1_E_CI1	Fiscal costs	not available	M0_1_E_BI1	Reduction in unfair competition	not available	
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available	
	TOTAL INDIRECT			0			0	0
Wider cost and benefit	Direct			not applicable		not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	not available	M0_5_W_BI1	Market transparency benefits	not available	
		M0_1_W_CI2	Market concentration costs	not available				
		M0_5_W_CI1	Use of less transparent legal entities	not available				
	TOTAL INDIRECT			0			0	0
EU and MS	Direct			not applicable		not applicable		

Annex D. Cost Benefit Tables for the 27 EU MSs

	TOTAL DIRECT		0		0	0
		M0_1_U_CI1 EU internal dishomogeneity costs	not applicable	M0_1_U_BI1 Capital inflows towards EU Member States	not applicable	
		M0_1_U_CI2 EU political costs	not applicable			
	Indirect	M0_1_U_CI3 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_CI1 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	0%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-409,684,227
TOTAL INDIRECT						67,403,712
<i>Total (monetary)</i>						-342,280,515

19.2 Netherlands: costs and benefits items of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	3,566	
		M1_4_G_CD1	Cost for persons convicted of ML	8,414				
		M1_4_G_CD2	Costs for prosecution and sentencing	not relevant				
		M1_4_G_CD3	Costs of Asset Recovery	not relevant				
	TOTAL DIRECT			8,831		3,566	-5,265	
	Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	2,617,978	
	TOTAL INDIRECT			0		2,617,978	2,617,978	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	39,268		not applicable		
		M1_4_L_CD2	BO data searching costs	9,965				
		TOTAL DIRECT			49,232		0	-49,232
		Indirect		not applicable		not applicable		
	TOTAL INDIRECT			0		0	0	
Intermediaries	Direct		not applicable		not applicable			
		TOTAL DIRECT		0		0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	not available	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	72,590,700	
					M1_1_B_BI3	Banks clientele gain benefits	13,089,890	
					M1_1_A_BI1	Accountants' clientele information benefits	not available	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
	TOTAL INDIRECT		0		85,680,590	85,680,590		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	453,600		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	181,440				
		TOTAL DIRECT			635,040		0	-635,040
		Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable
	TOTAL INDIRECT			0		0	0	

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1	BO data updating costs	906,233	not applicable			
		M1_3_E_CD1	BO record keeping and data filing to the CR costs	8,610,914				
	TOTAL DIRECT			9,517,146		0	-9,517,146	
	Indirect	M1_1_E_CI1	Business fiscal costs	not applicable	M1_1_E_BI1	Reduction in unfair competition	not available	
		M1_1_E_CI2	Access to credit unfair costs	not applicable				
M1_1_E_CI3		Employers/Industrial Association lobbying costs	not available					
TOTAL INDIRECT			0		0	0		
Wider cost and benefit	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_W_CI1	Use of less transparent legal entities	not applicable	M1_5_W_BI1	Market transparency benefits	not available	
	TOTAL INDIRECT			0		0	0	
EU and MS	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_1_U_CI1	Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1	Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT			0		0	0	
Human rights	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_H_CI1	Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1	Increase % in persons prosecuted for ML	0%	
	TOTAL INDIRECT			0		0		
TOTAL DIRECT							-10,206,684	
TOTAL INDIRECT							88,298,569	
<i>Total (monetary)</i>							<i>78,091,885</i>	

20. POLAND

20.1 Poland: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	2,453	M0_4_G_BD1	Asset Recovery	84,866
		M0_4_G_CD2	Costs for prosecution and sentencing	42,387			
		M0_4_G_CD3	Costs of Asset Recovery	not relevant			
	TOTAL DIRECT		44,840		84,866	40,026	
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	234,527	
	TOTAL INDIRECT		0		234,527	234,527	
LEA	Direct	M0_4_F_CD1	STR analysis cost	58,153	M0_4_F_BD1	BO data searching time saving	not relevant
		M0_4_F_CD2	FIU other costs	14,916			
		M0_4_F_CD3	FIU training costs	2,429			
		M0_4_L_CD1	LEA investigation costs	15,464			
TOTAL DIRECT		90,962		0	-90,962		
Indirect	M0_4_F_CI1	Increase in staff personnel costs	not available	M0_1_L_BI1	Deterring intermediary connivance	not available	
	TOTAL INDIRECT		0		0	0	
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	3,640,910	not applicable		
		M0_2_I_CD1	BO data updating costs	112,028			
		M0_3_I_CD1	BO registration and record keeping costs	1,030,666			
		M0_1_B_CD1	Banks' training costs	7,299,520			
		M0_1_B_CD2	Banks' internal controls costs	2,570,253			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	102,810,136			
		M0_4_B_CD1	BO data addition to STR costs for banks	not relevant			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

Annex D. Cost Benefit Tables for the 27 EU MSs

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			117,464,265		0	-117,464,265
	Indirect	M0_1_I_CI1	BO identification duplication costs	2,912,728	M0_1_B_BI1	Banks' clientele info benefits – Services quality	not available
		M0_2_I_CI1	BO data updating duplication costs	89,622	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	19,216,800
		M0_3_I_CI1	BO record keeping duplication costs	824,532	M0_1_B_BI3	Banks' clientele gain benefits	1,172,633
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			3,826,883		20,389,433	16,562,551
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	not available	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: agree	M0_5_W_BI1	Market transparency benefits	not available
		M0_1_W_CI2	Market concentration costs	agree			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

	Indirect	M0_1_U_CI1	EU internal dishomogeneity costs	not applicable	M0_1_U_BI1	Capital inflows towards EU Member States	not applicable	
		M0_1_U_CI2	EU political costs	not applicable				
		M0_1_U_CI3	Capital outflows towards Extra EU countries	not applicable				
	TOTAL INDIRECT			0			0	0
	Direct			not applicable			not applicable	
	TOTAL DIRECT			0			0	0
Human rights	Indirect	M0_3_H_CI1	Clients privacy and data protection costs	not applicable	M0_4_H_BI1	Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT			0			0	0
TOTAL DIRECT								-117,515,201
TOTAL INDIRECT								16,797,077
<i>Total (monetary)</i>								<i>-100,718,124</i>

20.2 Poland: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	127,299	
		M1_4_G_CD1	Cost for persons convicted of ML	3,679				
		M1_4_G_CD2	Costs for prosecution and sentencing	67,193				
		M1_4_G_CD3	Costs of Asset Recovery	1,273				
	TOTAL DIRECT			72,145			127,299	55,153
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	234,527		
	TOTAL INDIRECT		0			234,527	234,527	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	23,406		not applicable		
		M1_4_L_CD2	BO data searching costs	5,939				
	TOTAL DIRECT		29,345			0	-29,345	
	Indirect		not applicable			not applicable		
TOTAL INDIRECT		0			0	0		
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT		0			0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	not available	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	19,216,800	
					M1_1_B_BI3	Banks clientele gain benefits	1,172,633	
					M1_1_A_BI1	Accountants' clientele information benefits	not available	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT		0			20,389,433	20,389,433		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	not available		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	not available				
	TOTAL DIRECT		0			0	0	
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
		TOTAL INDIRECT		0			0	0

Businesses	Direct	M1_2_E_CD1	BO data updating costs	168,042	not applicable			
		M1_3_E_CD1	BO record keeping and data filing to the CR costs	1,545,998				
	TOTAL DIRECT			1,714,040		0	-1,714,040	
	Indirect	M1_1_E_CI1	Business fiscal costs	not applicable	M1_1_E_BI1	Reduction in unfair competition	not available	
		M1_1_E_CI2	Access to credit unfair costs	not applicable				
M1_1_E_CI3		Employers/Industrial Association lobbying costs	not available					
TOTAL INDIRECT			0		0	0		
Wider cost and benefit	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_W_CI1	Use of less transparent legal entities	not applicable	M1_5_W_BI1	Market transparency benefits	not available	
	TOTAL INDIRECT			0		0	0	
EU and MS	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_1_U_CI1	Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1	Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT			0		0	0	
Human rights	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_H_CI1	Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1	Increase % in persons prosecuted for ML	5%	
	TOTAL INDIRECT			0		0		
TOTAL DIRECT							-1,688,232	
TOTAL INDIRECT							20,623,960	
<i>Total (monetary)</i>							<i>18,935,728</i>	

21. PORTUGAL

21.1 Portugal: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	18,097	M0_4_G_BD1	Asset Recovery	185,961
		M0_4_G_CD2	Costs for prosecution and sentencing	38,633			
		M0_4_G_CD3	Costs of Asset Recovery	1,860			
	TOTAL DIRECT			58,589			185,961
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	0	
	TOTAL INDIRECT		0			0	0
LEA	Direct	M0_4_F_CD1	STR analysis cost	394,615	M0_4_F_BD1	BO data searching time saving	not relevant
		M0_4_F_CD2	FIU other costs	25,784			
		M0_4_F_CD3	FIU training costs	4,131			
		M0_4_L_CD1	LEA investigation costs	57,950			
TOTAL DIRECT			482,479			0	-482,479
Indirect	M0_4_F_CI1	Increase in staff personnel costs	0	M0_1_L_BI1	Deterring intermediary connivance	agree	
TOTAL INDIRECT			0			0	0
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	4,366,796	not applicable		
		M0_2_I_CD1	BO data updating costs	134,363			
		M0_3_I_CD1	BO registration and record keeping costs	2,044,654			
		M0_1_B_CD1	Banks' training costs	14,450,696			
		M0_1_B_CD2	Banks' internal controls costs	19,530,000			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	79,050,000			
		M0_4_B_CD1	BO data addition to STR costs for banks	not relevant			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			119,577,225		0	-119,577,225
	Indirect	M0_1_I_CI1	BO identification duplication costs	3,493,437	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M0_2_I_CI1	BO data updating duplication costs	107,490	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	26,414,700
		M0_3_I_CI1	BO record keeping duplication costs	1,635,723	M0_1_B_BI3	Banks' clientele gain benefits	0
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			5,236,650		26,414,700	21,178,050
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	agree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: disagree	M0_5_W_BI1	Market transparency benefits	NBA: agree
		M0_1_W_CI2	Market concentration costs	disagree			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

Annex D. Cost Benefit Tables for the 27 EU MSs

	Indirect	M0_1_U_C11 EU internal dishomogeneity costs M0_1_U_C12 EU political costs M0_1_U_C13 Capital outflows towards Extra EU countries	not applicable not applicable not applicable	M0_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M0_3_H_C11 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	8%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-119,932,333
TOTAL INDIRECT						21,178,050
<i>Total (monetary)</i>						-98,754,284

21.2 Portugal: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	278,941	
		M1_4_G_CD1	Cost for persons convicted of ML	27,145				
		M1_4_G_CD2	Costs for prosecution and sentencing	57,950				
		M1_4_G_CD3	Costs of Asset Recovery	2,789				
	TOTAL DIRECT			87,884		278,941	191,057	
	Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	0	
	TOTAL INDIRECT			0		0	0	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	149,475		not applicable		
		M1_4_L_CD2	BO data searching costs	not relevant				
		TOTAL DIRECT			149,475		0	-149,475
	Indirect		not applicable			not applicable		
	TOTAL INDIRECT			0		0	0	
Intermediaries	Direct		not applicable			not applicable		
		TOTAL DIRECT		0		0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	agree	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	26,414,700	
					M1_1_B_BI3	Banks clientele gain benefits	0	
					M1_1_A_BI1	Accountants' clientele information benefits	not available	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
	TOTAL INDIRECT		0		26,414,700	26,414,700		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	223,451		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	89,381				
		TOTAL DIRECT			312,832		0	-312,832
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT		0		0	0		

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1 BO data updating costs	201,544	not applicable			
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	3,066,981				
	TOTAL DIRECT		3,268,525		0	-3,268,525	
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available		
		M1_1_E_CI2 Access to credit unfair costs	not applicable				
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	0	
Wider cost and benefit	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: agree		
TOTAL INDIRECT		0		0	0		
EU and MS	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable		
TOTAL INDIRECT		0		0	0		
Human rights	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	11%		
TOTAL INDIRECT		0		0			
TOTAL DIRECT						-3,539,775	
TOTAL INDIRECT						26,414,700	
<i>Total (monetary)</i>						<i>22,874,925</i>	

22. ROMANIA

22.1 Romania: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	2,303	M0_4_G_BD1	Asset Recovery	505,673
		M0_4_G_CD2	Costs for prosecution and sentencing	3,275			
		M0_4_G_CD3	Costs of Asset Recovery	5,057			
	TOTAL DIRECT			10,635			505,673
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	0	
	TOTAL INDIRECT		0			0	0
LEA	Direct	M0_4_F_CD1	STR analysis cost	66,512	M0_4_F_BD1	BO data searching time saving	1,598
		M0_4_F_CD2	FIU other costs	15,852			
		M0_4_F_CD3	FIU training costs	3,843			
		M0_4_L_CD1	LEA investigation costs	4,912			
TOTAL DIRECT			91,119			1,598	-89,521
Indirect	M0_4_F_CI1	Increase in staff personnel costs	0	M0_1_L_BI1	Deterring intermediary connivance	agree	
TOTAL INDIRECT			0			0	0
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	352,772	not applicable		
		M0_2_I_CD1	BO data updating costs	10,855			
		M0_3_I_CD1	BO registration and record keeping costs	99,862			
		M0_1_B_CD1	Banks' training costs	900,938			
		M0_1_B_CD2	Banks' internal controls costs	3,197,823			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	4,425,889			
		M0_4_B_CD1	BO data addition to STR costs for banks	1,298			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			8,989,436		0	-8,989,436
	Indirect	M0_1_I_CI1	BO identification duplication costs	282,217	M0_1_B_BI1	Banks' clientele info benefits – Services quality	not available
		M0_2_I_CI1	BO data updating duplication costs	8,684	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	1,985,310
		M0_3_I_CI1	BO record keeping duplication costs	79,890	M0_1_B_BI3	Banks' clientele gain benefits	0
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			370,791		1,985,310	1,614,519
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct					not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	agree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	not available	M0_5_W_BI1	Market transparency benefits	not available
		M0_1_W_CI2	Market concentration costs	not available			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

	Indirect	M0_1_U_CI1	EU internal dishomogeneity costs	not applicable	M0_1_U_BI1	Capital inflows towards EU Member States	not applicable	
		M0_1_U_CI2	EU political costs	not applicable				
		M0_1_U_CI3	Capital outflows towards Extra EU countries	not applicable				
	TOTAL INDIRECT			0			0	0
	Direct			not applicable			not applicable	
	TOTAL DIRECT			0			0	0
Human rights	Indirect	M0_3_H_CI1	Clients privacy and data protection costs	not applicable	M0_4_H_BI1	Increase % in persons prosecuted for ML	2%	
	TOTAL INDIRECT			0			0	0
TOTAL DIRECT								-8,583,919
TOTAL INDIRECT								1,614,519
<i>Total (monetary)</i>								-6,969,400

22.2 Romania: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	758,509	
		M1_4_G_CD1	Cost for persons convicted of ML	3,455				
		M1_4_G_CD2	Costs for prosecution and sentencing	4,912				
		M1_4_G_CD3	Costs of Asset Recovery	7,585				
	TOTAL DIRECT			15,952			758,509	742,557
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	0		
	TOTAL INDIRECT		0			0	0	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	36,840		not applicable		
		M1_4_L_CD2	BO data searching costs	1,299				
	TOTAL DIRECT		38,139			0	-38,139	
	Indirect		not applicable			not applicable		
TOTAL INDIRECT		0			0	0		
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT		0			0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	not available	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	1,985,310	
					M1_1_B_BI3	Banks clientele gain benefits	0	
					M1_1_A_BI1	Accountants' clientele information benefits	not available	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT		0			1,985,310	1,985,310		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	not available		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	not available				
	TOTAL DIRECT		0			0	0	
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
		TOTAL INDIRECT		0			0	0

Businesses	Direct	M1_2_E_CD1 BO data updating costs	16,282	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	149,793			
	TOTAL DIRECT		166,075		0	-166,075
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	
Wider cost and benefit	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	not available	
TOTAL INDIRECT		0		0	0	
EU and MS	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	nv	
TOTAL INDIRECT		0		0	0	
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	3%	
TOTAL INDIRECT		0		0		
TOTAL DIRECT						538,343
TOTAL INDIRECT						1,985,310
<i>Total (monetary)</i>						<i>2,523,653</i>

23. SLOVAKIA

23.1 Slovakia: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	9,982	M0_4_G_BD1	Asset Recovery	0
		M0_4_G_CD2	Costs for prosecution and sentencing	49,745			
		M0_4_G_CD3	Costs of Asset Recovery	0			
	TOTAL DIRECT		59,726		0	-59,726	
	Indirect	M0_1_G_CI1	Decrease in tax revenues	7,434,246	M0_1_G_BI1	Increase in tax revenues	56,130
TOTAL INDIRECT		7,434,246		56,130	-7,378,116		
LEA	Direct	M0_4_F_CD1	STR analysis cost	79,036	M0_4_F_BD1	BO data searching time saving	not relevant
		M0_4_F_CD2	FIU other costs	8,606			
		M0_4_F_CD3	FIU training costs	1,379			
		M0_4_L_CD1	LEA investigation costs	74,617			
	TOTAL DIRECT		163,638		0	-163,638	
Indirect	M0_4_F_CI1	Increase in staff personnel costs	60,869	M0_1_L_BI1	Deterring intermediary connivance	agree	
TOTAL INDIRECT		60,869		0	-60,869		
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	375,924	not applicable		
		M0_2_I_CD1	BO data updating costs	11,567			
		M0_3_I_CD1	BO registration and record keeping costs	72,293			
		M0_1_B_CD1	Banks' training costs	308,569			
		M0_1_B_CD2	Banks' internal controls costs	4,650,583			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	6,436,556			
		M0_4_B_CD1	BO data addition to STR costs for banks	13,408			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	18,576			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			11,887,476		0	-11,887,476
	Indirect	M0_1_I_CI1	BO identification duplication costs	300,739	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M0_2_I_CI1	BO data updating duplication costs	9,254	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	7,181,000
		M0_3_I_CI1	BO record keeping duplication costs	57,834	M0_1_B_BI3	Banks' clientele gain benefits	280,648
		M0_1_B_CI1	Banks' clientele loss costs	37,171,229	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			37,539,056		7,461,648	-30,077,408
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	agree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	disagree	M0_1_E_BI2	Improvement in market efficiency	disagree
TOTAL INDIRECT			0			0	
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: agree	M0_5_W_BI1	Market transparency benefits	NBA: agree ; EIA: disagree
		M0_1_W_CI2	Market concentration costs	agree			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
TOTAL INDIRECT			0			0	0
EU and MS	Direct			not applicable		not applicable	

Annex D. Cost Benefit Tables for the 27 EU MSs

	TOTAL DIRECT		0		0	0
		M0_1_U_C11 EU internal dishomogeneity costs	not applicable	M0_1_U_B11 Capital inflows towards EU Member States	not applicable	
	Indirect	M0_1_U_C12 EU political costs	not applicable			
		M0_1_U_C13 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_C11 Clients privacy and data protection costs	not applicable	M0_4_H_B11 Increase % in persons prosecuted for ML	4%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-12,110,840
TOTAL INDIRECT						-37,516,393
<i>Total (monetary)</i>						-49,627,233

23.2 Slovakia: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	0	
		M1_4_G_CD1	Cost for persons convicted of ML	14,972				
		M1_4_G_CD2	Costs for prosecution and sentencing	74,617				
		M1_4_G_CD3	Costs of Asset Recovery	0				
	TOTAL DIRECT			89,590		0	-89,590	
Indirect	M1_1_G_CI1	Decrease in tax revenues	8,177,670	M1_1_G_BI1	Increase in tax revenues	56,130		
	TOTAL INDIRECT		8,177,670		56,130	-8,121,541		
LEA	Direct	M1_4_L_CD1	LEA investigation costs	192,467		not applicable		
		M1_4_L_CD2	BO data searching costs	3,610				
	TOTAL DIRECT		196,077		0	-196,077		
	Indirect		not applicable		not applicable			
TOTAL INDIRECT		0		0	0			
Intermediaries	Direct		not applicable		not applicable			
	TOTAL DIRECT		0		0	0		
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	40,888,352	M1_1_B_BI1	Banks' clientele info benefits – Services quality	agree	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	7,181,000	
					M1_1_B_BI3	Banks clientele gain benefits	280,648	
					M1_1_A_BI1	Accountants' clientele information benefits	not available	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT		40,888,352		7,461,648	-33,426,704			
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	10,952		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	4,381				
	TOTAL DIRECT		15,333		0	-15,333		
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT		0		0	0		

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1 BO data updating costs	17,350	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	108,440			
	TOTAL DIRECT		125,790		0	-125,790
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	0
Wider cost and benefit	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: agree ; EIA: disagree	
	TOTAL INDIRECT		0		0	0
EU and MS	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	7%	
	TOTAL INDIRECT		0		0	
TOTAL DIRECT						-426,790
TOTAL INDIRECT						-41,548,245
<i>Total (monetary)</i>						<i>-41,975,035</i>

24. SLOVENIA

24.1 Slovenia: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	0	M0_4_G_BD1	Asset Recovery	53,344
		M0_4_G_CD2	Costs for prosecution and sentencing	23,455			
		M0_4_G_CD3	Costs of Asset Recovery	not relevant			
	TOTAL DIRECT			23,455			53,344
Indirect	M0_1_G_CI1	Decrease in tax revenues	83,420,000	M0_1_G_BI1	Increase in tax revenues	0	
	TOTAL INDIRECT		83,420,000			0	-83,420,000
LEA	Direct	M0_4_F_CD1	STR analysis cost	4,107	M0_4_F_BD1	BO data searching time saving	not relevant
		M0_4_F_CD2	FIU other costs	4,462			
		M0_4_F_CD3	FIU training costs	not relevant			
		M0_4_L_CD1	LEA investigation costs	35,183			
TOTAL DIRECT			44,627			0	-44,627
Indirect	M0_4_F_CI1	Increase in staff personnel costs	68,406	M0_1_L_BI1	Deterring intermediary connivance	disagree	
TOTAL INDIRECT			68,406			0	-68,406
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	1,266,683	not applicable		
		M0_2_I_CD1	BO data updating costs	38,975			
		M0_3_I_CD1	BO registration and record keeping costs	389,749			
		M0_1_B_CD1	Banks' training costs	843,151			
		M0_1_B_CD2	Banks' internal controls costs	10,427,500			
		M0_1_B_CD3	Banks' lobbying Costs	41,710			
		M0_3_B_CD1	Banks' ICT costs	52,137,500			
		M0_4_B_CD1	BO data addition to STR costs for banks	not relevant			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	23,524			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

Annex D. Cost Benefit Tables for the 27 EU MSs

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			65,169,091		0	-65,169,091
	Indirect	M0_1_I_CI1	BO identification duplication costs	1,013,347	M0_1_B_BI1	Banks' clientele info benefits – Services quality	disagree
		M0_2_I_CI1	BO data updating duplication costs	31,180	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0
		M0_3_I_CI1	BO record keeping duplication costs	311,799	M0_1_B_BI3	Banks' clientele gain benefits	0
		M0_1_B_CI1	Banks' clientele loss costs	417,100,000	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	disagree
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			418,456,326		0	-418,456,326
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	disagree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
TOTAL INDIRECT			0		0	0	
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: agree; NAA: disagree	M0_5_W_BI1	Market transparency benefits	NBA: disagree; NAA: disagree
		M0_1_W_CI2	Market concentration costs	strongly agree			
		M0_5_W_CI1	Use of less transparent legal entities	disagree			
TOTAL INDIRECT			0		0	0	
EU and MS	Direct			not applicable		not applicable	

	TOTAL DIRECT		0		0	0
		M0_1_U_C11 EU internal dishomogeneity costs	not applicable	M0_1_U_B11 Capital inflows towards EU Member States	not applicable	
	Indirect	M0_1_U_C12 EU political costs	not applicable			
		M0_1_U_C13 Capital outflows towards Extra EU countries	not applicable			
	TOTAL INDIRECT		0		0	0
	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_C11 Clients privacy and data protection costs	not applicable	M0_4_H_B11 Increase % in persons prosecuted for ML	5%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-65,183,830
TOTAL INDIRECT						-501,944,732
<i>Total (monetary)</i>						-567,128,562

24.2 Slovenia: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	80,016	
		M1_4_G_CD1	Cost for persons convicted of ML	0				
		M1_4_G_CD2	Costs for prosecution and sentencing	35,183				
		M1_4_G_CD3	Costs of Asset Recovery	not relevant				
	TOTAL DIRECT			35,183			80,016	44,833
Indirect	M1_1_G_CI1	Decrease in tax revenues	91,762,000	M1_1_G_BI1	Increase in tax revenues	0		
	TOTAL INDIRECT		91,762,000			0	-91,762,000	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	52,775		not applicable		
		M1_4_L_CD2	BO data searching costs	not relevant				
	TOTAL DIRECT			52,775		0	-52,775	
	Indirect		not applicable			not applicable		
TOTAL INDIRECT			0		0	0		
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT			0		0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	458,810,000	M1_1_B_BI1	Banks' clientele info benefits – Services quality	disagree	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0	
					M1_1_B_BI3	Banks clientele gain benefits	0	
					M1_1_A_BI1	Accountants' clientele information benefits	disagree	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT		458,810,000			0	-458,810,000		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	9,841		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	3,936				
	TOTAL DIRECT			13,778		0	-13,778	
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT			0		0	0	

Businesses	Direct	M1_2_E_CD1 BO data updating costs	58,462	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	584,623			
	TOTAL DIRECT		643,085		0	-643,085
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	
Wider cost and benefit	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: disagree; NAA: disagree	
	TOTAL INDIRECT		0		0	0
EU and MS	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	7%	
	TOTAL INDIRECT		0		0	
TOTAL DIRECT						-664,804
TOTAL INDIRECT						-550,572,000
<i>Total (monetary)</i>						-551,236,804

25. SPAIN

25.1 Spain: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	11,560	M0_4_G_BD1	Asset Recovery	not available
		M0_4_G_CD2	Costs for prosecution and sentencing	70,854			
		M0_4_G_CD3	Costs of Asset Recovery	not available			
	TOTAL DIRECT			82,414		0	-82,414
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	0	
	TOTAL INDIRECT		0			0	0
LEA	Direct	M0_4_F_CD1	STR analysis cost	638,256	M0_4_F_BD1	BO data searching time saving	not relevant
		M0_4_F_CD2	FIU other costs	62,690			
		M0_4_F_CD3	FIU training costs	10,044			
		M0_4_L_CD1	LEA investigation costs	145,624			
TOTAL DIRECT			856,615		0	-856,615	
Indirect	M0_4_F_CI1	Increase in staff personnel costs	680,973	M0_1_L_BI1	Deterring intermediary connivance	not available	
TOTAL INDIRECT			680,973			0	-680,973
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	11,626,398	not applicable		
		M0_2_I_CD1	BO data updating costs	357,735			
		M0_3_I_CD1	BO registration and record keeping costs	5,962,255			
		M0_1_B_CD1	Banks' training costs	213,589,939			
		M0_1_B_CD2	Banks' internal controls costs	196,075,330			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	271,374,562			
		M0_4_B_CD1	BO data addition to STR costs for banks	1,251			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			698,987,471		0	-698,987,471
	Indirect	M0_1_I_CI1	BO identification duplication costs	9,301,118	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M0_2_I_CI1	BO data updating duplication costs	286,188	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0
		M0_3_I_CI1	BO record keeping duplication costs	4,769,804	M0_1_B_BI3	Banks' clientele gain benefits	0
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
	TOTAL INDIRECT			14,357,111		0	-14,357,111
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	disagree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	not available	M0_5_W_BI1	Market transparency benefits	NBA: agree
		M0_1_W_CI2	Market concentration costs	disagree			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

Annex D. Cost Benefit Tables for the 27 EU MSs

	Indirect	M0_1_U_C11 EU internal dishomogeneity costs M0_1_U_C12 EU political costs M0_1_U_C13 Capital outflows towards Extra EU countries	not applicable not applicable not applicable	M0_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
	Direct		not applicable	not applicable		
	TOTAL DIRECT		0		0	0
Human rights	Indirect	M0_3_H_C11 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-699,926,499
TOTAL INDIRECT						-15,038,083
<i>Total (monetary)</i>						<i>-714,964,582</i>

25.2 Spain: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	0	
		M1_4_G_CD1	Cost for persons convicted of ML	17,340				
		M1_4_G_CD2	Costs for prosecution and sentencing	97,319				
		M1_4_G_CD3	Costs of Asset Recovery	0				
	TOTAL DIRECT			114,659			0	-114,659
Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	0		
	TOTAL INDIRECT		0			0	0	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	17,474		not applicable		
		M1_4_L_CD2	BO data searching costs	4,434				
	TOTAL DIRECT			21,908		0	-21,908	
	Indirect		not applicable			not applicable		
TOTAL INDIRECT			0		0	0		
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT			0		0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	agree	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	0	
					M1_1_B_BI3	Banks clientele gain benefits	0	
					M1_1_A_BI1	Accountants' clientele information benefits	not available	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT			0		0	0		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	903,282		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	361,313				
	TOTAL DIRECT			1,264,594		0	-1,264,594	
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT			0		0	0	

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1	BO data updating costs	536,603	not applicable			
		M1_3_E_CD1	BO record keeping and data filing to the CR costs	8,943,383				
	TOTAL DIRECT			9,479,986		0	-9,479,986	
	Indirect	M1_1_E_CI1	Business fiscal costs	not applicable	M1_1_E_BI1	Reduction in unfair competition	not available	
		M1_1_E_CI2	Access to credit unfair costs	not applicable				
M1_1_E_CI3		Employers/Industrial Association lobbying costs	not available					
TOTAL INDIRECT			0		0	0		
Wider cost and benefit	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_W_CI1	Use of less transparent legal entities	not applicable	M1_5_W_BI1	Market transparency benefits	NBA: agree	
	TOTAL INDIRECT			0		0	0	
EU and MS	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_1_U_CI1	Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1	Capital inflows towards EU Member States	nv	
	TOTAL INDIRECT			0		0	0	
Human rights	Direct		not applicable		not applicable			
	TOTAL DIRECT			0		0	0	
	Indirect	M1_5_H_CI1	Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1	Increase % in persons prosecuted for ML	4%	
	TOTAL INDIRECT			0		0		
TOTAL DIRECT							-10,881,147	
TOTAL INDIRECT							0	
<i>Total (monetary)</i>							<i>-10,881,147</i>	

26 SWEDEN

26.1 Sweden: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	218,846	M0_4_G_BD1	Asset Recovery	not available
		M0_4_G_CD2	Costs for prosecution and sentencing	24,823			
		M0_4_G_CD3	Costs of Asset Recovery	not available			
	TOTAL DIRECT			243,669		0	-243,669
Indirect	M0_1_G_CI1	Decrease in tax revenues	0	M0_1_G_BI1	Increase in tax revenues	0	
	TOTAL INDIRECT		0			0	0
LEA	Direct	M0_4_F_CD1	STR analysis cost	79,881	M0_4_F_BD1	BO data searching time saving	22,387
		M0_4_F_CD2	FIU other costs	4,438			
		M0_4_F_CD3	FIU training costs	not relevant			
		M0_4_L_CD1	LEA investigation costs	37,234			
TOTAL DIRECT			121,966		22,387	-99,579	
Indirect	M0_4_F_CI1	Increase in staff personnel costs	431,340	M0_1_L_BI1	Deterring intermediary connivance	disagree	
TOTAL INDIRECT			431,340			0	-431,340
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	8,217,029	not applicable		
		M0_2_I_CD1	BO data updating costs	252,832			
		M0_3_I_CD1	BO registration and record keeping costs	2,402,376			
		M0_1_B_CD1	Banks' training costs	1,910,842			
		M0_1_B_CD2	Banks' internal controls costs	43,195,017			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	59,783,292			
		M0_4_B_CD1	BO data addition to STR costs for banks	7,714			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	not available			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

Annex D. Cost Benefit Tables for the 27 EU MSs

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	not relevant			
		M0_4_A_CD2	STR sending costs for accountants	not relevant			
	TOTAL DIRECT			115,769,102		0	-115,769,102
	Indirect	M0_1_I_CI1	BO identification duplication costs	6,573,624	M0_1_B_BI1	Banks' clientele info benefits – Services quality	agree
		M0_2_I_CI1	BO data updating duplication costs	202,265	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	41,536,800
		M0_3_I_CI1	BO record keeping duplication costs	1,921,901	M0_1_B_BI3	Banks' clientele gain benefits	0
		M0_1_B_CI1	Banks' clientele loss costs	0	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
				M0_1_A_BI3	Accountants' reputational benefits	not available	
	TOTAL INDIRECT			8,697,790		41,536,800	32,839,010
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	agree	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	NBA: disagree	M0_5_W_BI1	Market transparency benefits	NBA: agree
		M0_1_W_CI2	Market concentration costs	disagree			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

	Indirect	M0_1_U_CI1	EU internal dishomogeneity costs	not applicable	M0_1_U_BI1	Capital inflows towards EU Member States	not applicable	
		M0_1_U_CI2	EU political costs	not applicable				
		M0_1_U_CI3	Capital outflows towards Extra EU countries	not applicable				
	TOTAL INDIRECT			0			0	0
	Direct			not applicable			not applicable	
	TOTAL DIRECT			0			0	0
Human rights	Indirect	M0_3_H_CI1	Clients privacy and data protection costs	not applicable	M0_4_H_BI1	Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT			0			0	0
TOTAL DIRECT								-116,112,349
TOTAL INDIRECT								32,407,670
<i>Total (monetary)</i>								<i>-83,704,679</i>

26.2 Sweden: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)			
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	0		
		M1_4_G_CD1	Cost for persons convicted of ML	328,269					
		M1_4_G_CD2	Costs for prosecution and sentencing	37,234					
		M1_4_G_CD3	Costs of Asset Recovery	0					
	TOTAL DIRECT			365,503			0	-365,503	
Government	Indirect	M1_1_G_CI1	Decrease in tax revenues	0	M1_1_G_BI1	Increase in tax revenues	0		
	TOTAL INDIRECT			0			0	0	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	96,042		not applicable			
		M1_4_L_CD2	BO data searching costs	1,962					
	TOTAL DIRECT			98,004			0	-98,004	
	Indirect		not applicable			not applicable			
	TOTAL INDIRECT			0			0	0	
Intermediaries	Direct		not applicable			not applicable			
	TOTAL DIRECT			0			0	0	
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	0	M1_1_B_BI1	Banks' clientele info benefits – Services quality	agree		
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	41,536,800		
					M1_1_B_BI3	Banks clientele gain benefits	0		
					M1_1_A_BI1	Accountants' clientele information benefits	not available		
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable				
TOTAL INDIRECT			0			41,536,800	41,536,800		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	189,826		not applicable			
		M1_2_D_CD1	Not registered BO data updating costs	75,930					
	TOTAL DIRECT			265,757			0	-265,757	
Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable			

	TOTAL INDIRECT		0		0	0	
Businesses	Direct	M1_2_E_CD1 BO data updating costs	379,248	not applicable			
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	3,603,565				
	TOTAL DIRECT		3,982,812		0	-3,982,812	
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available		
		M1_1_E_CI2 Access to credit unfair costs	not applicable				
M1_1_E_CI3 Employers/Industrial Association lobbying costs		not available					
TOTAL INDIRECT		0		0	0		
Wider cost and benefit	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	NBA: agree		
	TOTAL INDIRECT		0		0	0	
EU and MS	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable		
	TOTAL INDIRECT		0		0	0	
Human rights	Direct	not applicable		not applicable			
	TOTAL DIRECT		0		0	0	
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	4%		
	TOTAL INDIRECT		0		0		
TOTAL DIRECT						-4,712,076	
TOTAL INDIRECT						41,536,800	
<i>Total (monetary)</i>						<i>36,824,724</i>	

27. UNITED KINGDOM

27.1 United Kingdom: costs and benefits of Model 0

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)	
Government	Direct	M0_4_G_CD1	Costs for persons convicted of ML	536,850	M0_4_G_BD1	Asset Recovery	3,959,008
		M0_4_G_CD2	Costs for prosecution and sentencing	3,373,108			
		M0_4_G_CD3	Costs of Asset Recovery	39,590			
	TOTAL DIRECT		3,949,548			3,959,008	9,460
	Indirect	M0_1_G_CI1	Decrease in tax revenues	1,699,354,761	M0_1_G_BI1	Increase in tax revenues	12,830,382
TOTAL INDIRECT		1,699,354,761			12,830,382	-1,686,524,379	
LEA	Direct	M0_4_F_CD1	STR analysis cost	642,960	M0_4_F_BD1	BO data searching time saving	142,760
		M0_4_F_CD2	FIU other costs	79,521			
		M0_4_F_CD3	FIU training costs	12,741			
		M0_4_L_CD1	LEA investigation costs	150,588			
	TOTAL DIRECT		885,810			142,760	-743,049
Indirect	M0_4_F_CI1	Increase in staff personnel costs	748,441	M0_1_L_BI1	Deterring intermediary connivance	not available	
TOTAL INDIRECT		748,441			0	-748,441	
Intermediaries	Direct	M0_1_I_CD1	BO identification costs	53,548,451	not applicable		
		M0_2_I_CD1	BO data updating costs	1,647,645			
		M0_3_I_CD1	BO registration and record keeping costs	15,655,723			
		M0_1_B_CD1	Banks' training costs	141,471,762			
		M0_1_B_CD2	Banks' internal controls costs	502,145,194			
		M0_1_B_CD3	Banks' lobbying Costs	not available			
		M0_3_B_CD1	Banks' ICT costs	694,985,096			
		M0_4_B_CD1	BO data addition to STR costs for banks	833,572			
		M0_4_B_CD2	STR sending costs for banks	not relevant			
		M0_1_A_CD1	Accountants' training costs	274,129			
		M0_1_A_CD2	Accountants' internal controls costs	not available			
		M0_1_A_CD3	Accountants' lobbying costs	not available			

		M0_3_A_CD1	Accountants' ICT costs	not available			
		M0_4_A_CD1	BO data addition to STR costs for accountants	96,181			
		M0_4_A_CD2	STR sending costs for accountants	1,515			
	TOTAL DIRECT			1,410,659,269		0	-1,410,659,269
	Indirect	M0_1_I_CI1	BO identification duplication costs	42,838,761	M0_1_B_BI1	Banks' clientele info benefits – Services quality	not available
		M0_2_I_CI1	BO data updating duplication costs	1,318,116	M0_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	161,995,200
		M0_3_I_CI1	BO record keeping duplication costs	12,524,578	M0_1_B_BI3	Banks' clientele gain benefits	64,151,911
		M0_1_B_CI1	Banks' clientele loss costs	8,496,773,807	M0_1_B_BI4	Banks' reputational benefits	not applicable
		M0_1_A_CI1	Accountants' clientele loss costs	0	M0_1_A_BI1	Accountants' clientele information benefits	not available
					M0_1_A_BI2	Accountants' clientele gain benefits	not applicable
				M0_1_A_BI3	Accountants' reputational benefits	not available	
	TOTAL INDIRECT			8,553,455,262		226,147,111	-8,327,308,150
Individuals	Direct	M0_4_D_CD1	Fewer opportunities to hide BO identity	not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect			not applicable		not applicable	
	TOTAL INDIRECT			0		0	0
Businesses	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_E_CI1	Fiscal costs	not available	M0_1_E_BI1	Reduction in unfair competition	not available
		M0_1_E_CI2	Access to credit unfair costs	not available	M0_1_E_BI2	Improvement in market efficiency	not available
	TOTAL INDIRECT			0		0	0
Wider cost and benefit	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0
	Indirect	M0_1_W_CI1	Increase in intermediaries' prices and fees	not available	M0_5_W_BI1	Market transparency benefits	not available
		M0_1_W_CI2	Market concentration costs	not available			
		M0_5_W_CI1	Use of less transparent legal entities	not available			
	TOTAL INDIRECT			0		0	0
EU and MS	Direct			not applicable		not applicable	
	TOTAL DIRECT			0		0	0

Annex D. Cost Benefit Tables for the 27 EU MSs

	Indirect	M0_1_U_CI1 EU internal dishomogeneity costs M0_1_U_CI2 EU political costs M0_1_U_CI3 Capital outflows towards Extra EU countries	not applicable not applicable not applicable	M0_1_U_BI1 Capital inflows towards EU Member States	not applicable	
	TOTAL INDIRECT		0		0	0
Human rights	Direct		not applicable		not applicable	
	TOTAL DIRECT		0		0	0
	Indirect	M0_3_H_CI1 Clients privacy and data protection costs	not applicable	M0_4_H_BI1 Increase % in persons prosecuted for ML	3%	
	TOTAL INDIRECT		0		0	0
TOTAL DIRECT						-1,411,392,858
TOTAL INDIRECT						-10,014,580,971
<i>Total (monetary)</i>						<i>-11,425,973,829</i>

27.2 United Kingdom: costs and benefits of Model 1

Area of incidence	Direct/ Indirect	COSTS		BENEFITS		Net benefit (cost)		
Government	Direct	M1_3_G_CD1	Central Registry costs	0	M1_4_G_BD1	Asset Recovery	5,938,512	
		M1_4_G_CD1	Cost for persons convicted of ML	353,171				
		M1_4_G_CD2	Costs for prosecution and sentencing	5,347,123				
		M1_4_G_CD3	Costs of Asset Recovery	59,385				
	TOTAL DIRECT			5,759,679			5,938,512	178,832
Indirect	M1_1_G_CI1	Decrease in tax revenues	1,869,290,238	M1_1_G_BI1	Increase in tax revenues	12,830,382		
	TOTAL INDIRECT		1,869,290,238			12,830,382	-1,856,459,855	
LEA	Direct	M1_4_L_CD1	LEA investigation costs	208,981		not applicable		
		M1_4_L_CD2	BO data searching costs	952,899				
	TOTAL DIRECT			1,161,880			0	-1,161,880
	Indirect		not applicable			not applicable		
TOTAL INDIRECT			0			0	0	
Intermediaries	Direct		not applicable			not applicable		
	TOTAL DIRECT			0			0	0
	Indirect	M1_1_B_CI1	Banks' clientele loss costs	9,346,451,188	M1_1_B_BI1	Banks' clientele info benefits – Services quality	not available	
		M1_1_A_CI1	Accountants' clientele loss costs	0	M1_1_B_BI2	Banks' clientele info benefits – Financial stabilisation	161,995,200	
					M1_1_B_BI3	Banks clientele gain benefits	64,151,911	
					M1_1_A_BI1	Accountants' clientele information benefits	not available	
			M1_1_A_BI2	Accountants' clientele gain benefits	not applicable			
TOTAL INDIRECT		9,346,451,188			226,147,111	-9,120,304,076		
Individuals	Direct	M1_1_D_CD1	Not registered BO data filing costs	1,237,053		not applicable		
		M1_2_D_CD1	Not registered BO data updating costs	494,821				
	TOTAL DIRECT			1,731,874			0	-1,731,874
	Indirect	M1_4_D_CI1	Fewer opportunities to hide BO identity	not applicable	M1_4_D_BI1	Benefits in terms of sharing liabilities against company	not applicable	
	TOTAL INDIRECT			0			0	0

Annex D. Cost Benefit Tables for the 27 EU MSs

Businesses	Direct	M1_2_E_CD1 BO data updating costs	2,471,467	not applicable		
		M1_3_E_CD1 BO record keeping and data filing to the CR costs	23,483,584			
	TOTAL DIRECT		25,955,051		0	-25,955,051
	Indirect	M1_1_E_CI1 Business fiscal costs	not applicable	M1_1_E_BI1 Reduction in unfair competition	not available	
		M1_1_E_CI2 Access to credit unfair costs	not applicable			
TOTAL INDIRECT	M1_1_E_CI3 Employers/Industrial Association lobbying costs	not available			0	0
Wider cost and benefit	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_W_CI1 Use of less transparent legal entities	not applicable	M1_5_W_BI1 Market transparency benefits	not available	
TOTAL INDIRECT		0		0	0	
EU and MS	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_1_U_CI1 Capital outflows towards Extra EU countries	not applicable	M1_1_U_BI1 Capital inflows towards EU Member States	not applicable	
TOTAL INDIRECT		0		0	0	
Human rights	Direct	not applicable		not applicable		
	TOTAL DIRECT		0		0	0
	Indirect	M1_5_H_CI1 Individuals' privacy and data protection costs	not applicable	M1_4_H_BI1 Increase % in persons prosecuted for ML	5%	
TOTAL INDIRECT		0		0		
TOTAL DIRECT						-28,669,972
TOTAL INDIRECT						-10,976,763,932
<i>Total (monetary)</i>						<i>-11,005,433,904</i>

ANNEX E.

THE QUESTIONNAIRES

This annex contains the six questionnaires prepared for the development of the Study. The institutions/entities/professional bodies that responded to the Transcrime questionnaires are as follows:

For Austria:

- A-FIU, Ministry of the Interior, Wien.
- Austrian Federal Economic Chamber Bank Insurance Division, Wien.
- Bank Winter & Co. AG, Wien.
- Raiffeisen Zentralbank Österreich Ag, Wien.

For Belgium:

- CTIF-CFI, Brussels.
- Federal Police (OCDEFO-CDGEFID), Brussels.

For Bulgaria:

- Bulgarian Industrial Association, Sofia.
- Financial Intelligence Agency, Sofia.

For Cyprus:

- Association of Cyprus Commercial Banks, Nicosia.
- Cyprus Employers and Industrialists Federation (OEB), Nicosia.
- Cyprus Financial Intelligence Unit (MOKAS), Nicosia.
- Department of Registrar of Companies and Official Receiver (DRCOR), Nicosia.
- Institute of Certified Public Accountants of Cyprus, Nicosia.

For Czech Republic:

- Anti-money laundering department, Prague.
- Chamber of Certified Accountants, Prague.
- Czech Banking Association, Prague.
- EU coordination unit, Ministry of Justice, Prague.

For Denmark:

- Danish Bankers' Association, Copenhagen.
- Danish Confederation of Industries, Copenhagen.
- Foreningen af Registrerede Revisorer, Hvidovre.
- Hvidvasksekretariatet (Danish FIU), Copenhagen.
- The Danish Commerce and Companies Agency, Copenhagen.
- The Public Prosecutor for Serious Economic Crime, Copenhagen.

For Estonia:

- Central Criminal Police, Tallinn.
- Estonian Banking Association, Tallinn.
- Estonian Board of Auditors, Tallinn.
- Estonian FIU, Tallinn.
- Ministry of Justice, Data processing and Information Service Dept, Tallinn.

For Finland:

- Finnish Bankers' Association, Helsinki
- National Board Of Patents and Registration of Finland, Trade Register, Helsinki.

For France:

- Fédération Bancaire Française, Paris.

For Germany:

- Association of German Banks, Berlin.
- German Chamber of Public Accountants, Berlin.

For Greece:

- Athens Chamber of Commerce and Industry (ACCI), Athens.
- Hellenic Bank Association, Athens.

For Hungary:

- Chamber of Hungarian Auditors, Budapest.
- Company's Registry Office, Budapest.
- Hungarian Banking Association, Budapest.
- National Bureau of Investigation, Economic Crimes Department – Anti-Money Laundering Unit, Budapest.

For Ireland:

- An Garda Síochána (National Police Force), Dublin.

For Italy:

- ABI – Italian Banking Association, Rome.
- Consiglio Nazionale Dottori Commercialisti, Rome.
- Infocamere, Rome.
- Nucleo Speciale Polizia Valutaria Guardia di Finanza, Rome.
- Ufficio Italiano dei Cambi, Rome.

For Latvia:

- Anti-money Laundering Committee, Association of Latvian Commercial Banks, Riga.
- Association of Accountants of Latvia Republic, Riga.
- Latvian Confederation of Employers, Riga.
- Office for Prevention of Laundering of Proceeds Derived from Criminal Activity (Latvian FIU), Riga.
- The Register of Enterprises of the Republic of Latvia, Riga.

For Lithuania:

- Association of Lithuanian Banks, Vilnius.
- Lithuanian Chamber of Auditors, Vilnius.
- Money Laundering Prevention Division, Financial Crime Investigation Service, Ministry of Interior, Vilnius.

For Luxembourg:

- Association des Banques et des Banquiers (ABBL), Luxembourg
- FIU-LUX, Luxembourg.
- Institut des réviseurs d'entreprises, Luxembourg.
- Police Grand-Ducale, Anti-Money Laundering Unit, Luxembourg.
- Registre de commerce et des sociétés, Luxembourg.

For Malta:

- Financial Intelligence Analysis Unit (FIAU), Valletta.
- Malta Bankers' Association, Attard.

For Poland:

- ING Bank Slaski, Katowice.
- Polish Banks Association, Katowice.

For Portugal:

- Associação Portuguesa De Bancos, Lisbon.
- Directorate General of Registry and Notary Civil Service (DGRN), Ministry of Justice, Lisbon.
- Portuguese FIU, Lisbon.

For Romania:

- General Inspectorate of Romanian Police, Bucharest.
- National Office for Prevention and Combating Money Laundering, Bucharest.

For Slovakia:

- Federation of Employers' Associations, Bratislava.
- Slovak Banking Association, Bratislava.
- Slovak Chamber of Auditors, Bratislava.
- Slovak FIU, Bratislava.

For Slovenia:

- Agency of Republic of Slovenia for Public Legal Records and Related Services, Ljubljana.
- Chamber of Commerce and Industry of Slovenia, Ljubljana.
- Ministry of Finance, Office for Money Laundering Prevention (Slovenian FIU), Ljubljana.
- Ministry of the Interior, Criminal Police Directorate, Ljubljana.
- The Bank Association of Slovenia, Ljubljana.
- The Slovenian Institute of Auditors, Ljubljana.

For Spain:

- SEPBLAC – Comisión de Prevención de Blanqueo de Capitales e Infracciones Monetarias, Madrid.

For Sweden:

- Swedish Bankers' Association, Stockholm.
- Swedish Companies Registration Office, Stockholm.
- Swedish FIU, National Criminal Police, Stockholm.

For UK:

- British Bankers' Association, London.
- Companies House, Cardiff.

Some institutions/entities/professional bodies have been responding to and transmitting the questionnaires after closure of data analysis. We were unable to consider these questionnaires, but as Transcrime we intend to do so in updated versions of the Study. These are as follows:

- Associação Industrial Portuguesa – Confederação Empresarial, Lisbon, Portugal.
- Bancpost S.A., Bucharest, Romania.
- Body of Expert and Licensed Accountants of Romania, Bucharest, Romania.
- Institute of Certified Public Accountants in Bulgaria, Sofia, Bulgaria.
- Lithuanian Confederation of Industrialists, Vilnius, Lithuania.
- National Trade Register Office, Bucharest, Romania.
- Ordem dos Revisores Oficiais de Contas, Lisbon, Portugal.
- State Enterprise Center of Registers, Vilnius, Lithuania.
- UGIR-1903 (Romanian Industrial and Employers' Association), Bucharest, Romania.

1) QUESTIONNAIRE FOR FIU OFFICIALS

INSTRUCTIONS FOR COMPLETION OF THE QUESTIONNAIRE

In view of your expertise and knowledge of the topics dealt with, we ask for your kind **co-operation in answering this questionnaire**, prepared as part of the Study *Cost-Benefit Analysis of Transparency Requirements in the Company/Corporate Field and Banking Sector relevant for the fight against money laundering and other financial crime*. This Study has been awarded to Transcrime, Joint Research Centre on Transnational Crime, Università degli Studi di Trento/Università Cattolica del Sacro Cuore di Milano (Italy) by the European Commission, DG JLS.

Aim of the Study

Within the framework of the European fight against money laundering, this study aims to analyse, in each of the 25 Member States, the costs and benefits deriving from the introduction of two different disclosure systems of beneficial ownership in public and private unlisted companies.

The first system, which is embodied in the EU Third Anti Money Laundering Directive 2005/60/EC (hereafter Third Directive), charges financial and business intermediaries with the duty to disclose beneficial ownership of companies for which their services are provided.

The second system is a hypothetical disclosure system whereby the duty to disclose beneficial ownership of public and private unlisted companies is placed on a) the actual beneficial owner, who should notify to the company details of his/her ownership, b) the registered owner, when not coinciding with the beneficial owner, who should provide details of whom he believes the beneficial owner to be, and c) the actual company, which should collect this information in a database and make it available to law enforcement agencies and to the wider public.

What we are asking you with this questionnaire

This questionnaire is specifically addressed to Financial Intelligence Unit officers. The aim is to collect a variety of information necessary to perform the cost-benefit analysis. The questionnaire has 5 sections, designed to collect key information on various topics, as follows:

- section 1. on the Financial Intelligence Unit of your country;
- section 2. on the anti money laundering legislation in your country;
- section 3. on suspicious transaction reports (STRs) in your country;
- section 4. on the asset recovery procedures in your country;
- section 5. on information necessary to measure, both quantitatively and qualitatively, the costs and benefits arising from the adoption of the Third Directive in your country;
- section 6. national regulatory standards aimed at deterring and punishing professionals who aid and abet/facilitate corporate money laundering and terrorist financing arrangements;
- section 7. national regulation of charities, associations and foundations.

We would also be happy to receive any forms for data collection (e.g. an STR form), or published documents (e.g. FIU annual report), statistical or research reports that illustrate your replies to the questionnaire.

Deadline for answering the questionnaire

Please consider the deadline for replying to this questionnaire as 22th of January 2006.

Please return this questionnaire to both:

ernesto.savona@unicatt.it

Jacopo.ponticelli@unicatt.it

Your co-operation in the Study will be fully acknowledged in the Final Report, a copy of which will be sent to you. We hope that you will make every attempt to complete the questionnaire and ask for assistance from others in your country if you feel that they can give more complete answers than you can.

Contact us

If you have any further queries please get in touch with:

Jacopo Ponticelli, Transcrime researcher (English, French, Italian)

Tel: +39 02 7234.3715/ 3716, Fax: +39 02 7234.3721

e-mail: jacopo.ponticelli@unicatt.it

Thanking you in advance for your fruitful co-operation, I remain

Yours sincerely

A handwritten signature in black ink, appearing to read "Ernesto U. Savona". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ernesto U. Savona
Director of TRANSCRIME

SECTION 1. KEY INFORMATION ON THE NATIONAL FIU

This section aims at collecting some key information on the Financial Intelligence Unit in your country. We also ask you for some general data on FIU staff, FIU funding, costs faced in terms of training for FIU officers and for intermediaries, along with some information about the degree of international cooperation with foreign FIUs.

1. Please insert in the table below the requested information on the FIU of your country:

FIU denomination	
Director	
Address	
Country	
Year of establishment	

2. The FIU in your country is (please tick the relevant box below):

<input type="checkbox"/>	a law-enforcement-type FIU ³⁹³
<input type="checkbox"/>	a judicial or prosecutorial-type FIU ³⁹⁴
<input type="checkbox"/>	an administrative-type FIU ³⁹⁵

3. Please indicate below, in euro or national currency, the operating costs of the FIU of your country for the years 2000–2005:

	2000	2001	2002	2003	2004	2005
<i>Operating costs of the FIU</i>						
<i>of which:</i>						
<i>– personnel charges</i>						
<i>– IT expenses</i>						

4. Please indicate below the public authority funding the budget of the FIU in your country. If there is more than one, please specify the percentage of the FIU budget to which each contributes:

Name of the authority..... (___%)

³⁹³ FIU is part of a law-enforcement agency, mainly in the anti-money laundering unit of the national police.

³⁹⁴ FIU is established within the judicial branch of the state and most frequently under the prosecutor's jurisdiction.

³⁹⁵ FIU is part of the structure of an administration or an agency other than the law-enforcement or judicial authorities. They sometimes constitute a separate agency, placed under the substantive supervision of a ministry or administration ("autonomous" FIUs) or not placed under such supervision ("independent" FIUs).

5. Please indicate below the number of FIU officials currently acting as full-time³⁹⁶ staff in the anti money laundering area, divided per position (e.g. administrative personnel, analyst):

	Number of officials acting as full-time staff in the FIU
Position 1:_____	Number:
Position 2:_____	Number:
Position 3:_____	Number:
Position 4:_____	Number:
Position 5:_____	Number:
Position 6:_____	Number:
Position 7:_____	Number:
Position 8:_____	Number:

6. Please estimate the average hourly labour cost (in euro or national currency) and the annual average salary of FIU officials currently acting as full-time staff in the anti money laundering area:

Average gross hourly labour cost ³⁹⁷	_____per hour
Average annual salary	_____ per year

7. Please indicate below the annual cost for in-house training sessions organised by the FIU for full-time staff in the anti money laundering area in the years 2000–2005:

Year	Annual cost for in-house training sessions
2005	
2004	
2003	
2002	
2001	
2000	

8. Please indicate below the annual cost for in-house training sessions addressed by the FIU to intermediaries³⁹⁸ in order to update their knowledge of national anti-money laundering legislation in the years 2000–2005:

Year	Annual cost for in-house training sessions
2005	
2004	
2003	
2002	
2001	
2000	

³⁹⁶ Full-time employment is defined as persons usually working over 30 hours per week in their main job

³⁹⁷ Please include: a) average wage on hourly basis; b) employers' social security contributions; c) employment related taxes

³⁹⁸ Following EU terminology, here we refer the term 'intermediaries' to: (1) credit institutions; (2) financial institutions; (3) professionals (such as auditors, external accountants, tax advisors; notaries and other independent legal professionals, trust or company service providers; real estate agents; casinos.

9. Please indicate below the number of requests for cooperation made by your national FIU to other European and non European FIUs in the years 2000–2005:

Number of requests made by the FIU to:	2000	2001	2002	2003	2004	2005
European FIU						
Non European FIU						

10. Please indicate below the number of requests for cooperation received by your national FIU from other European and non European FIUs in the years 2000–2005:

Number of requests received by the FIU from:	2000	2001	2002	2003	2004	2005
European FIU						
Non European FIU						

11. The FIU of your country is a member of the following information sharing systems (tick all the relevant boxes):

<input type="checkbox"/>	EGMONT Secure Web	from __/____ (month/year)
<input type="checkbox"/>	FIU-NET	from __/____ (month/year)
<input type="checkbox"/>	Other (please specify)_____	from __/____ (month/year)
<input type="checkbox"/>	Other (please specify)_____	from __/____ (month/year)
<input type="checkbox"/>	Other (please specify)_____	from __/____ (month/year)

SECTION 2. INFORMATION ON NATIONAL ANTI-MONEY LAUNDERING LEGISLATION

This section aims at collecting some key information on anti money laundering legislation in your country.

12. Has your country implemented the three EU Anti Money Laundering Directives? Please tick the relevant boxes below:

Directive 91/308/EEC (Fist Anti Money Laundering Directive)	<input type="checkbox"/> Yes Please specify the number and year of enactment of the relevant national legislation -----	<input type="checkbox"/> No
Directive 2001/97/EC (Second Anti Money Laundering Directive)	<input type="checkbox"/> Yes Please specify the number and year of enactment of the relevant national legislation -----	<input type="checkbox"/> No
Directive 2005/60/EC (Third EU Anti Money Laundering Directive)	<input type="checkbox"/> Yes Please specify the number and year of enactment of the relevant national legislation -----	<input type="checkbox"/> No

13. Under the national anti-money laundering legislation of your country, the threshold for subjecting a transaction to the application of customer due diligence is (in euro or national currency):

amount:----- currency:-----

14. Under your anti-money laundering legislation, is any mechanism currently in place aimed at checking the compliance of intermediaries with the legislation itself?

<input type="checkbox"/> Yes (go to questions no. 15 and 16)	<input type="checkbox"/> No (go to question no. 17)
--	---

15. If you replied YES to question n. 14, please specify below a) which authorities are in charge of this check, together with b) the sector/s (e.g. banking, insurance, etc.) in which each authority carries out the checks, c) the number of checks carried out by each authority in the year 2005 and d) number of checks in which non compliance was ascertained in the year 2005:

a) Name of the authority	b) Sector/s in which the authority carries out the checks	c) Number of checks carried out by each authority in the year 2005	d) Number of checks in which non compliance was ascertained in the year 2005
1.		
2.		
3.		
4.		
5.		
6.		
		TOTAL NO.	TOTAL NO.

16. Please differentiate in the table below the total number of cases of non compliance ascertained in the year 2005 (as reported in letter d) of your reply to question 15) per type of non compliance:

Types of non compliance	Number of cases of non compliance ascertained in the year 2005
a) for not carrying out the required client identification process	
b) for absent or delayed client data updating	
c) for absent or delayed client data recording	
d) for absent or delayed STR communication to the FIU/LEA	
e) for other reasons (please specify):	

17. Please specify the sanction/s foreseen for the intermediaries non-complying with national anti-money laundering legislation. Please specify both the type of sanction (e.g. fine,) and the amount in euro or duration:

Cases of non-compliance	Sanctions
a) for not carrying out the required client identification process	----- ----- -----
b) for absent or delayed client data updating	----- ----- -----
c) for absent or delayed client data recording	----- ----- -----
d) for absent or delayed STR communication to the FIU/LEA	----- ----- -----
e) for other reasons (please specify): _____	----- ----- -----

SECTION 3. BACKGROUND INFORMATION ON SUSPICIOUS TRANSACTION REPORTS (STRs)

This section aims at collecting some background data on suspicious transaction reports. It is divided into three subsections. Subsection 3.1 deals with collection of data on STRs sent by intermediaries to the national FIU. Subsection 3.2 collects information on the analysis of STRs by the national FIU. Finally, subsection 3.3 deals with collection of data on STRs transmitted by the national FIU to the competent authorities (e.g. law enforcement agencies, judicial authorities, etc.).

3.1 Data on STRs sent by intermediaries to the national FIU

18. Please tick in the table below the kind of information reported by intermediaries in the Suspicious Transaction Reports submitted to the FIU:

<input type="checkbox"/>	amount and nature of the transaction
<input type="checkbox"/>	motivation of the suspect
<input type="checkbox"/>	information about the individual conducting the transaction
<input type="checkbox"/>	name and surname
<input type="checkbox"/>	date, place and country of birth
<input type="checkbox"/>	permanent address
<input type="checkbox"/>	citizenship

	<input type="checkbox"/> individual's identifier (please specify the admitted identifiers – e.g. passport, driving licence, etc.) ----- -
	<input type="checkbox"/> relationship to the beneficial owner (if applicable) other info (please specify) ----- -----
<input type="checkbox"/>	information about the individual on whose behalf the transaction was conducted (when applicable)
	<input type="checkbox"/> name and surname
	<input type="checkbox"/> date, place and country of birth
	<input type="checkbox"/> permanent address
	<input type="checkbox"/> citizenship
	<input type="checkbox"/> individual's identifier (please specify the admitted identifiers – e.g. passport, driving licence, etc.) -----
	<input type="checkbox"/> relationship to the individual conducting the transaction
	other info (please specify) ----- -----
<input type="checkbox"/>	information about the entity on whose behalf the transaction was conducted (when applicable)
	<input type="checkbox"/> shareholding
	<input type="checkbox"/> management structure
	<input type="checkbox"/> name of the entity
	<input type="checkbox"/> type of business
	<input type="checkbox"/> registered office (address, city, state/province, country)
	<input type="checkbox"/> incorporation number and place of issue (state/province, country)
	<input type="checkbox"/> name and identification data of the legal representative
	<input type="checkbox"/> name and identification data of the beneficial owner
	other info (please specify) ----- -----

19. In your country, how do intermediaries transmit STRs to the FIU? (please tick all relevant boxes)

<input type="checkbox"/>	paper STR sent by post
<input type="checkbox"/>	paper STR sent by fax
<input type="checkbox"/>	digital STR transmitted on line
<input type="checkbox"/>	other (specify)_____
<input type="checkbox"/>	other (specify)_____
<input type="checkbox"/>	other (specify)_____

20. For each of the transmission methods you ticked in your reply to question 19, please indicate below the number and/or percentage of STRs sent by intermediaries to the FIU in the year 2005:

STRs transmission methods	2005	
	No.	% of the total number of STRs
paper STR sent by post		
paper STR sent by fax		
digital STR transmitted on line		
other (specify)_____		
other (specify)_____		
other (specify)_____		

21. Please indicate in the table below the number of STRs received by the national FIU from each category of intermediaries in the years 2000–2005.

In filling out the table, please write the number 0 (zero) if a given intermediary category, to whom the money laundering legislation is applicable, made no reports in the year; if, instead, the money laundering legislation does not apply to the intermediary category, please use the prompt NOT APPLICABLE.

Years	2000	2001	2002	2003	2004	2005
Categories of intermediaries						
Credit institutions						
Financial institutions <i>of which:</i>						
– insurance companies						
– currency exchange offices						
– money transfer operators						
– asset management companies						
Professionals <i>of which:</i>						

- <i>auditors</i>						
- <i>accountants</i>						
- <i>notaries and legal professionals</i>						
- <i>trust or company service providers</i>						
- <i>real estate agents</i>						
TOTAL NUMBER OF STRs RECEIVED						
<i>of which for terrorist financing</i>						

22. For each category of intermediary, please write down in the table below the number of entities (whether natural or legal persons) belonging to the category in your country:

Category of intermediary	Number of entities belonging to the category
Credit institutions	
Financial institutions (non-bank) <i>of which:</i>	
- <i>insurance companies</i>	
- <i>currency exchange offices</i>	
- <i>money transfer operators</i>	
- <i>asset management companies</i>	
Professionals <i>of which:</i>	
- <i>auditors</i>	
- <i>notaries and lawyers</i>	
- <i>accountants</i>	
- <i>real estate agents</i>	
- <i>trust or company service providers</i>	

23. Please indicate below the number of STRs reported to the FIU in 2005, divided by type of operation:

Type of operation	No. of STRs reported to the FIU in 2005
Cash	
Domestic bank transfers	
International bank transfers	
Money transfer	
Negotiated bank draft	
Negotiated securities	
Other financial instruments and derivatives	
Other.....	
Other.....	

24. Please indicate in the table below the number of STRs by type of subject (natural persons or legal persons) on whose behalf the transaction was carried out in the years 2000–2005:

Type of subject on whose behalf the transaction was carried out	2000	2001	2002	2003	2004	2005
Natural persons						
Legal persons <i>of which:</i>						
– listed companies						
– unlisted companies						
– non company entities (<i>trusts, foundations, associations or charities</i>)						

25. Please indicate below the number of STRs received by the FIU in your country in 2005, divided by the six most frequent nationalities of the client acting as sending party in the transaction reported in the STR. Please consider only the cases in which the client is a legal person.

six most frequent <u>nationalities</u> of the client (considering only legal persons) acting as sending party in the transaction reported in STRs in 2005	<u>number</u> of STRs in which clients of a given nationality act as sending party
1.	
2.	
3.	
4.	
5.	
6.	

26. Please indicate below the number of STRs received by the FIU in your country in 2005, divided by the six most frequent nationalities of the client acting as receiving party in the transaction reported in the STR. Please consider only the cases in which the client is a legal person.

six most frequent <u>nationalities</u> of the client (consider only legal persons) acting as receiving party in the transaction reported in STRs in 2005	<u>number</u> of STRs in which clients of a given nationality act as receiving party
1.	
2.	
3.	
4.	
5.	
6.	

Sub-section 3.2 Analysis of STRs by the national FIU

27. Please indicate the number of officials engaged in STR analysis:

Number _____

28. We now ask you to estimate the average time needed to analyse a) an STR resulting in a communication to competent authorities (e.g. law enforcement agencies, judicial authorities, etc.) and b) a STR not resulting in a communication to competent authorities:

a) average time necessary for analysing a STR turning out in a communication to competent authorities	_____:__ (hours: minutes)
b) average time necessary for analysing a STR not turning out in a communication to competent authorities	_____:__ (hours: minutes)

29. On a scale from 1 to 4 (where 1=low quality; 4=high quality), how would you assess the average quality of the information contained in the STRs received by the FIU in terms of:

a) amount and nature of the transaction	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
b) motivation of the suspect	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
c) information about the individual (natural person) conducting the transaction	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
d) information about the individual on whose behalf the transaction was conducted (when applicable)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
e) information about the entity on whose behalf the transaction was conducted (when applicable)	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4

30. Do you agree or disagree with the following statement:

“a low quality of the information contained in the STRs received by the FIU makes the time necessary to analyse the given STR longer than the time necessary to analyse a STR with high quality information”

<input type="checkbox"/>	Disagree	<input type="checkbox"/>	Agree
			on average, the time necessary to analyse the given STR is 30% longer than the standard time for analysis of an STR with high quality information <input type="checkbox"/>
			on average, the time necessary to analyse the given STR is 50% longer than the standard time for analysis of an STR with high quality information <input type="checkbox"/>
			on average, the time necessary to analyse the given STR is 100% longer (or more) than the standard time for analysis of an STR with high quality information <input type="checkbox"/>

31. On the basis of the information quality level in the STRs submitted by each category of intermediaries to the national FIU, please rank below the various categories of intermediaries from 1 to 10 (where 1=intermediary category whose STRs are, on average, of the highest quality; 10=intermediary category whose STRs are, on average, of the lowest quality):

Categories of intermediaries	Ranking of the categories of intermediaries from 1 to 10, on the basis of the information quality level in the STRs submitted by each category of intermediaries to the national FIU
Credit institutions	
Insurance companies	
Currency exchange offices	
Money transfer operators	
Asset management companies	
Auditors	
Notaries and Lawyers	
Accountants	
Real estate agents	
Trust or company service providers	

Sub-section 3.3 Data on STRs transmitted by the national FIU to competent authorities

32. Of the total number of STRs sent by intermediaries to the FIU, how many have been transmitted to competent authorities (e.g. law enforcement agencies, judicial authorities, etc.) in the years 2000–2005?

Years	2000	2001	2002	2003	2004	2005
Number of STRs transmitted by the FIU to competent authorities						

Please specify also the name of the authority/ies to which the FIU transmits STRs:

33. Please tick the transmission method more frequently used by the FIU of your country to send STRs to competent authorities:

<input type="checkbox"/>	Post
<input type="checkbox"/>	Fax
<input type="checkbox"/>	Email
<input type="checkbox"/>	other.....

34. Of the total number of STRs sent by the FIU to competent authorities, how many have been analysed by the competent authorities in the years 2000–2005?

Years	2000	2001	2002	2003	2004	2005
Number of STRs analysed by the competent authorities						

35. Of the total number of STRs analysed by competent authorities, how many have led to prosecution in the years 2000–2005?

Years	2000	2001	2002	2003	2004	2005
Number of STRs that have led to prosecutions						

SECTION 4. INFORMATION ON ASSET RECOVERY

This section aims at collecting information on the asset recovery procedures in your country, and related costs.

36. Please indicate below the name of the public authority/ies engaged in asset recovery in your country:

Name of the authority.....

37. Please estimate the monetary value of assets recovered in the years 2000–2005 (in euro or local currency):

Years	2000	2001	2002	2003	2004	2005
value of assets recovered						
real estate						
any other financial asset						

38. Which are the main sources of cost in asset recovery in your country (e.g. legal fees, asset management)?

.....

39. Please estimate the costs for asset recovery in the years 2000–2005, expressing said costs as a percentage of the monetary value of assets recovered in the same time period:

Years	2000	2001	2002	2003	2004	2005
Costs for asset recovery (expressed as % of the monetary value of assets recovered)						
real estate						
any other financial asset						

SECTION 5. INFORMATION REGARDING THE ADOPTION OF THE THIRD EU ANTI MONEY LAUNDERING DIRECTIVE

This section aims at collecting data necessary to measure, both quantitatively and qualitatively, the costs and benefits arising from the adoption of the Third Directive in your country.

40. The Third Directive stresses the importance of a risk-based approach to be used by intermediaries when dealing with their clients. Please estimate in the table below the percentage of transactions at high risk of money laundering, calculated on the total number of transactions, for each intermediary category.

	Credit institutions	Financial institutions (non bank)	Professionals
Percentage of transactions at high-risk of money laundering, expressed as a percentage of the total number of transactions			

41. Please estimate in the table below the percentage of transactions at high risk of money laundering, calculated on the total number of transactions carried out by unlisted companies, for each intermediary category.

	Credit institutions	Financial institutions (non bank)	Professionals
Percentage of transactions at high-risk of money laundering, expressed as a percentage of the total number of transactions carried out by unlisted companies			

42. We would now like to have your opinion on some likely effects of implementation of the Third Directive in your country. Please indicate your degree of agreement/disagreement with each of the following statements:

STATEMENT 1: "The implementation of the Third Directive in my country will lead to an increased ability of the FIU to identify the beneficial owner of a transaction, in particular in cases related to unlisted companies"

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

STATEMENT 2: "The implementation of the Third Directive in my country will lead to an increase in tax revenues"

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

STATEMENT 3: "The implementation of the Third Directive in my country will lead to an increase in the monetary value of assets recovered"

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

STATEMENT 4: "The implementation of the Third Directive in my country will lead to an increase in the number of STRs reported by intermediaries to the FIU"

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

If you agree/strongly agree with statement 4, please estimate the yearly percentage increase in the number of STRs + ____%

If you agree/strongly agree with statement 4, do you think that the increase in the number of STRs would be caused by (*only one answer admitted*):

<input type="checkbox"/>	an increase in STRs resulting in a communication to competent authorities
<input type="checkbox"/>	an increase in STRs not resulting in a communication to competent authorities

If you agree/strongly agree with statement 4, do you think that, in order to cope with the increased number of STRs, it would be necessary to increase the full-time FIU staff devoted to money laundering?

<input type="checkbox"/>	No	<input type="checkbox"/>	Yes, in the following percentage
			<input type="checkbox"/> +5-10%
			<input type="checkbox"/> +10-20%
			<input type="checkbox"/> +20-30%
			<input type="checkbox"/> + more than 30%
			What do you think would be the most likely solution adopted in your country to deal with the necessary increase in full-time FIU staff devoted to money laundering) (<i>only one answer admitted</i>)
			<input type="checkbox"/> actual increase in FIU personnel
			<input type="checkbox"/> use of public personnel assigned to another unit
			<input type="checkbox"/> nothing, because there are no other funds available for the FIU
			<input type="checkbox"/> other (specify) _____

SECTION 6. NATIONAL REGULATORY STANDARDS AIMED AT DETERRING AND PUNISHING PROFESSIONALS WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING AND TERRORIST FINANCING ARRANGEMENTS

This section aims at reviewing the regulatory standards currently in force in your country to deter and punish professionals³⁹⁹ who aid and abet/facilitate corporate money laundering and terrorist financing arrangements. It also aims to map the obstacles and best practices in the enforcement of this regulation.

43. Please tick below the regulatory standards currently in force in your country in order to deter and punish professionals who aid and abet/facilitate corporate money laundering and terrorist financing arrangements. Please tick all the relevant boxes:

³⁹⁹ Following article 2, paragraph 1 of the Third EU Anti-Money Laundering Directive, professionals are defined as follows:

- a) auditors, external accountants and tax advisors;
- b) notaries and other independent legal professionals, when they participate, whether by acting on behalf of and for their client in any financial or real estate transaction, or by assisting in the planning or execution of transactions for their client concerning:
 - buying and selling real property or business entities;
 - management of client money, securities or other assets;
 - opening or management of bank, savings or securities accounts;
 - organisation of contributions necessary for the creation, operation or management of companies;
 - creation, operation or management of trusts, companies or similar structures;
- c) trust or company service providers not already covered under points (a) or (b);
- d) real estate agents;
- e) other natural or legal persons trading in goods, only to the extent that payments are made in cash in an amount of EUR 15 000 or more, whether the transaction is executed in a single operation or in several operations which appear to be linked;
- f) casinos.

REGULATORY STANDARDS ADOPTED WITHIN THE NATIONAL LEGISLATION TO DETER AND PUNISH PROFESSIONALS WHO AID AND ABET/FACILITATE CORPORATE MONEY LAUNDERING AND TERRORIST FINANCING ARRANGEMENTS	
1) existence of a legal provision requiring professionals to identify and verify the identity of their clients and of their beneficial owners, in pursuance of customer due diligence (CDD) measures	<input type="checkbox"/>
2) existence of a legal provision providing for the implementation of customer identification requirements on a risk-sensitive basis, with the application of simplified/enhanced CDD procedures	<input type="checkbox"/>
3) existence of a legal provision requiring professionals to perform the identification procedures before commencing the relationship/transaction with their client (unless money laundering risks are low and when it is essential to avoid interruption of normal conduct of business)	<input type="checkbox"/>
4) existence of a legal provision prohibiting professionals from commencing a relationship or carrying out the transaction (or, alternatively, requiring them to terminate it and to file a suspicious transaction report) in case CDD measures cannot be satisfied	<input type="checkbox"/>
5) existence of a legal provision exempting certain categories of professionals from the prohibition under 4) while ascertaining the legal position for their client or representing him/her in legal proceeds (specify the exempted categories _____)	<input type="checkbox"/>
6) existence of a legal provision requiring professionals to apply CDD measures to all new customers and, at appropriate times, to existing customers as well	<input type="checkbox"/>
7) existence of a legal provision prohibiting professionals from keeping anonymous accounts	<input type="checkbox"/>
8) existence of a legal provision imposing on professionals a special attention duty in relation to money laundering threats that may arise from new technologies that might favour anonymity	<input type="checkbox"/>
9) existence of a legal provision allowing professionals to rely on intermediaries or other third parties to perform CDD measures	<input type="checkbox"/>
10) existence of a legal provision requiring professionals to keep, for a minimum period (specify the period _____), all customer identification data and records on transactions and business relationships	<input type="checkbox"/>
11) existence of a legal provision imposing on professionals a special attention duty in relation to complex and unusual transactions with no apparent economic or visible lawful purpose	<input type="checkbox"/>
12) existence of a legal provision requiring professionals to file a suspicious transaction report with competent authorities if they suspect a possible money laundering/terrorist financing operation	<input type="checkbox"/>
13) existence of a legal provision allowing professionals to file the suspicious transaction report mentioned under n. 12 to appropriate self-regulatory bodies, who will then forward it to competent authorities	<input type="checkbox"/>
14) existence of a legal provision requiring professionals to provide competent authorities, upon request, with all necessary information about suspected money laundering/terrorist financing operations	<input type="checkbox"/>
15) existence of a legal provision protecting professionals from any kind of liability when informing in good faith competent authorities of the suspicious transaction	<input type="checkbox"/>
16) existence of a legal provision prohibiting professionals from disclosing the fact that information about a suspicious transaction has been reported to competent authorities or that an investigation is being carried out	<input type="checkbox"/>
17) existence of a legal provision exempting certain categories of professionals from the reporting obligation under n. 12 if the information was obtained in circumstances where they are subject to professional secrecy (specify the exempted categories _____)	<input type="checkbox"/>
18) existence of a legal provision requiring professionals to refrain from carrying out transactions suspected to be related to money laundering/terrorist financing until they have fulfilled the reporting obligation under n. 12 (or, where this is not possible, requiring them to inform competent authorities immediately afterwards)	<input type="checkbox"/>
19) existence of a legal provision protecting professionals who reported suspicious transactions from threats or hostile actions	<input type="checkbox"/>
20) existence of a legal provision requiring professionals to adopt appropriate money laundering preventive measures (including training programmes, access to up-to-date information on money laundering and terrorist financing techniques, internal policies, procedures and controls)	<input type="checkbox"/>
21) existence of legal provisions subjecting professionals who fail to comply with anti-money laundering and anti-terrorist financing obligations to effective, proportionate and dissuasive sanctions (specify which ones _____)	<input type="checkbox"/>
22) existence of a legal provision subjecting professionals to monitoring and checks by competent authorities (e.g. self-regulatory bodies, FIU, etc.)	<input type="checkbox"/>

23) existence of a legal provision requiring trust and company service providers to be licensed or registered in order to operate their business legally	<input type="checkbox"/>
24) existence of a legal provision requiring casinos to be licensed or registered in order to operate their business legally	<input type="checkbox"/>
25) existence of a legal provision subjecting casinos to a comprehensive regulatory and supervisory regime	<input type="checkbox"/>
26) other (please specify) _____	<input type="checkbox"/>
27) other (please specify) _____	<input type="checkbox"/>
28) other (please specify) _____	<input type="checkbox"/>

Please provide us with a copy of the text/s including the above-mentioned regulatory standards (file or paper copies), in English if possible.

44. In your opinion, what are the main obstacles to the enforcement of the regulatory standards you indicated in your reply to question n. 43, if any?

45. In your opinion, what are the **main best practices** in the enforcement of the regulatory standards you indicated in your reply to question n. 43, if any?

SECTION 7. NATIONAL REGULATION OF CHARITIES, ASSOCIATIONS AND FOUNDATIONS⁴⁰⁰

46. We would now like to understand how charities, associations and foundations are regulated in your country. We therefore kindly ask you to provide us with a copy of the text/s regulating charities, associations and foundations in your country (file or paper copies), in English (if possible) or in your native language.

⁴⁰⁰ The term foundation refers to independent, separately-constituted non-profit bodies with their own established and reliable source of income, usually but not exclusively from an endowment, and their own governing board. A foundation traditionally requires property dedicated to a particular purpose. Typically the income derived from the principal assets (as opposed to the assets themselves) is used to fulfil the statutory purpose, which is usually, but not necessarily, charitable or for the public benefit. Foundations have no members.

The term association refers to membership-based organizations whose members, legal or natural persons, or their elected representatives, constitute the highest governing body of the organization. They can be formed to serve the public benefit or the mutual interest of members. Whether an association is a legal entity or not often depends upon registration. Registered associations may enjoy the same benefits as other legal entities.

The term charities refers to institutions which are established for charitable purposes (where a charitable purpose is a purpose which is for the public benefit).

CONTACT DETAILS OF THE PERSON WHO COMPILED THE QUESTIONNAIRE

Please fill in the Table below with your details.

<u>COUNTRY:</u>	-----
-----------------	-------

CONTACT PERSON:

Name:	-----
Position:	-----
Ministry\Agency\Institution:	-----
Mailing address:	----- ----- ----- ----- ----- -----
Telephone:	-----
Fax:	-----
Email:	-----

Any other information of relevance:

Thank you very much for your time.

2) QUESTIONNAIRE FOR LAW ENFORCEMENT AGENCIES

INSTRUCTIONS FOR COMPLETION OF THE QUESTIONNAIRE

In view of your expertise and knowledge of the topics dealt with, we ask for your kind **co-operation in answering this questionnaire**, prepared as part of the Study *Cost-Benefit Analysis of Transparency Requirements in the Company/Corporate Field and Banking Sector relevant for the fight against money laundering and other financial crime*. This Study has been awarded to Transcrime, Joint Research Centre on Transnational Crime, Università degli Studi di Trento/Università Cattolica del Sacro Cuore di Milano (Italy) by the European Commission, DG JLS.

Aim of the Study

Within the framework of the European fight against money laundering, this study aims to analyse, in each of the 25 Member States, the costs and benefits deriving from the introduction of two different disclosure systems of beneficial ownership in public and private unlisted companies.

The first system, which is embodied in the EU Third Anti Money Laundering Directive 2005/60/EC (hereafter Third Directive), charges financial and business intermediaries with the duty to disclose beneficial ownership of companies for which their services are provided.

The second system is a hypothetical disclosure system whereby the duty to disclose beneficial ownership of public and private unlisted companies is placed on a) the actual beneficial owner, who should notify to the company details of his/her ownership, b) the registered owner, when not coinciding with the beneficial owner, who should provide details of whom he believes the beneficial owner to be, and c) the actual company, which should collect this information in a database and make it available to law enforcement agencies and to the wider public.

What we are asking you with this questionnaire

This questionnaire is specifically addressed to a Law Enforcement Agency, chosen among those responsible for enforcement in the areas of drugs, terrorism and other serious crimes. The aim is to collect information necessary to perform the cost-benefit analysis. This questionnaire is divided into 2 sections, these are as follows:

- section 1. current law enforcement activity in the fight against money laundering
- section 2. likely effects of the implementation of the Third EU Anti Money Laundering Directive in your country

We would also be happy to receive any forms for data collection, or published documents, statistical or research reports that illustrate your replies to the questionnaire.

Deadline for answering the questionnaire

Please consider the deadline for replying to this questionnaire as 18th of December 2006.

Please return this questionnaire to both:

ernesto.savona@unicatt.it

jacopo.ponticelli@unicatt.it

Your co-operation in the Study will be fully acknowledged in the Final Report, a copy of which will be sent to you. We hope that you will make every attempt to complete the questionnaire and ask for assistance from others in your country if you feel that they can give more complete answers than you can.

Contact us

If you have any further queries please get in touch with:

Jacopo Ponticelli, Transcrime researcher (English, French, Italian)

Tel: +39 02 7234.3715/ 3716, Fax: +39 02 7234.3721

e-mail: jacopo.ponticelli@unicatt.it

Thanking you in advance for your fruitful co-operation, I remain

Yours sincerely



Ernesto U. Savona

Director of TRANSCRIME

SECTION 1. CURRENT LAW ENFORCEMENT ACTIVITY IN THE FIGHT AGAINST MONEY LAUNDERING

1. Please list below the Law Enforcement Agencies that are currently engaged in the fight against money laundering in your country:

1. -----
2. -----
3. -----
4. -----
5. -----
6. -----

2. Please indicate the number of officials currently engaged in the enforcement of anti-money laundering legislation within your Law Enforcement Agency:

3. Please indicate the total annual number of investigations on money laundering carried out by your agency in the period 2000–2005:

	2000	2001	2002	2003	2004	2005
Total annual number of investigations on money laundering carried out by your agency <i>Of which:</i>						
Regarding unlisted companies (%)						
Regarding non-company legal entities such as foundations and trusts (%)						

4. We are now interested in understanding a) what percentage of the 2005 total number of investigations on money laundering started from a report made by an intermediary (i.e. a Suspicious Transactions Report, STR) to the national FIU, and than transmitted by the FIU to your agency and b) what percentage of the 2005 total number of investigations on money laundering started from sources other than an STR:

a) Percentage of investigations on money laundering per year starting from an STR	-----%
b) Percentage of investigations on money laundering per year starting from other sources of information (please specify some examples of relevant sources of information: ----- -----)	-----%
	100%

5. Do law enforcement agencies have access to the national Companies Registry when investigating money laundering? Please note that the term "Companies Registry" is herein intended as the central registry of a given country where data on companies and their shareholders is stored.

<input type="checkbox"/> Yes	<input type="checkbox"/> No
Please specify how LEA access the national Companies Registry	
<input type="checkbox"/> On-line access	
<input type="checkbox"/> Paper consultation	
<input type="checkbox"/> Other (please specify:-----)	

6. Please specify in the table below how law enforcement agencies obtain routine information⁴⁰¹ on corporate vehicles,⁴⁰² for each type of corporate vehicle:

Types of corporate vehicle:	
Unlisted companies ⁴⁰³	----- -----
Foundations ⁴⁰⁴	----- -----
Trusts ⁴⁰⁵	----- -----
Other	----- -----

⁴⁰¹ According to the Financial Action Task Force on Money Laundering, the term 'routine information' includes the following information on corporate vehicles: name, date of incorporation/registration, place of business, registered office/place of administration, sources of funds, shareholders, purpose.

⁴⁰² The term 'corporate vehicles' includes private and public companies, trusts, foundations, etc.

⁴⁰³ The term 'company' includes private and public unlisted companies

⁴⁰⁴ The term 'foundation' refers to a legal entity that holds assets in its own name for the purposes set out in its constitutive documents, and its administration and operation is carried out in accordance with contractual rather than fiduciary principles. The foundation has a distinct patrimony independent of its founder.

⁴⁰⁵ According to the Hague Convention on the Law Applicable to Trusts and their Recognition (1985) the term 'trust' refers to legal relationships created by a person (the settlor) when assets have been placed under the control of a trustee for the benefit of a beneficiary or for a specified purpose.

7. Can information on corporate vehicles obtained by your agency be exchanged with other jurisdictions?

<input type="checkbox"/>	YES
<input type="checkbox"/>	YES, with some restrictions (please indicate what restrictions are in place:.....)
<input type="checkbox"/>	NO

8. What is the current experience of your agency in obtaining information on corporate vehicles from other jurisdictions? What difficulties have been experienced?

9. We are now interested in the results of the investigations on money laundering carried out by your agency in the period 2000–2005, in terms of a) total annual number of people prosecuted for money laundering b) total annual number of people condemned for money laundering.

	2000	2001	2002	2003	2004	2005
a) total annual number of people prosecuted for money laundering						
b) total annual number of people condemned for money laundering						

10. What penalties are foreseen for money laundering in your country?

11. Please estimate in the table below the total amount of asset recovered per year in cases related to money laundering.

Years	2000	2001	2002	2003	2004	2005
the total amount of asset recovered per year ⁴⁰⁶ in cases related to money laundering (currency.....)						

⁴⁰⁶ Here the term 'Asset Recovery' refers to all the proceeds of crime recovered through forfeiture, confiscation or other judicial means available in your country.

<p>c) Choice of a <u>different activity</u> aimed at money laundering (please give some examples -----)</p>	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5
<p>d) Other (Specify -----)</p>	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

CONTACT DETAILS OF THE PERSON WHO COMPILED THE QUESTIONNAIRE

Please fill in the Table below with your details.

<u>COUNTRY:</u>	-----
-----------------	-------

CONTACT PERSON:

Name:	-----
Position:	-----
Ministry\Agency\Institution:	-----
Mailing address:	----- ----- ----- ----- ----- -----
Telephone:	-----
Fax:	-----
Email:	-----

Any other information of relevance:

Thank you very much for your time.

3) QUESTIONNAIRE FOR NATIONAL BANKERS' ASSOCIATION

INSTRUCTIONS FOR COMPLETION OF THE QUESTIONNAIRE

In view of your expertise and knowledge of the topics dealt with, we ask for your kind co-operation in answering this questionnaire, prepared as part of the Study *Cost-Benefit Analysis of Transparency Requirements in the Company/Corporate Field and Banking Sector relevant for the fight against money laundering and other financial crime*. This Study has been awarded to Transcrime, Joint Research Centre on Transnational Crime, Università degli Studi di Trento/Università Cattolica del Sacro Cuore di Milano (Italy) by the European Commission, DG JLS.

Aim of the Study

Within the framework of the European fight against money laundering, this study aims to analyse, in each of the 25 Member States, the costs and benefits deriving from the introduction of two different disclosure systems of beneficial ownership in public and private unlisted companies.

The first system, which is embodied in the EU Third Anti Money Laundering Directive 2005/60/EC (hereafter Third Directive), places on financial and business intermediaries the duty to disclose beneficial ownership of companies for which their services are provided.

The second system is a hypothetical disclosure system whereby the duty to disclose beneficial ownership of public and private unlisted companies is placed on a) the actual beneficial owner, who should notify details of his/her ownership to the company b) the registered owner, when not coinciding with the beneficial owner, who should provide details of whom he believes the beneficial owner to be, and c) the actual company, which should collect this information in a database and make it available to law enforcement agencies and to the wider public.

What we are asking you with this questionnaire

This questionnaire is specifically addressed to the National Bankers' Association in your country. The aim is to collect information necessary to perform the cost-benefit analysis. The questionnaire has 4 sections, designed to collect key information on various topics, as follows:

- section 1. on the national banking sector in your country;
- section 2. on banks' clients and on the collection of data on clients' by banks;
- section 3. on banks and risk of money laundering;
- section 4. on banks and anti money laundering legislation.

We would also be happy to receive any forms for data collection, or published documents, statistical or research reports that illustrate your replies to the questionnaire.

How to answer to this questionnaire

Please try to answer each question. Where this is not possible, please explain the reason for the "blank" (e.g. "no available data", "confidential data", etc.). In the whole questionnaire, where any monetary value is requested, please use, if possible, the national currency unit. Where not specified, please consider 2005 data, or the most recent data available, specifying the year.

Deadline for answering the questionnaire

Please consider the deadline for replying to this questionnaire as 18th of December 2006.

Please return this questionnaire to both:

ernesto.savona@unicatt.it

Jacopo.ponticelli@unicatt.it

Your co-operation in the Study will be fully acknowledged in the Final Report, a copy of which will be sent to you. We hope that you will make every attempt to complete the questionnaire and ask for assistance from others in your country if you feel that they can give more complete answers than you can.

Contact us

If you have any further queries please get in touch with:

Jacopo Ponticelli, Transcrime researcher (English, French, Italian)

Tel: +39 02 7234.3715/3716, Fax: +39 02 7234.3721

e-mail: jacopo.ponticelli@unicatt.it

Thanking you in advance for your fruitful co-operation, I remain

Yours sincerely



Ernesto U. Savona

Director of TRANSCRIME

SECTION 1. KEY INFORMATION ON THE NATIONAL BANKING SECTOR

This section aims to collect information on the national banking sector in your country. In particular we are interested in gathering data on the members of your National Bankers' Association (NBA), their ownership structure, their income distribution per area of business, and other data regarding the national banking sector labour force and level of market concentration.

1. Please insert in the table below the number of National Bankers' Association members and the total value of their assets, per type of company.

Type of company	Number of members of the National Bankers' Association	Total Assets ⁴⁰⁷ (currency _____)
a) Unlisted companies <i>Of which:</i>		
– Public companies ⁴⁰⁸		
– Private companies ⁴⁰⁹		
– Credit unions		
b) Listed companies		
TOTAL		

⁴⁰⁷ Please consider Assets book value.

⁴⁰⁸ Here we refer the term 'public company' to the following types of company: Aktiengesellschaft (*Germany*), Société anonyme /de Naamloze vennootschap (*Belgium*), Aktieselskaber (*Denmark*), Société anonyme (*France*), Public companies limited by shares, and public companies limited by guarantee having a share capital (*Ireland*), Società per azioni (*Italy*), Société anonyme (*Luxembourg*), Naamloze vennootschap (*Netherlands*), public companies limited by shares, and public companies limited by guarantee having a share capital (*United Kingdom*), η ανώνυμη εταιρία (*Greece*), Sociedad anónima (*Spain*), Sociedade anónima de responsabilidade limitada (*Portugal*), Aktiengesellschaft (*Austria*); Osakeyhtiö/Aktiebolag (*Finland*), Aktiebolag (*Sweden*).

⁴⁰⁹ Here we refer the term 'private company' to the following types of company: Gesellschaft mit beschränkter Haftung (*Germany*), Société privée à responsabilité limitée / de besloten vennootschap met beperkte aansprakelijkheid (*Belgium*), Anpartsselskaber (*Denmark*), Sociedad de responsabilidad limitada (*Spain*), Société à responsabilité limitée (*France*), Εταιρεία περιορισμένης ευθύνης (*Greece*), Private company limited by shares or by guarantee (*Ireland*), Società a responsabilità limitata (*Italy*), Société à responsabilité limitée (*Luxembourg*), Besloten vennootschap met beperkte aansprakelijkheid (*Netherlands*), Sociedade por quotas (*Portugal*), Private company limited by shares or by guarantee (*United Kingdom*), Aktiengesellschaft, Gesellschaft mit beschränkter Haftung (*Austria*), Osakeyhtiö/aktiebolag (*Finland*), Aktiebolag (*Sweden*).

2. Please insert in the table below the number of National Bankers' Association members and the total value of their assets, per type of ownership structure.

Type of ownership structure	Number of banks/banking groups	Total Assets (currency_____)
Banking groups		
National banks belonging to a national banking group		
National banks belonging to a foreign banking group		
Foreign banks belonging to a national banking group		
Foreign banks subsidiaries		
National banks foreign subsidiaries		
Independent banks		

3. We would like now to understand the level of market concentration in the national banking sector. Please fill out the table below with the following information a) total assets of the top 5 banks/banking groups in terms of value of assets; b) the number of small banks;⁴¹⁰ c) the banking sector Herfindahl Index (where available):

Total assets of the top 5 banks/banking groups	_____ currency_____
Number of small banks	_____
Banking sector Herfindahl index	_____

⁴¹⁰ Here we refer the term "small banks" to banks with intermediated funds below 1 billion euro.

4. Please indicate in the table below the operating income and net income of the national banking sector (in euro or local currency), per area of business:

Areas of business	Operating income (currency _____)	Net income (currency _____)
Retail banking ⁴¹¹		
Corporate banking ⁴¹²		
Merchant banking ⁴¹³		
Trading /Brokering		
Asset management		
TOTAL		

5. Please report the total number of employees of the national banking sector in 2005:

6. Please estimate the average gross hourly labour cost⁴¹⁴ (in euro or national currency) and the annual average salary per employee in the banking sector:

Average gross hourly labour cost per employee in the banking sector	----- currency-----
Annual average salary per employee in the banking sector	----- currency-----

⁴¹¹ Retail banking includes services of savings and checking accounts, mortgages, personal loans, debit cards, credit cards, and so forth.

⁴¹² Corporate banking includes any service of advisory and consultancy to companies and enterprises such as M&A advisory, equity underwriting, debt underwriting.

⁴¹³ Merchant banking includes banks' activity in proprietary trading, and/or as institutional investor, private equity and venture capital investor.

⁴¹⁴ Please include: a) average wage on hourly basis; b) employers' social security contributions; c) employment related taxes.

SECTION 2. KEY INFORMATION ON BANKS' CLIENTS AND ON THE COLLECTION OF DATA ON CLIENTS BY BANKS

This section aims at gathering data on the clients⁴¹⁵ of the National Bankers' Association (NBA) members and to understand how NBA members collect data about their clients, in particular when dealing with unlisted companies.

2.1 Key information on banks' clients
--

7. Please indicate in the table below the number of banks' clients per type of client in your country in 2005:

Type of client:	Number of clients
Households	
Companies <i>of which</i>	
Unlisted companies	
Listed companies	

8. Please indicate the value of exposure, in terms of deposits and loans, of banks toward households and companies in 2005 in your country:

	Value of national banks exposure (currency_____)
Total customers deposits ⁴¹⁶ <i>of which:</i>	
Households' deposits	
Companies' deposits <i>of which:</i>	
Unlisted companies deposits	
Total loans to customers <i>of which:</i>	
loans to households	
loans to companies <i>of which:</i>	
loans to unlisted companies	

⁴¹⁵ We define as 'clients' all the subjects having any relationship with banks and commonly identified as customers, investors, policyholders, buyers, contractors, creditors.

⁴¹⁶ Including direct and indirect customer deposits.

9. Please estimate the average number of transactions, respectively per household and per unlisted company, in the year 2005.

The term “transaction” herein covers every kind of operation over which any vigilance is requested by Anti Money Laundering Legislation in your country.

Average number of transactions <u>per household</u> - year 2005	-----
Average number of transactions <u>per unlisted company</u> - year 2005	-----

2.2 Key information on the collection of data on clients by national banks

Please consider that the term ‘client’, in all the questions of this sub-section, refers only to ‘unlisted companies’.

10. On a scale from 1 to 4, please assess the degree of knowledge that banks have of the following client related issues.

(1 = weak knowledge; 2 = sufficient knowledge; 3 = good knowledge; 4 = very good knowledge)

Client related issues	Degree of knowledge of the issue			
Nature and purposes of the transaction requested by the client	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Clients’ financial and economic situation	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Clients’ shareholding	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Clients’ ownership structure	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Clients’ beneficial ownership ⁴¹⁷	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4
Relations of the client with other clients/banks/institutions	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4

11. Are credit institutions in your country required by law (e.g. for tax purposes) to collect information about clients’ ownership structure and shareholding?

<input type="checkbox"/> Yes (go to question 12)	<input type="checkbox"/> No (go directly to question 13)
--	--

Specify which authorities requires credit institutions to perform this data collection, if any: ----- ----- -----
--

⁴¹⁷ On the basis of the Third EU Anti Money Laundering Directive, the term ‘Beneficial Owner’ here means the natural person(s) who ultimately owns or controls their customer, both through direct or indirect ownership or control over 25% of the shares or voting rights of the company, including through bearer share holdings.

12. If you replied YES to question n. 11, are credit institutions in your country required by law (e.g. for tax purposes) to keep an in-house database of the information about clients' ownership structure and shareholding?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
------------------------------	-----------------------------

13. According to your experience, please rank from 1 to 6 the following reasons for the collection of information about clients' ownership structure and shareholding by banks:

(1=most relevant reason; 6=least relevant reason)

Reasons for the collection of information about clients' ownership structure and shareholding by banks	Ranking
a) Marketing	
b) Avoiding fraud	
c) Avoiding financial risk	
d) Complying with requirements on banks credit risk assessment (e.g. Basel II)	
e) Complying with fiscal duties	
f) Complying with Anti Money laundering requirements	
g) Other (specify.....)	

14. According to your experience, please rank from 1 to 5 the following banking areas of business in terms of quantity of information collected about clients' ownership structure and shareholding:

(1=largest quantity of information collected about clients' ownership structure and shareholding; 5= smallest quantity of information collected about clients' ownership structure and shareholding)

Banking areas of business:	Ranking
Retail banking	
Corporate banking	
Merchant banking	
Trading and brokering	
Asset management	

15. According to your experience, please rank from 1 to 7 the following data sources in terms of frequency of their use by banks in the collection of data about clients' ownership structure and shareholding:

(1 = most frequently used data source and 7 = least frequently used data source)

Data sources:	Ranking
National Companies Registry	
Foreign Companies Registries	
Institutional databases	
Documentation presented by clients	
Media and Internet	
Documentation presented by other bank divisions or branches	
Specialized investigation agencies	
Other (specify _____)	

SECTION 3. BANKS AND RISK OF MONEY LAUNDERING

This section aims to investigate the risk for banks of being used for money laundering purposes. We ask you to assess the level of money laundering risk per banking area of business, type of banking operation and client characteristics.

16. According to your experience, please rank from 1 to 5 the following banking areas of business in terms of exposure to the risk of being used for money laundering purposes.

(1 = area most exposed to the risk of being used for money laundering purposes and 5 = area least exposed to the risk of being used for money laundering purposes)

Banking areas of business	Ranking
Retail banking	
Corporate banking	
Merchant banking	
Trading and brokering	
Asset management	

17. According to your experience, please rank from 1 to 7 the following types of operation in terms of risk of being used for money laundering purposes:

(where 1 = highest risk of being used for money laundering purposes and 7 = lowest risk of being used for money laundering purposes):

Types of operation	Ranking
Cash operations	
Domestic bank transfers	
International bank transfers	
Money transfer	
Negotiated bank draft	
Negotiated securities	
Other financial instruments and derivatives	
Other (Specify.....)	

18. According to your experience, please rank from 1 to 6 the following types of information on bank clients (only unlisted companies) in terms of relevance for detecting a suspicious money laundering operation:

(1 = most relevant type of information; 6= least relevant type of information)

Type of information on banks' clients	Ranking
Location of the registered office	
Business sector of activity	
Company size	
Legal form	
Company ownership structure	
Company shareholding	
Other (please specify.....)	

19. Please list below the four domestic or foreign legal entities that, in your opinion, are more likely to be used for money laundering purposes. For foreign legal entities, please indicate also the name of the country foreseeing it (e.g "Dutch stichting").

1).....
2).....
3).....
4).....

20. According to your experience, please rank from 1 to 4 the following causes of capital outflow from your country to other EU countries and off-shore centres:

(1 = most relevant cause of capital outflow; 3 = least relevant cause of capital outflow)

Causes of capital outflows	Ranking
Fiscal advantages	
Anti money laundering legislation	
Ownership structure advantages	
Other.....	

SECTION 4. BANKS AND ANTI MONEY LAUNDERING LEGISLATION

Subsection 4.1 Current EU Anti Money Laundering Legislation

This subsection aims to collect information on the impact of EU Anti Money Laundering regulations currently implemented in your country on the national banking sector. In particular, we would like to understand the impact of current Anti Money Laundering requirements on the operating costs of credit institutions and on the reporting of Suspicious Transaction Reports (STR) to the national Financial Intelligence Unit (FIU).

21. Please estimate below the average time per client needed by bank personnel to fulfil each of the following current anti-money laundering duties:

Current anti money laundering duties:	<u>Average time per client</u> required to fulfil the current anti-money laundering duties: (minutes)
a) Time required to identify the client at the beginning of the business relationship (i.e. to check and record client's data in the internal database)	
b) Time required to check and record in the internal database every single additional transaction carried out by an already identified client	
c) Time required to fill out a Suspicious Transaction Report (STR)	

22. Please estimate below the average time per year (expressed in hours of labour) devoted by a bank to employee training on their anti money laundering duties

.....hours of labour per year

23. Please estimate below the average annual cost – total and/or as a percentage of the 2005 operating costs – faced by a bank in the year 2005 for internal controls aimed at checking the bank employees' level of compliance with the current anti money laundering duties.

	Total	As a % of the 2005 operating costs
Average annual cost for internal controls in 2005 currency.....	:.....

24. Please estimate below the average annual Information and Communication Technology (ICT) cost – total and/or as a percentage of the 2005 operating costs – faced by a bank in the year 2005 to comply with the current anti money laundering regulation.

	Total	As a % of the 2005 operating costs
Average annual cost for ICT in 2005 currency.....	:.....

25. Please indicate below the annual number of Suspicious Transaction Reports (from now on STRs) filed by the banks to the national FIU in the years 2000 to 2006

	2000	2001	2002	2003	2004	2005	2006 (Up to ____ - specify month)
Annual number of STRs filed by banks to the national FIU							

26. Please indicate below the annual number of STRs involving unlisted companies filed by the banks to the national FIU in the years 2000 to 2006, divided per banking area of business in which the suspected transaction is detected:

Banking area of business in which the suspected transaction is detected	2000	2001	2002	2003	2004	2005	2006 (Up to ____ - specify month)
Retail banking							
Corporate banking							
Merchant banking							
Trading/brokering							
Asset management							
TOTAL STRs INVOLVING UNLISTED COMPANIES							

Subsection 4.2 The Third EU Anti Money Laundering Directive

This subsection aims to estimate the impact of the Third EU Anti Money Laundering Directive (hereafter Third Directive) on the banking sector of your country. In particular we are interested in estimating the costs and benefits, for the single bank and the banking sector as a whole, arising from the duty to identify and disclose the beneficial ownership⁴¹⁸ of the client (article 8, comma 1, letter b of the Directive), when the client is a company. Please bear in mind that our analysis is focused only on private or public unlisted companies; therefore please answer the following questions referring only to unlisted companies.

27. Please estimate below the average time per client needed by bank personnel to fulfil each of the following anti-money laundering duties imposed by the Third Directive:

Anti money laundering duties imposed by the Third Directive:	Average time per client required to fulfil anti-money laundering duties imposed by the Third Directive: (minutes)
a) Time required to identify the beneficial owner(s) at the beginning of the business relationship	
b) Time required to add the beneficial owner information in the internal database	
c) Time required to add beneficial owner information in the STR	

28. Please estimate below the average time per year (expressed in hours of labour) that, with the Third Directive, would be devoted by a bank to employee training on anti money laundering duties

-----hours of labour per year

29. Please estimate below the average annual cost that would be faced by a bank for internal controls aimed at checking bank employee level of compliance with the Third Directive:

	Total
Average annual cost for internal controls under the Third Directive	----- currency-----

30. Please estimate below the average annual Information and Communication Technology (ICT) cost that would be faced by a bank to comply with the Third Directive:

	Total
Average annual cost for ICT under the Third Directive	----- currency-----

⁴¹⁸ On the basis of the Third EU Anti Money Laundering Directive, the term 'Beneficial Owner' here means the natural person(s) who ultimately owns or controls their customer, both through direct or indirect ownership or control over 25% of the shares or voting rights of the company, including through bearer share holdings.

31. According to your experience, please rank from 1 to 7 the following data sources in terms of frequency of their use by banks in the collection of data about clients' beneficial ownership:

(1 = most frequently used data source and 7 = least frequently used data source)

Data sources:	Ranking
National Companies Registry	
Foreign Companies Registries	
Institutional databases (eg. sectorial associations or confederations databases)	
Documentation presented by clients	
Media and internet	
Documentation presented by other bank divisions or branches	
Specialized investigation agencies	
Other (specify.....)	

32. Please indicate your degree of agreement/disagreement with the following statement:

"Implementation of the Third Directive in my country, and especially of the requirements implying companies' beneficial ownership disclosure, could lead to an increase in capital outflow from the national banking sector to other foreign countries, both EU and non EU".

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
Justify your choice ----- ----- -----		Please estimate the amount of capital that could outflow annually abroad as a consequence of the implementation of the Third Directive:	
		Annual capital outflow as a consequence of the implementation of the Third Directive <i>of which</i>	----- currency:-----
		- directed to other EU countries (specify some possible countries: -----) -----)	----- currency:-----
		- directed to non-EU countries (specify some possible countries: -----) -----)	----- currency:-----

33. Please indicate your degree of agreement/disagreement with the following statement:

"The increase in operating costs of the national banking sector due to implementation of the Third Directive in my country, and in particular in costs arising from the beneficial ownership disclosure, could lead some banks to increase prices and fees of their financial products and services".

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
Justify your choice ----- ----- -----		Please estimate the percentage growth of banking prices and fees of financial products and services, due to the implementation of the Third Directive:	
		- percentage growth of financial products prices	-----%
		- percentage growth of financial services fees	-----%

34. Please indicate your degree of agreement/disagreement with the following statement:

“The increase in the operating costs of the national banking sector due to implementation of the Third Directive in my country, and in particular in costs arising from beneficial ownership disclosure, could lead some banks to refuse execution of transactions in which monetary costs arising from compliance with Third Directive duties exceed the benefits (in terms of revenues, fees and other economic and financial benefits) related to the transaction”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

35. Please indicate your degree of agreement/disagreement with the following statement:

“Implementation of the Third Directive in my country, and especially of the requirements implying companies’ beneficial ownership disclosure, could lead some banks to refuse execution of some transactions in order to avoid any reputation cost”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

36. Please indicate your degree of agreement/disagreement with the following statement:

“The increase in the operating costs of the national banking sector due to implementation of the Third Directive in my country, and in particular in costs arising from beneficial ownership disclosure, could be a barrier to entry into the national banking sector, increasing the level of banking sector market concentration”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

37. Please estimate the annual lobbying costs that the National Bankers’ Association is willing to bear to defend its members’ interests when faced by implementation of the Third Directive:

Annual lobbying costs(currency.....)
-----------------------	----------------------

38. Please indicate your degree of agreement/disagreement with the following statement:

“Implementation of the Third Directive in my country could lead to better knowledge of clients by banks, promoting better allocation of resources among customers, and a wider and more “customized” range of financial products offered”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

39. Please indicate your degree of agreement/disagreement with the following statement:

“Implementation of the Third Directive in my country could lead to better knowledge of clients by banks, leading to stabilisation of banks’ balance sheets and to reduction of banks’ credit risk through a decrease in non-performing loans”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
		Please estimate the possible annual decrease of banks’ deteriorated loans as a percentage of total loans due to implementation of the Third Directive:%	

40. Please indicate your degree of agreement/disagreement with the following statement:

“Implementation of the Third Directive in my country, and especially the beneficial ownership disclosure duties, could bring national banks to compete more on financial performance, rather than in offering disguise of beneficial ownership”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

41. Please indicate your degree of agreement/disagreement with the following statement:

“Implementation and enactment of the Third Directive in my country could increase the level of transparency and efficiency of the national banking sector, thus leading to an increase of capital inflow and foreign direct investment in the national banking sector”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
Justify your choice ----- ----- ----- -----	Please estimate the annual monetary value of capital inflow and of foreign investment in the national banking sector due to implementation of the Third Directive: ----- currency-----		

CONTACT DETAILS OF THE PERSON WHO COMPILED THE QUESTIONNAIRE

Please fill in the Table below with your details.

<u>COUNTRY:</u>	-----
-----------------	-------

CONTACT PERSON:

Name:	-----
Position:	-----
Ministry\Agency\Institution:	-----
Mailing address:	----- ----- ----- ----- ----- -----
Telephone:	-----
Fax:	-----
Email:	-----

Any other information of relevance:

Thank you very much for your time.

4) QUESTIONNAIRE FOR COMPANIES REGISTRY OFFICE

INSTRUCTIONS FOR COMPLETION OF THE QUESTIONNAIRE

In view of your expertise and knowledge of the topics dealt with, we ask for your kind co-operation in answering this questionnaire, prepared as part of the Study *Cost-Benefit Analysis of Transparency Requirements in the Company/Corporate Field and Banking Sector relevant for the fight against money laundering and other financial crime*. This Study has been awarded to Transcrime, Joint Research Centre on Transnational Crime, Università degli Studi di Trento/Università Cattolica del Sacro Cuore di Milano (Italy) by the European Commission, DG JLS.

Aim of the Study

Within the framework of the European fight against money laundering, this study aims to analyse, in each of the 25 Member States, the costs and benefits deriving from the introduction of two different disclosure systems of beneficial ownership in public and private unlisted companies.

The first system, which is embodied in the EU Third Anti Money Laundering Directive 2005/60/EC (hereafter Third Directive), charges financial and business intermediaries with the duty to disclose beneficial ownership of companies for which their services are provided.

The second system is a hypothetical disclosure system whereby the duty to disclose beneficial ownership of public and private unlisted companies is placed on a) the actual beneficial owner, who should notify to the company details of his/her ownership, b) the registered owner, when not coinciding with the beneficial owner, who should provide details of whom he believes the beneficial owner to be, and c) the actual company, which should collect this information in a database and make it available to law enforcement agencies and to the wider public.

What we are asking you with this questionnaire

This questionnaire is specifically addressed to the national agency delegated by government to manage the national Companies Registry. As this agency assumes different names in different EU member states we decided to define it in this questionnaire as the "Companies Registry Office". Here by the term "Companies Registry" we refer to the central registry of a given country where data on companies and their shareholders is stored.

The aim is to collect information necessary to perform the cost-benefit analysis. This questionnaire is divided into 3 sections, these are as follows:

- section 1. background data on the Companies Registry;
- section 2. kind of information (variables) on which data is collected in the Companies Registry and dissemination of the data
- section 3. information on the legal entities registered in the Companies Registry
- section 4. updating company information stored in Companies Registry

We would also be happy to receive any forms for data collection, or published documents, statistical or research reports that illustrate your replies to the questionnaire.

Deadline for answering the questionnaire

Please consider the deadline for replying to this questionnaire as 18th of December 2006.

Please return this questionnaire to both:

ernesto.savona@unicatt.it

jacopo.ponticelli@unicatt.it

Your co-operation in the Study will be fully acknowledged in the Final Report, a copy of which will be sent to you. We hope that you will make every attempt to complete the questionnaire and ask for assistance from others in your country if you feel that they can give more complete answers than you can.

Contact us

If you have any further queries please get in touch with:

Jacopo Ponticelli, Transcrime researcher (English, French, Italian)

Tel: +39 02 7234.3715/3716, Fax: +39 02 7234.3721

e-mail: jacopo.ponticelli@unicatt.it

Thanking you in advance for your fruitful co-operation, I remain

Yours sincerely



Ernesto U. Savona

Director of TRANSCRIME

SECTION 1. BACKGROUND DATA ON THE COMPANIES REGISTRY

1. The national Companies Registry in your country is:

<input type="checkbox"/> an electronic registry	<input type="checkbox"/> paper-based registry
---	---

2. Which agency/institution/entity is/are the legal owner/s of the data stored in the national Companies Registry?

3. Please indicate in the table below the 2005 annual budget of the Companies Registry office.

Annual budget of the Companies Registry office in 2005	_____ currency_____
--	---------------------

4. Please tick the main source/s of funding of the Companies Registry office. For each of the selected sources, please indicate how much was contributed, in percentage of the total, to the 2005 annual budget of the office.

Principal source/s of funding of the Companies Registry Office (tick all the relevant answers):	% of the 2005 annual budget
<input type="checkbox"/> Fees paid by registered companies	
<input type="checkbox"/> Income from services to third parties (e.g. selling of company data)	
<input type="checkbox"/> Government contributions	
<input type="checkbox"/> European Union contributions	
<input type="checkbox"/> Other_____	
<input type="checkbox"/> Other_____	

5. Does the Companies Registry office outsource some activities (e.g. data entry) to external agencies?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
Specify which kind of activity ----- -----	

SECTION 2. KIND OF INFORMATION (VARIABLES) ON WHICH DATA IS COLLECTED IN THE COMPANIES REGISTRY AND DISSEMINATION OF DATA

6. Which legal entity/ies must register in the national Companies Registry? (*tick all the relevant boxes*)

Unlimited companies	<input type="checkbox"/>
Limited companies	<input type="checkbox"/>
Non-company legal entities, <i>specify:</i>	
Foundations ⁴¹⁹	<input type="checkbox"/>
Trusts ⁴²⁰	<input type="checkbox"/>
Associations	<input type="checkbox"/>
One-man businesses	<input type="checkbox"/>
Other_____	<input type="checkbox"/>

7. If you have ticked, in your reply to question n. 6, the option 'unlimited companies', please indicate in the table below the kind of information that an unlimited company has to file with the Companies Registry in order to be registered (*tick all the relevant boxes*)

<input type="checkbox"/>	Company name
<input type="checkbox"/>	Registered office
<input type="checkbox"/>	Legal form
<input type="checkbox"/>	Legal status (dissolved/active)
<input type="checkbox"/>	Type of business
<input type="checkbox"/>	Financial information <i>if you tick this box, please indicate below the details required:</i>
<input type="checkbox"/>	Balance sheet
<input type="checkbox"/>	Income statement
<input type="checkbox"/>	Articles of association
<input type="checkbox"/>	Membership <i>if you tick this box, please indicate below the details required:</i>
<input type="checkbox"/>	Name and surname
<input type="checkbox"/>	Address
<input type="checkbox"/>	Personal identification (Identity card, passport number, other: specify_____)
<input type="checkbox"/>	Beneficial ownership
<input type="checkbox"/>	Group structure
<input type="checkbox"/>	Company directors

⁴¹⁹ A foundation (based on the Roman law *universitas rerum*) is the civil law equivalent to a common law trust in that it may be used for similar purposes. A foundation traditionally requires property dedicated to a particular purpose. Typically the income derived from the principal assets is used to fulfil the statutory purpose. A foundation is a corporate vehicle and as such may engage in and conduct business.

⁴²⁰ A trust is a corporate vehicle that separates legal ownership (control) from beneficial ownership. Trusts are important for transferring and managing assets. Trusts are common law vehicles. They are usually restricted in duration.

8. If you have ticked, in your reply to question n. 6, the option 'limited companies', please indicate in the table below the kind of information that a limited company has to file with the Companies Registry in order to be registered (*tick all the relevant boxes*)

<input type="checkbox"/>	Company name
<input type="checkbox"/>	Registered office
<input type="checkbox"/>	Legal form
<input type="checkbox"/>	Legal status (dissolved/active)
<input type="checkbox"/>	Type of business
<input type="checkbox"/>	Financial information <i>if you tick this box, please indicate below the details required:</i>
<input type="checkbox"/>	Balance sheet
<input type="checkbox"/>	Income statement
<input type="checkbox"/>	Share capital movements
<input type="checkbox"/>	Articles of association
<input type="checkbox"/>	List of present shareholders ⁴²¹ ; <i>if you tick this box, please indicate below the details required:</i>
<input type="checkbox"/>	Name and surname
<input type="checkbox"/>	Address
<input type="checkbox"/>	Personal identification (Identity card, passport number, other: specify _____)
<input type="checkbox"/>	Type, class and number of shares held
	Other: _____
	<i>If the shareholder is a legal entity, if you tick this box, please indicate below the details required:</i>
<input type="checkbox"/>	Legal entity name
<input type="checkbox"/>	Registered office
<input type="checkbox"/>	Incorporation code (if any)
	Other: _____
<input type="checkbox"/>	List of past shareholders ⁴²² ; <i>if you tick this box, please indicate below the details required:</i>
<input type="checkbox"/>	Name and surname
<input type="checkbox"/>	Address
<input type="checkbox"/>	Personal identification (Identity card, passport number, other: specify _____)
<input type="checkbox"/>	Data of cessation of shareholding
	Other: _____
<input type="checkbox"/>	Company directors; <i>if you tick this box, please indicate below the details required:</i>
<input type="checkbox"/>	Name and surname
<input type="checkbox"/>	Address
<input type="checkbox"/>	Personal identification (Identity card, passport number, other: specify _____)
<input type="checkbox"/>	Other directorships
	Other: _____
<input type="checkbox"/>	Company shadow directors
<input type="checkbox"/>	List of past managers/directors
<input type="checkbox"/>	Beneficial ownership
<input type="checkbox"/>	Group structure

⁴²¹ Persons holding shares or voting rights at present.

⁴²² Persons who have held shares or voting rights in the past (but not at present).

9. If you have ticked, in your reply to question n. 6, the option 'non-company entities'(such as foundations, trusts or associations), please indicate in the table below the kind of information that a non-company entity has to file with the Companies Registry in order to be registered (*tick all the relevant boxes*)

<input type="checkbox"/>	Entity name
<input type="checkbox"/>	Registered office
<input type="checkbox"/>	Legal status (dissolved/active)
<input type="checkbox"/>	Type of business
<input type="checkbox"/>	List of Investors/ creditors <i>if you tick this box, please indicate below the details required:</i>
<input type="checkbox"/>	Name and surname
<input type="checkbox"/>	Address
<input type="checkbox"/>	Personal identification (Identity card, passport number, other: specify _____)
<input type="checkbox"/>	Investment/loan amounts
<input type="checkbox"/>	Articles of association
<input type="checkbox"/>	Beneficial ownership
<input type="checkbox"/>	Stakes held in other companies / legal entities

10. Is Companies Registry data disseminated to the public?

<input type="checkbox"/>	Yes, all Companies Registry data is made available to the public
<input type="checkbox"/>	Yes, some Companies Registry data is made available to the public
<input type="checkbox"/>	No (go directly to question n. 14)

11. If your answer to question n. 10 is YES, is there an exclusive distributor to the public of the data stored in the Companies Registry?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
Specify the name of the exclusive distributor of data stored in the Companies Registry	Specify the name of the main authorised distributors of data stored in the Companies Registry
-----	-----
-----	-----
-----	-----

12. Please tick in the table below a) the kind of company information stored in the Companies Registry that is currently available to the public (*tick all relevant boxes*), b) the number of requests of access, per kind of company information, in the year 2005; c) the 2005 average price to the public, per each request of access.

a) Kind of company information stored in the Companies Registry and made available to the public		b) Number of requests of access in 2005	c) Average price to the public, per each request of access (currency_____)
<input type="checkbox"/>	Company profile (name, registered office, legal form, activity information, articles of association)		
<input type="checkbox"/>	Balance sheet		
<input type="checkbox"/>	Income statement		
<input type="checkbox"/>	Present shareholding		
<input type="checkbox"/>	Past shareholding		
<input type="checkbox"/>	Present directorship		
<input type="checkbox"/>	Beneficial ownership		
<input type="checkbox"/>	Group structure		

13. Is the Companies Registry database accessible on-line to law enforcement agencies?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
	Please estimate the costs for making the Companies Registry accessible on line to law enforcement agencies. Please include in your estimate software and hardware costs, as well as labour cost for programming and data entry. My estimate is _____currency_____

SECTION 3. INFORMATION ON THE LEGAL ENTITIES REGISTERED IN THE COMPANIES REGISTRY

14. Please indicate in the table below the number of legal entities registered in the national Companies Registry at the 31.12.2005, per type of legal entity.

Types of legal entities	Number of legal entities registered in the Companies Registry at the 31.12.2005
Registered legal entities (total 1+2+3+4) <i>of which:</i>	
1) <u>Limited companies</u> <i>of which:</i>	
Private companies ⁴²³	
Public companies ⁴²⁴ <i>of which</i>	
Listed	
Unlisted	
2) <u>Unlimited companies</u>	
3) <u>Non-company legal entities</u> <i>of which</i>	
Private foundations	
Trusts	
Associations	
4) <u>One-man businesses</u>	

⁴²³ Here we refer the term "private company" to the following types of company: Gesellschaft mit beschränkter Haftung (*Germany*), Société privée à responsabilité limitée / de besloten vennootschap met beperkte aansprakelijkheid (*Belgium*), Anpartsselskaber (*Denmark*), Sociedad de responsabilidad limitada (*Spain*), Société à responsabilité limitée (*France*), Εταιρεία περιορισμένης ευθύνης (*Greece*), Private company limited by shares or by guarantee (*Ireland*), Società a responsabilità limitata (*Italy*), Société à responsabilité limitée (*Luxembourg*), Besloten vennootschap met beperkte aansprakelijkheid (*Netherlands*), Sociedade por quotas (*Portugal*), Private company limited by shares or by guarantee (*United Kingdom*), Aktiengesellschaft, Gesellschaft mit beschränkter Haftung (*Austria*), Osakeyhtiö/aktiebolag (*Finland*), Aktiebolag (*Sweden*).

⁴²⁴ Here we refer the term "public company" to the following types of company: Aktiengesellschaft (*Germany*), Société anonyme /de Naamloze vennootschap (*Belgium*), Aktieselskaber (*Denmark*), Société anonyme (*France*), Public companies limited by shares, and public companies limited by guarantee having a share capital (*Ireland*), Società per azioni (*Italy*), Société anonyme (*Luxembourg*), Naamloze vennootschap (*Netherlands*), public companies limited by shares, and public companies limited by guarantee having a share capital (*United Kingdom*), η ανώνυμη εταιρεία (*Greece*), Sociedad anónima (*Spain*), Sociedade anónima de responsabilidade limitada (*Portugal*), Aktiengesellschaft (*Austria*); Osakeyhtiö/Aktiebolag (*Finland*), Aktiebolag (*Sweden*).

15. Please indicate in the table below the total number of shareholders of limited companies registered in the national Companies Registry in 2005.

16. Please classify the total number of shareholders of limited companies indicated in your reply to question n.16 by type of shareholder.

Types of shareholders	Number of shareholders of limited companies in 2005, by type
- natural persons	-----
- limited companies	-----
- non-company entities (trusts, associations, foundations)	-----

17. Please indicate in the table below: a) the number of unlisted companies with up to 2 legal shareholders and b) the number of unlisted companies with more than 2 legal shareholders

a) number of unlisted companies with up to 2 legal shareholders	Number:-----
b) number of unlisted companies with more than 2 legal shareholders	Number:-----

18. Please estimate the average number of shareholders per unlisted company in your country in the year 2005:

19. Please indicate in the table below: a) the total number of legal shareholders holding more than 10% of the issued capital in registered unlisted companies in 2005 and b) the total number of legal shareholders holding more than 25% of the issued capital in registered unlisted companies in 2005:

a) Total number of legal shareholders holding more than <u>10%</u> of the issued capital in registered unlisted companies in 2005	-----
b) Total number of legal shareholders holding more than <u>25%</u> of the issued capital in registered unlisted companies in 2005	-----

SECTION 4. UPDATING COMPANY INFORMATION STORED IN COMPANIES REGISTRY

20. In your country, does a registered unlisted company have the duty to notify the Companies Registry of any transfer of legal ownership of shares?

<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
Please specify the kinds of transfer that a registered unlisted company has to notify to the Companies Registry			
<input type="checkbox"/>	any kind of transfer of legal ownership of shares		
<input type="checkbox"/>	only transfers that cause the holding of a single shareholder to exceed or fall below a specific threshold in % of the issued capital please specify the specific threshold in % of the issued capital: ----- -----		
Please specify the timing of the notification of such transfers to the Central Registry			
<input type="checkbox"/>	Once a year (i.e. annual return)		
<input type="checkbox"/>	Within a certain time limit from the date of the transfer Please specify this time limit -----		

21. Is there a specific "form" that unlisted companies can use in order to notify transfers of legal ownership of shares to the national Companies Registry?

<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
Please specify the time necessary on average to fill this form ----- minutes		Please specify how companies notify transfers of legal ownership of shares to the national Companies Registry: ----- ----- ----- -----	
Please specify how this form is sent to national Companies Registry			
<input type="checkbox"/>	Paper form sent by post		
<input type="checkbox"/>	Paper form sent by fax		
<input type="checkbox"/>	Digital form sent on-line		
<input type="checkbox"/>	Other -----		

22. Please indicate in the table below the number of annual transfers of legal ownership of shares in unlisted companies for the period 2000–2005

	2000	2001	2002	2003	2004	2005
Number of annual transfers of legal ownership of shares in unlisted companies						

23. Please estimate the average gross hourly labour cost for companies' secretarial personnel in your country⁴²⁵

Average gross hourly labour cost for companies' secretarial personnel	-----currency:----- per hour
---	------------------------------

⁴²⁵ Please include: a) average wage on hourly basis; b) employers' social security contributions; c) employment related taxes.

CONTACT DETAILS OF THE PERSON WHO COMPILED THE QUESTIONNAIRE

Please fill in the Table below with your details.

<u>COUNTRY:</u>	-----
-----------------	-------

CONTACT PERSON:

Name:	-----
Position:	-----
Ministry\Agency\Institution:	-----
Mailing address:	----- ----- ----- ----- ----- -----
Telephone:	-----
Fax:	-----
Email:	-----

Any other information of relevance:

Thank you very much for your time.

5) QUESTIONNAIRE FOR NATIONAL ASSOCIATION OF ACCOUNTANTS

INSTRUCTIONS FOR COMPLETION OF THE QUESTIONNAIRE

In view of your expertise and knowledge of the topics dealt with, we ask for your kind co-operation in answering this questionnaire, prepared as part of the Study *Cost-Benefit Analysis of Transparency Requirements in the Company/Corporate Field and Banking Sector relevant for the fight against money laundering and other financial crime*. This Study has been awarded to Transcrime, Joint Research Centre on Transnational Crime, Università degli Studi di Trento/Università Cattolica del Sacro Cuore di Milano (Italy) by the European Commission, DG JLS.

Aim of the Study

Within the framework of the European fight against money laundering, this study aims to analyse, in each of the 25 Member States, the costs and benefits deriving from the introduction of two different disclosure systems of beneficial ownership in public and private unlisted companies.

The first system, which is embodied in the EU Third Anti Money Laundering Directive 2005/60/EC (hereafter Third Directive), charges financial and business intermediaries with the duty to disclose beneficial ownership of companies for which their services are provided.

The second system is a hypothetical disclosure system whereby the duty to disclose beneficial ownership of public and private unlisted companies is placed on a) the actual beneficial owner, who should notify to the company details of his/her ownership, b) the registered owner, when not coinciding with the beneficial owner, who should provide details of whom he believes the beneficial owner to be, and c) the actual company, which should collect this information in a database and make it available to law enforcement agencies and to the wider public.

What we are asking you with this questionnaire

This questionnaire is specifically addressed to the National Association of Accountants that is member of the International Federation of Accountants (IFAC). The aim is to collect information necessary to perform the cost-benefit analysis. This questionnaire is divided into 3 sections, these are as follows:

- Section 1. Preliminary information on the National Association of Accountants;
- Section 2. Background data on members of your National Association of Accountants and on the national accounting sector;
- Section 3. Costs to accountants arising from national anti-money laundering legislation;
- Section 4. Self-regulation standards developed by the National Associations of Accountants to deter and/or punish accountants who aid and abet/facilitate various forms of crime, including corporate money laundering and terrorist financing arrangements.

We would also be happy to receive any forms for data collection, or published documents, statistical or research reports that illustrate your replies to the questionnaire.

How to answer to the questionnaire

In the whole questionnaire, where any monetary value is requested, please use, if possible, the national currency unit. **All questions, even where not specified, ask for 2005 data. When 2005 data is not available, please consider the most recent year for which data are available, specifying it.**

Deadline for answering the questionnaire

Please consider the deadline for replying to this questionnaire as 18th of December 2006.

Please return this questionnaire to both:

ernesto.savona@unicatt.it

jacopo.ponticelli@unicatt.it

Your co-operation in the Study will be fully acknowledged in the Final Report, a copy of which will be sent to you. We hope that you will make every attempt to complete the questionnaire and ask for assistance from others in your country if you feel that they can give more complete answers than you can.

Contact us

If you have any further queries please get in touch with:

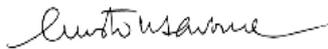
Jacopo Ponticelli, Transcrime researcher (English, French, Italian)

Tel: +39 02 7234.3715/3716, Fax: +39 02 7234.3721

E-mail: jacopo.ponticelli@unicatt.it

Thanking you in advance for your fruitful co-operation, I remain

Yours sincerely



Ernesto U. Savona

Director of TRANSCRIME

SECTION 1. PRELIMINARY IDENTIFICATION NOTES

1. Please indicate the name of the National Association of Accountants (member of the International Federation of Accountants – IFAC) that you belong to:

2. Should more than one National Association of Accountants exist in your country, please specify the share of the accounting sector represented by your Association in terms of: a) revenue of accounting firms represented by your Association; b) number of accounting firms represented by your Association

a) Revenue (expressed as a % of the national accounting sector revenue)	___%
b) Number of accounting firms (expressed as a % of the total number of accounting firms of the national accounting sector)	___%

3. Please briefly describe the procedure to get the official license to exercise the profession of accountant in your country (e.g. pass an examination, do a period of supervised training, register at the professional association, etc.):

SECTION 2. BACKGROUND DATA ON MEMBERS OF YOUR NATIONAL ASSOCIATION OF ACCOUNTANTS AND ON THE NATIONAL ACCOUNTING SECTOR

This section aims to gather data on the members of your National Accountants Association, the accounting sector income distribution per area of activity, the level of market concentration, and other data regarding labour costs for staff employees in accounting firms.

4. Please indicate in the table below the number of accounting firms registered in your National Association of Accountants:

Total number of accounting firms registered in your National Association of Accountants of which	-----
- National accounting firms	-----
- Foreign accounting firms ⁴²⁶	-----

5. Please indicate the number of individual accounting firms ⁴²⁷ registered in your National Association of Accountants:

Number of individual accounting firms registered in your National Association of Accountants	-----
--	-------

6. Please indicate the total number of people working in the accounting firms registered in your National Association of Accountants, by category (certified accountant, employee, etc.):

Total number of people working in the accounting firms registered in your Association <i>of which</i>	
- Certified accountants	
- Employees	
- Other (-----)	

7. Please estimate the average gross hourly labour cost ⁴²⁸ (in Euro or national currency) and the annual average salary per employee in the national accounting sector:

Average gross hourly labour cost per employee in the accounting sector	----- currency-----
Annual average salary per employee in the accounting sector	----- currency-----

⁴²⁶ Please include in the category 'foreign accounting firms' the national branches or subsidiaries of foreign or multinational accounting groups (KPMG, Deloitte & Touche, PricewaterhouseCoopers, etc.).

⁴²⁷ Here the term 'individual accounting firm' refers to accounting firms with only one certified accountant operating within the firm and no associates.

⁴²⁸ Please include: a) average wage on hourly basis; b) employers' social security contributions; c) employment related taxes.

8. Please indicate the number of clients of the accounting firms registered in your National Association of Accountants:

Total number of clients of the accounting firms in your National Association of Accountants <i>of which</i>	
- Natural persons	
- Public institutions and organizations	
- Companies <i>of which</i>	
- National companies	
- Foreign companies	

9. Please indicate the total revenue of the accounting firms registered in your National Association of Accountants in 2005:

Total revenue of the accounting firms registered in your National Association of Accountants (2005)	_____ (currency _____)
---	------------------------

10. Please estimate below the percentage of the total revenue of the accounting firms registered in your National Association of Accountants in 2005 (as reported in your answer to question n.10) produced: a) by national accounting firms; b) by foreign accounting firms:

Revenue produced by national accounting firms (expressed as a percentage of the total revenue of the accounting firms)	___%
Revenue produced by foreign accounting firms ⁴²⁹ (expressed as a percentage of the total revenue of the accounting firms)' revenue	___%
Total	100%

11. Please estimate below the percentage of the total revenue of the accounting firms registered in your National Association of Accountants in 2005 (as reported in your answer to question n.10) produced: a) by individual accounting firms and b) by non individual accounting firms:

Revenue produced by individual accounting firms (expressed as a percentage of the total revenue of the accounting firms)	___%
Revenue produced by non individual accounting firms ⁴³⁰ (expressed as a percentage of the total revenue of the accounting firms)' revenue	___%
Total	100%

⁴²⁹ Please include in the category the national branches or subsidiaries of foreign accounting groups (KPMG, Deloitte, PricewaterhouseCoopers, etc.)

⁴³⁰ Here the term 'non-individual accounting firm' refers to accounting firms with more than one associate certified accountant operating within the firm.

12. Please estimate below the percentage of the total revenue of the accounting firms registered in your National Association of Accountants in 2005 (as reported in your answer to question n.10) produced by the first 5 accounting firms in terms of revenue:

Revenue produced by the first 5 accounting firms in terms of revenue (expressed as a percentage of the total revenue of the accounting firms)	----%
Please specify the names of the first 5 accounting firms:	
1.-----	
2.-----	
3.-----	
4.-----	
5.-----	

13. Please estimate below the percentage of the total revenue of the accounting firms registered in your National Association of Accountants in 2005 (as reported in your answer to question n.10) due to each of the following different types of business activity:

Revenue due to <i>auditing and assurance</i> ⁴³¹ (expressed as a percentage of the total revenue of the accounting firms)	---%
Revenue due to <i>tax assistance and planning</i> ⁴³² (expressed as a percentage of the total revenue of the accounting firms)	---%
Revenue due to <i>corporate advisory</i> ⁴³³ (expressed as a percentage of the total revenue of the accounting firms)	---%
Revenue due to <i>insolvency and business recovery</i> ⁴³⁴ (expressed as a percentage of the total revenue of the accounting firms)	---%
Total	100%

14. In most of their business services (e.g. tax planning, corporate advisory), accounting firms act as advisors to companies for the constitution of new corporate vehicles.⁴³⁵ We ask you to estimate, for the year 2005, the amount of revenue generated by services in which accounting firms advised their clients on the constitution of new corporate vehicles:

Amount of revenue generated by services in which accounting firms advised their clients on the constitution of new corporate vehicles (2005)	-----currency-----
--	--------------------

⁴³¹ The term 'auditing and assurance' refers to traditional activities such as Financial statement auditing for statutory and non-statutory purposes, but also increasingly important activities related to companies' financial, compliance, operational and strategic risks, such as risk-assessment, risk-management, risk compliance evaluation.

⁴³² The term 'tax assistance and planning' refers to all the services provided in order to help clients decide on appropriate tax planning in light of their business objectives, to help to ensure their clients' compliance with tax laws, to help minimizing tax burden, also through constituting new corporate vehicles.

⁴³³ The term 'corporate advisory' refers to accountants' advisory to companies for merger and acquisitions (M&A) operations, middle market and open market operations, and every kind of consultancy to companies on strategy, structure, business performance and financial management.

⁴³⁴ The term 'insolvency and business recovery' refers to all the activities in which accountants act as receivers, liquidators or bankruptcy trustees or in which they could act advising debtors or creditor groups in cases of insolvency of companies or other institutions.

⁴³⁵The term 'corporate vehicles' include unlimited companies, limited private and public companies, trusts, foundations.

15. Please estimate below in which percentage the amount of revenue reported in your answer to question n.14 is due to: a) advisory on the constitution of national corporate vehicles; b) advisory on the constitution of other EU countries' corporate vehicles; c) advisory on the constitution of extra-EU corporate vehicles:

a) Revenue generated from the constitution of National corporate vehicles (as a percentage of the amount of revenue reported in your answer to question n.14)	---%
b) Revenue generated from the constitution of other EU countries' corporate vehicles (as a percentage of the amount of revenue reported in your answer to question n.14)	---%
c) Revenue generated from the constitution of extra-EU corporate vehicles (as a percentage of the amount of revenue reported in your answer to question n.14)	---%
Total	100%

16. Please estimate below the percentage amount of revenue reported in your answer to question n.14 due to the constitution of: a) limited companies; b) unlimited companies; c) trusts ⁴³⁶; d) foundations:⁴³⁷

a) Revenue generated by the constitution of limited companies (as a percentage of the amount of revenue reported in your answer to question n.14)	----%
b) Revenue generated by the constitution of unlimited companies (as a percentage of the amount of revenue reported in your answer to question n.14)	----%
c) Revenue generated by the constitution of trusts (as a percentage of the amount of revenue reported in your answer to question n.14)	----%
d) Revenue generated by the constitution of foundations (as a percentage of the amount of revenue reported in your answer to question n.14)	----%
Total	100%

⁴³⁶ A trust is a corporate vehicle that separates legal ownership (control) from beneficial ownership. Trusts are important for transferring and managing assets. Trusts are common law vehicles. They are usually restricted in duration.

⁴³⁷ A foundation (based on the Roman law *universitas rerum*) is the civil law equivalent to a common law trust in that it may be used for similar purposes. A foundation traditionally requires property dedicated to a particular purpose. Typically the income derived from the principal assets is used to fulfil the statutory purpose. A foundation is a corporate vehicle and as such may engage in and conduct business.

SECTION 3. COSTS TO ACCOUNTANTS ARISING FROM NATIONAL ANTI-MONEY LAUNDERING LEGISLATION

This section aims to collect information on the impact of the EU Anti Money Laundering legislation currently implemented in your country on the national accounting sector. In particular, we would like to understand the impact of current Anti Money Laundering requirements on the operating costs of the accounting firms registered in your National Association of Accountants. Please consider that the term 'client', in all the questions of this section, refers only to companies.

3.1 Costs for client identification and information registration in the internal database
--

17. Please indicate in the table below the EU Anti Money Laundering Directives that have been implemented in your country:

Directive 91/308/EEC (First Anti Money Laundering Directive)	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Directive 2001/97/EC (Second Anti Money Laundering Directive)	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Directive 2005/60/EC (Third EU Anti Money Laundering Directive)	<input type="checkbox"/> Yes	<input type="checkbox"/> No

18. Do the accounting firms registered in your National Association of Accountants have an internal database of their clients?

<input type="checkbox"/>	Yes, ALL accounting firms have an internal client database
<input type="checkbox"/>	Yes, SOME accounting firms have an internal client database (please specify which %_____)
<input type="checkbox"/>	No (go to question n. 19)

19. If you have responded YES to question n. 17, please indicate the type/s of internal client database used in your country. If you tick both boxes, please estimate in which percentage the different types of database are used).

<input type="checkbox"/>	Paper client database	_____%
<input type="checkbox"/>	Electronic client database	_____%

20. If electronic client databases are used in your country, does the national FIU or any other government authority provide accounting firms with specific software for the registration of client information in these databases?

Yes	No, and the average market price of software for the registration of client information in electronic client databases is _____currency_____
<i>Please specify if the software is</i>	
<input type="checkbox"/>	free of charge
<input type="checkbox"/>	paid for (specify price_____ currency_____)

21. Please indicate below all the client information types that accounting firms in your country must register in the client database, and specify, for each client information type, if it is registered in order to comply with anti-money laundering (AML) duties, foreseen by the current national legislation, or for any other purposes

or requirements (e.g. fiscal duties, firms' internal duties). Please tick all the relevant boxes. If information is collected for both compliance with AML legislation and for other purposes, please tick both boxes.

	Client information registered to comply with AML legislation	Client information registered for other purposes or requirements
Company name	<input type="checkbox"/>	<input type="checkbox"/>
Registered office	<input type="checkbox"/>	<input type="checkbox"/>
Legal form	<input type="checkbox"/>	<input type="checkbox"/>
Type of business	<input type="checkbox"/>	<input type="checkbox"/>
Financial information <i>if you tick this box, please indicate below the details required:</i>	<input type="checkbox"/>	<input type="checkbox"/>
Balance sheet	<input type="checkbox"/>	<input type="checkbox"/>
Financial statement	<input type="checkbox"/>	<input type="checkbox"/>
Share capital movements	<input type="checkbox"/>	<input type="checkbox"/>
Articles of association	<input type="checkbox"/>	<input type="checkbox"/>
List of shareholders/members <i>if you tick this box, please indicate below the details required:</i>	<input type="checkbox"/>	<input type="checkbox"/>
Name and surname	<input type="checkbox"/>	<input type="checkbox"/>
Address	<input type="checkbox"/>	<input type="checkbox"/>
Personal identification (Identity card, passport number, other: specify_____)	<input type="checkbox"/>	<input type="checkbox"/>
Type, class and number of shares held (if limited company)	<input type="checkbox"/>	<input type="checkbox"/>
Other_____	<input type="checkbox"/>	<input type="checkbox"/>
If the shareholder is a legal entity or a legal arrangement (such as foundations or trusts)	<input type="checkbox"/>	<input type="checkbox"/>
Legal entity name	<input type="checkbox"/>	<input type="checkbox"/>
Registered office	<input type="checkbox"/>	<input type="checkbox"/>
Beneficial ownership	<input type="checkbox"/>	<input type="checkbox"/>
Company directors;	<input type="checkbox"/>	<input type="checkbox"/>
Company shadow directors	<input type="checkbox"/>	<input type="checkbox"/>
Beneficial ownership	<input type="checkbox"/>	<input type="checkbox"/>
Group structure	<input type="checkbox"/>	<input type="checkbox"/>
Other_____	<input type="checkbox"/>	<input type="checkbox"/>

Please indicate any additional kind of client information that has not been mentioned in the table above

22. According to your experience, please rank from 1 to 4 the following reasons for the collection of information on clients by accounting firms:

(1=most relevant reason; 4=least relevant reason)

Reasons for information collection on clients by accounting firms	Ranking
a) Marketing	
b) Accounting firms' internal duties	
e) Complying with fiscal duties	
f) Complying with Anti Money laundering requirements	
g) Other (specify.....)	

23. Please estimate below the average time per client needed by accounting firm staff to gather the client information you reported in your answer to question n. 21:

..... (in minutes)

24. Please estimate the average time required for an accounting firm to check and record in the internal database every single additional transaction⁴³⁸ carried out by an already identified client:

..... (in minutes)

25. Please estimate the average number of transactions per client of the accounting firms in the year 2005:

.....

26. Under the current anti-money laundering legislation of your country, the threshold for subjecting a transaction to the application of customer due diligence is:

Amount: currency:

27. What percentage of the 2005 average number of transactions per client reported in your answer to question n. 25 are over the threshold you reported in your answer to question n. 26?

.....%

28. What percentage of the 2005 average number of transactions per client reported in your answer to question n. 25 are over the new threshold of 15.000 € foreseen by the Third EU Anti Money Laundering Directive?

.....%

⁴³⁸ By "transaction" we mean all types of transaction over which any vigilance is requested by Anti Money Laundering Legislation in your country.

29. The Third Directive stresses the importance of a risk-based approach to be used by intermediaries when dealing with their clients. Please estimate below:

a) the percentage of the 2005 average number of transactions per client reported in your answer to question n. 25 that, in your opinion, fall into the category of 'low risk of money laundering' as referred to in Article 11(2) and (5) of the Directive 2005/60/EC:

-----%

b) the percentage of the 2005 average number of transactions per client reported in your answer to question n. 25 that, in your opinion, fall into the category of 'high risk of money laundering' as referred to in Article 13(2) (3) and (4) of the Directive 2005/60/EC:

-----%

3.2 Costs for record keeping of client information

30. Does the national anti money laundering legislation require accounting firms to keep their clients information for a certain period of time after the end of the business relationship?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
Please specify the time period -----	

31. Please estimate the annual cost faced by accounting firms in 2005 in order to guarantee the security and confidentiality of client information collected in the internal client database:

-----currency

3.3 Costs for reporting suspicious transactions to the national FIU

32. Please indicate below the annual number of Suspicious Transaction Reports (STRs) filed by accounting firms to the national FIU in the years 2000 to 2006:

	2000	2001	2002	2003	2004	2005	2006 (Up to____ - specify month)
Annual number of STRs filed by accounting firms to the national FIU							

33. We now ask you to estimate the average time needed to fill out a Suspicious Transaction Report by a single accountant:

average time necessary for filling out an STR by a single accountant	-----:----- (hours: minutes)
--	------------------------------

34. In your country, how do accounting firms transmit STRs to the national FIU? (Please tick all relevant boxes):

<input type="checkbox"/>	paper STR sent by post
<input type="checkbox"/>	paper STR sent by fax
<input type="checkbox"/>	digital STR transmitted on line
<input type="checkbox"/>	other (specify)_____

If you have selected more than one transmitting option, please rank below the selected transmitting option from the most to the least frequently used:

1. _____
 2. _____
 3. _____
 4. _____

35. What feedback do accounting firms receive from the national FIU on the STRs they submit?

36. Is the anonymity of the accountant that has reported a STR to the national FIU well preserved by the FIU or by any other authorities dealing with the STR?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
<i>Please explain your answer</i>	<i>Please explain your answer</i>
_____ _____ _____	_____ _____ _____

3.4 Costs for training in anti-money laundering

37. Are training sessions in the anti money laundering field provided to accounting firms? Which authority/ies provide this training and cover its costs (e.g. national FIU, other government authority, national Association of Accountants)?

38. Please estimate below a) the average annual cost for training in anti-money laundering per individual accounting firm b) the average annual cost for training in anti-money laundering per non-individual accounting firm.

a) the average annual cost for training in anti-money laundering per individual accounting firm	----- currency-----
b) the average annual cost for training in anti-money laundering per non-individual accounting firm	----- currency-----

39. Is an increase in annual training costs to be foreseen following implementation of the Third Directive? Or, if the Third Directive has already been implemented, has an increase in the annual cost of training been recorded?

<input type="checkbox"/> Yes, only for individual accounting firm <i>(please estimate the annual foreseen increase -----%)</i>
<input type="checkbox"/> Yes, only for non-individual accounting firm <i>(please estimate the annual foreseen increase -----%)</i>
<input type="checkbox"/> Yes, for both individual and non-individual accounting firm <i>(please estimate the annual foreseen increase for individual -----% and for non-individual accounting firm ---%)</i>
<input type="checkbox"/> No

3.5 Opinions on Beneficial Ownership disclosure systems

40. Please indicate your degree of agreement/disagreement with the following statement:

“The implementation of a system for the disclosure of the Beneficial Ownership of companies and other corporate vehicles leads to an improvement of the services provided by the same accounting firms, as it enables accounting firms to gather more and better information about their clients”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

41. Please indicate your degree of agreement/disagreement with the following statement:

“The implementation of a system for the disclosure of the Beneficial Ownership of companies and other corporate vehicles leads to an improvement in efficiency of financial markets by reducing the risk of fraud and capital loss, as it enables the financial market to gather more and better information on companies”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

42. Please indicate your degree of agreement/disagreement with the following statement:

“The Beneficial Ownership disclosure system foreseen by the Third EU Anti Money Laundering Directive will be able to unveil the Beneficial Ownership of companies and other corporate vehicles to law enforcement agencies”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
Please justify your answer:			

43. Hypothesize a Beneficial Ownership disclosure system in which the duty to disclose beneficial ownership is placed a) on the same beneficial owner, who should notify to the company details of his/her ownership, and b) on the same company, which should collect this information in the national companies registry, making it available to law enforcement agencies and to the wider public. Please indicate your degree of agreement/disagreement with the following statement:

“A Beneficial Ownership disclosure system as described above will work better than the Beneficial Ownership disclosure system foreseen by the Third Directive in unveiling the Beneficial Ownership of companies and other corporate vehicles to law enforcement agencies”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
Please explain your answer:			

44. Please indicate your degree of agreement/disagreement with the following statement:

“Implementation of the Third EU Anti Money Laundering Directive in your country will increased/has increased the operating costs of accounting firms”

<input type="checkbox"/> Strongly disagree (go to question no. 46)	<input type="checkbox"/> Disagree (go to question no. 46)	<input type="checkbox"/> Agree (go to question no. 45)	<input type="checkbox"/> Strongly agree (go to question no. 45)
---	--	---	--

45. If you agree or strongly agree with the statement of question no. 44, please indicate your degree of agreement/disagreement with the following statement:

“The increase of operating costs due to implementation of the Third AML Directive could result in an increase in the prices and fees for services provided by accounting firms”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
		Please estimate the % increase in prices and fees for services provided by accounting firms due to the implementation of the Third EU AML Directive: -----%	

46. Please indicate your degree of agreement/disagreement with the following statement:

“Implementation of the Third Directive in my country, and especially of the requirements implying companies’ beneficial ownership disclosure, could lead to some client loss in the national accounting sector”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
		Please estimate the possible annual client loss in the national accounting sector as a percentage of the total number of clients due to implementation of BO disclosure requirements: -----%	

47. According to your experience please indicate below the most likely strategy that a company not willing to disclose its beneficial ownership could put in place in order to avoid the transparency requirements imposed by the Third Directive:

<input type="checkbox"/>	Execution of the financial transaction <u>abroad</u>
<input type="checkbox"/>	Adoption of a new and <u>less transparent legal form</u>
<input type="checkbox"/>	Other (specify:.....)
<input type="checkbox"/>	Other (specify:.....)

48. Please indicate your degree of agreement/disagreement with the following statement:

“Implementation of the disclosure system of Beneficial Ownership foreseen by the Third AML Directive will improve accounting firms’ reputation as fair, impartial and compliant intermediaries not involved in money laundering and other financial crimes”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
--	-----------------------------------	--------------------------------	---

SECTION 4. SELF-REGULATION STANDARDS DEVELOPED BY THE NATIONAL ASSOCIATIONS OF ACCOUNTANTS TO DETER AND/OR PUNISH ACCOUNTANTS WHO AID AND ABET/FACILITATE VARIOUS FORMS OF CRIME, INCLUDING CORPORATE MONEY LAUNDERING AND TERRORIST FINANCING ARRANGEMENTS

This section aims at reviewing the current self-regulation standards developed by the National Associations of Accountants to deter and/or punish accountants who aid and abet/facilitate crime, including corporate money laundering and terrorist financing arrangements. It also aims at mapping the obstacles and best practices in the enforcement of these self-regulation standards.

Please note that here we define self-regulation as business' way of acting ethically without compulsion. If 'regulation' can be broadly defined as imposition of rules by government, backed by the use of penalties that are intended specifically to modify the behaviour of individuals, not all forms of regulation are imposed by government. Many professions adopt self-regulation, i.e., develop and self-enforce rules commonly arrived at for the mutual benefit of members. Self-regulation may be adopted in order to maintain professional reputation, education and ethical standards. Elements of self-regulation include: setting professional standards; development of a Code of Ethics and a Code of Professional Conduct; peer review; participation in professional activities and continuing education; credentialing and certification processes, etc.

49. Please indicate below the self-regulation standards developed by the National Associations of Accountants to deter and/or punish accountants who aid and abet/facilitate the crime, including corporate money laundering and terrorist financing arrangements. Please tick all the relevant boxes:

Self-regulation standards developed by the National Associations of Accountants	
- existence of a client acceptance policy	<input type="checkbox"/>
- existence of a duty to inquire into the source of money/assets entrusted to the accountant	<input type="checkbox"/>
- existence of a duty to keep relevant information on business transactions	<input type="checkbox"/>
- existence of a duty to disclose confidential information when required by law (e.g. the anti money laundering law)	<input type="checkbox"/>
- existence of a duty to apply appropriate safeguards (specify which ones _____ _____) in case of suspicious transactions	<input type="checkbox"/>
- existence of a duty to refrain from carrying on the business relationship/transaction if appropriate safeguards cannot be implemented	<input type="checkbox"/>
- existence of educational/training/continuing professional development requirements	<input type="checkbox"/>
- existence of disciplinary procedures against breach of existing standards	<input type="checkbox"/>
- other (please specify): _____	<input type="checkbox"/>
- other (please specify): _____	<input type="checkbox"/>
- other (please specify): _____	<input type="checkbox"/>
- other (please specify): _____	<input type="checkbox"/>
- other (please specify): _____	<input type="checkbox"/>

50. Please provide us with a copy of the text/s including the above mentioned self-regulation standards (file or paper copies), in English if possible.

51. In your opinion, what are the main obstacles to the enforcement of the self-regulation standards you indicated in your reply to question n. 49?

52. In your opinion, what are the main best practices in the enforcement of the self-regulation standards you indicated in your reply to question n. 49, if any?

CONTACT DETAILS OF THE PERSON WHO COMPILED THE QUESTIONNAIRE

Please fill in the Table below with your details.

<u>COUNTRY:</u>	-----
-----------------	-------

CONTACT PERSON:

Name:	-----
Position:	-----
Ministry\Agency\Institution:	-----
Mailing address:	----- ----- ----- ----- ----- -----
Telephone:	-----
Fax:	-----
Email:	-----

Any other information of relevance:

Thank you very much for your time.

6) QUESTIONNAIRE FOR THE NATIONAL INDUSTRIAL AND/OR EMPLOYERS ASSOCIATION

INSTRUCTIONS FOR COMPLETION OF THE QUESTIONNAIRE

In view of your expertise and knowledge of the topics dealt with, we ask for your kind co-operation in answering this questionnaire, prepared as part of the Study *Cost-Benefit Analysis of Transparency Requirements in the Company/Corporate Field and Banking Sector relevant for the fight against money laundering and other financial crime*. This Study has been awarded to Transcrime, Joint Research Centre on Transnational Crime, Università degli Studi di Trento/Università Cattolica del Sacro Cuore di Milano (Italy) by the European Commission, DG JLS.

Aim of the Study

Within the framework of the European fight against money laundering, this study aims to analyse, in each of the 25 Member States, the costs and benefits deriving from the introduction of two different disclosure systems of beneficial ownership in public and private unlisted companies.

The first system, which is embodied in the EU Third Anti Money Laundering Directive 2005/60/EC (hereafter Third Directive), charges financial and business intermediaries with the duty to disclose beneficial ownership of companies for which their services are provided.

The second system is a hypothetical disclosure system whereby the duty to disclose beneficial ownership of public and private unlisted companies is placed on a) the actual beneficial owner, who should notify to the company details of his/her ownership, b) the registered owner, when not coinciding with the beneficial owner, who should provide details of whom he believes the beneficial owner to be, and c) the actual company, which should collect this information in a database and make it available to law enforcement agencies and to the wider public.

What we are asking you with this questionnaire

This questionnaire is specifically addressed to the National Industrial and/or Employers Association that, in your country, represents the interests of Enterprises, including Small and Medium size Enterprises. The aim is to collect information necessary to perform the cost-benefit analysis. This questionnaire is divided into two sections, as follows:

- Section 1. Background data on National Industrial and/or Employers Association and its membership;
- Section 2. Impact of the Third EU Anti Money Laundering Directive on the company/corporate field in your country.

We would also be happy to receive any forms for data collection, or published documents, statistical or research reports that illustrate your replies to the questionnaire.

How to answer to the questionnaire

In the whole questionnaire, where any monetary value is requested, please use, if possible, the national currency unit. **All questions, even where not specified, ask for 2005 data. When 2005 data is not available, please consider the most recent year for which data are available, specifying it.**

Deadline for answering the questionnaire

Please consider the deadline for replying to this questionnaire as 15th of December 2006.

Please return this questionnaire to both:

ernesto.savona@unicatt.it

jacopo.ponticelli@unicatt.it

Your co-operation in the Study will be fully acknowledged in the Final Report, a copy of which will be sent to you. We hope that you will make every attempt to complete the questionnaire and ask for assistance from others in your country if you feel that they can give more complete answers than you can.

Contact us

If you have any further queries please get in touch with:

Jacopo Ponticelli, Transcrime researcher (English, French, Italian)

Tel: +39 02 7234.3715/ 3716, Fax: +39 02 7234.3721

E-mail: jacopo.ponticelli@unicatt.it

Thanking you in advance for your fruitful co-operation, I remain

Yours sincerely



Ernesto U. Savona

Director of TRANSCRIME

SECTION 1. BACKGROUND DATA ON THE NATIONAL INDUSTRIAL AND/OR EMPLOYERS ASSOCIATION AND ITS MEMBERSHIP

1. Please specify the main characteristics (purpose and conditions for registration as members) of the National Industrial and/or Employers Association you belong to:

2. Please indicate in the table below the total number of corporate vehicles represented in the National Industrial and/or Employers Association as of 31st December 2005. Following the OECD definition,⁴³⁹ the term ‘corporate vehicle’ includes: unlimited companies, limited companies, one-man businesses and other corporate vehicles (such as trusts⁴⁴⁰ and foundations⁴⁴¹).

Total number of corporate vehicles registered in the National Companies Association that you belong to	-----
<i>Of which:</i>	
- Unlimited companies	-----
- Limited companies	-----
<i>of which:</i>	
- Public companies ⁴⁴²	-----
<i>of which:</i>	
- listed in a stock exchange	-----
- Private companies ⁴⁴³	-----
- One-man businesses	-----
- Other corporate vehicles (such as trusts and foundations)	-----

⁴³⁹ See OECD, *Behind the Corporate Veil. Using Corporate Entities for Illicit Purposes*, 2001, available at <http://www1.oecd.org/publications/e-book/2101131e.pdf>.

⁴⁴⁰ A trust is a corporate vehicle that separates legal ownership (control) from beneficial ownership. Trusts are important for transferring and managing assets. Trusts are common law vehicles. They are usually restricted in duration.

⁴⁴¹ A foundation (based on the Roman law *universitas rerum*) is the civil law equivalent to a common law trust in that it may be used for similar purposes. A foundation traditionally requires property dedicated to a particular purpose. Typically the income derived from the principal assets is used to fulfil the statutory purpose. A foundation is a corporate vehicle and as such may engage in and conduct business.

⁴⁴² Here we refer the term “public company” to the following types of company: Aktiengesellschaft (*Germany*), Société anonyme /de Naamloze vennootschap (*Belgium*), Aktieselskaber (*Denmark*), Société anonyme (*France*), Public companies limited by shares, and public companies limited by guarantee having a share capital (*Ireland*), Società per azioni (*Italy*), Société anonyme (*Luxembourg*), Naamloze vennootschap (*Netherlands*), public companies limited by shares, and public companies limited by guarantee having a share capital (*United Kingdom*), η ανώνυμη εταιρία (*Greece*), Sociedad anónima (*Spain*), Sociedade anónima de responsabilidade limitada (*Portugal*), Aktiengesellschaft (*Austria*); Osakeyhtiö/Aktiebolag (*Finland*), Aktiebolag (*Sweden*).

⁴⁴³ Here we refer the term “private company” to the following types of company: Gesellschaft mit beschränkter Haftung (*Germany*), Société privée à responsabilité limitée / de besloten vennootschap met beperkte aansprakelijkheid (*Belgium*), Anpartsselskaber (*Denmark*), Sociedad de responsabilidad limitada (*Spain*), Société à responsabilité limitée (*France*), Εταιρεία περιορισμένης ευθύνης (*Greece*), Private company limited by shares or by guarantee (*Ireland*), Società a responsabilità limitata (*Italy*), Société à responsabilité limitée (*Luxembourg*), Besloten vennootschap met beperkte aansprakelijkheid (*Netherlands*), Sociedade por quotas (*Portugal*), Private company limited by shares or by guarantee (*United Kingdom*), Aktiengesellschaft, Gesellschaft mit beschränkter Haftung (*Austria*), Osakeyhtiö/aktiebolag (*Finland*), Aktiebolag (*Sweden*).

3. Please indicate in the table below which business sectors (According to NACE: Classification of Economic Activities in the European Community, revision 1.1) are represented in the National Industrial and/or Employers Association you belong to; and specify, where possible, the number of corporate vehicles represented in the Association per business sector:

	Business sector	Tick if the business sector is represented in your Association	Number of corporate vehicles represented in the Association per business sector
A	Agriculture, hunting and forestry	<input type="checkbox"/>	-----
B	Fishing	<input type="checkbox"/>	-----
C	Mining and quarrying	<input type="checkbox"/>	-----
D	Manufacturing	<input type="checkbox"/>	-----
E	Electricity, gas and water supply	<input type="checkbox"/>	-----
F	Construction	<input type="checkbox"/>	-----
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	<input type="checkbox"/>	-----
H	Hotels and restaurants	<input type="checkbox"/>	-----
I	Transport, storage and communication	<input type="checkbox"/>	-----
J	Financial intermediation	<input type="checkbox"/>	-----
K	Real estate, renting and business activities	<input type="checkbox"/>	-----
L	Public administration and defence; compulsory social security	<input type="checkbox"/>	-----
M	Education	<input type="checkbox"/>	-----
N	Health and social work	<input type="checkbox"/>	-----
O	Other community, social and personal service activities	<input type="checkbox"/>	-----
P	Activities of households	<input type="checkbox"/>	-----
Q	Extra-territorial organizations and bodies	<input type="checkbox"/>	-----
	Other (-----)	<input type="checkbox"/>	-----
	TOTAL corporate vehicles represented	<input type="checkbox"/>	-----

4. Please classify the companies represented in your National Industrial and/or Employers Association by size, as to this classification:

Micro Enterprises: less than 10 occupied persons

Small Enterprises: 10 – 49 occupied persons

Medium Size enterprises: 50–249 occupied persons

Large enterprises: more than 249 occupied persons

a) Micro-enterprises	-----
b) Small enterprises	-----
c) Medium-sized enterprises	-----
d) Large enterprises	-----
TOTAL enterprises represented	-----

5. This question aims to define structure and nationality of the ownership⁴⁴⁴ (both controlling and minority shares) of the companies represented in your Association. Please indicate – or, if no statistics are available, estimate – in what percentage the companies represented in your association are owned by the following subjects: A) Natural persons; B) Unlimited Companies; C) Limited Companies; D) Trusts; E) Foundations and Charities. Finally, for each type of subject, please estimate the percentage referable to extra EU subjects.

	0%-2%	2%-10%	2%-25%	25%-50%	50%-75%	75%-100%
A) Natural persons	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Of which extra EU Natural persons: _____%					
B) Unlimited Companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Of which extra EU Unlimited Companies: _____%					
C) Limited companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Of which extra EU Limited Companies: _____%					
D) Trusts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Of which extra EU Trusts: _____%					
E) Foundations and charities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Of which extra EU Foundations and charities: _____%					

E.g. assuming that your Association represents 2 companies, A and B. suppose that 25% of the capital of company A and 30% of the capital of company B is owned by limited companies. Thus the percentage of ownership of the companies represented in your association referable to Limited companies is $(30\%+25\%)/2 = 27.5\%$. Now suppose that 60% of the limited companies owning in aggregate 27.5% of your companies have their legal office outside the European Union. As a result, the table is to be filled as follows:

	0%-2%	2%-10%	2%-25%	25%-50%	50%-75%	75%-100%
C) Limited companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Of which extra EU Limited Companies: _____50_____%					

⁴⁴⁴ Here the term "ownership" refers to ownership detained through holdings of stocks or shares or voting rights (for Limited companies) or through other exercise of influence (for Unlimited companies and non-company vehicles). Please consider both controlling and minority shares.

SECTION 2. IMPACT OF THE THIRD EU ANTI MONEY LAUNDERING DIRECTIVE ON THE COMPANY/CORPORATE FIELD IN YOUR COUNTRY

We now attempt to estimate the impact of the Third EU Anti Money Laundering Directive (hereafter Third Directive), and especially of the requirements implying companies' beneficial ownership disclosure, on the company/corporate field in your country.

6. According to your experience, please rank from 1 to 4 the following reasons leading a company in your country to use foreign corporate vehicles. Please assign only one reason to each position of the ranking.

	Ranking
a) Fiscal advantages	
b) Anonymity	
c) Higher expertise of foreign intermediaries	
d) Credit leverage	

7. Please indicate your degree of agreement/disagreement with the following statement:

"The implementation of Third Directive requirements implying beneficial ownership disclosure will lead to reduction in the number of trusts or other non-company corporate vehicles (hiding the identity of their beneficial owners) investing in my country"

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
		Estimate, in percentage, the reduction in the number of trusts or other non-company vehicles investing in your country due to Third EU AML Directive: _____%	

8. Please indicate your degree of agreement/disagreement with the following statement:

"The implementation of Third Directive requirements implying beneficial ownership disclosure will lead to an overall decrease of investment in my country"

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
		Estimate, in percentage, the decrease in investment in your country due to Third EU AML Directive: _____%	

9. Please indicate your degree of agreement/disagreement with the following statement:

"The implementation of Third Directive requirements implying beneficial ownership disclosure will create more difficulty for companies in my country to get loans and credit lines from banks and other financial intermediaries"

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
Please go to question number 12		If you agree or strongly agree please answer to questions number 10 and 11	

10. Please indicate your degree of agreement/disagreement with the following statement

“The increased difficulty for companies in my country to get loans and credit lines from banks and other financial intermediaries due to implementation of Third Directive requirements implying beneficial ownership disclosure will affect in particular Small and Medium size Enterprises”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
<i>Please justify your answer:</i> ----- ----- -----			

11. Please indicate your degree of agreement/disagreement with the following statement:

“The increased difficulty for companies in my country to get loans and credit lines from banks and other financial intermediaries due to implementation of Third Directive requirements implying beneficial ownership disclosure will affect in particular some business sectors”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
		<i>Please specify which sectors could be more negatively affected (in answering, you can use of the NACE Sector Index used in question number 3)</i> 1. 2. 3.	

12. Please indicate your degree of agreement/disagreement with the following statement:

“Transparency and information are key factors for market efficiency. The implementation of any system of disclosure of companies’ Beneficial Ownership could lead to an improvement in terms of transparency and information, thus improving market efficiency”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
<i>Please justify your answer:</i> ----- ----- -----			

13. Please indicate your degree of agreement/disagreement with the following statement:

“In some business sectors the existence of activities and enterprises used for money laundering purposes distorts market competition”

<input type="checkbox"/> Strongly disagree	<input type="checkbox"/> Disagree	<input type="checkbox"/> Agree	<input type="checkbox"/> Strongly agree
		<i>Please specify in which business sectors, in your opinion, market competition is more likely to be negatively affected by the existence of enterprises used for money laundering purposes (in answering, you can use of the NACE Sector Index used in question number 3)</i> 1. 2. 3.	

CONTACT DETAILS OF THE PERSON WHO COMPILED THE QUESTIONNAIRE

Please fill in the Table below with your details.

<u>COUNTRY:</u>	-----
-----------------	-------

CONTACT PERSON:

Name:	-----
Position:	-----
Ministry\Agency\Institution:	-----
Mailing address:	----- ----- ----- ----- ----- -----
Telephone:	-----
Fax:	-----
Email:	-----

Any other information of relevance:

Thank you very much for your time.

