

## Context

- Member States (strongly) pushed this initiative:
  - **JHA Council of 20 November,**
  - **ECOFIN Council of 8 December,**
  - **European Council of 18 December.**
- Jan 2015: COM policy roadmap on Terrorist Financing ('TF') for the ECOFIN
  - **Questionnaire on TF sent to all MS on 18 December 2015**  
**-> 28 replies received by 29 January 2016**
  - **Specific questions on 5 areas including VCs.**

**JE SUIS  
CHARLIE**

# EC action plan on TF

- Issued on 2 February 2016 (COM 2016(50))
- Objective: strengthening the fight against terrorist financing
- 2 main strands of action:
  - **Prevent terrorist organisations from moving funds and other assets / Use financial movements to help law enforcement trace terrorists and stop them**
  - **Disrupt the sources of revenue of terrorist organisations by targeting their capacity to raise funds in the first place.**



# EC action plan: virtual currencies

- **Challenges:**
  - **risk that VC transfers may be used by terrorist organisations to conceal transfers,**
  - **Transactions with VCs are recorded, but still anonymous + there is no reporting mechanism equivalent to that found in the mainstream banking system to identify suspicious activity.**
- **VCs are currently not regulated at EU level.**
  - **1<sup>st</sup> step: the Commission will propose to bring anonymous currency exchanges under the control of competent authorities by extending the scope of the AMLD to include VC exchange platforms, and have them supervised under AML/CTF legislation at national level.**

# EC action plan TF: virtual currencies

- **In addition, applying the licensing and supervision rules of the Payment Services Directive (PSD) to virtual currency exchange platforms would promote a better control and understanding of the market. The Commission will examine this option further.**
- **The Commission will also examine whether to include virtual currency "wallet providers"**

# AMLD4 proposal for amendments

Targeted amendments with two objectives:

➤ Address terrorist financing risks:

- **reduce the anonymity of virtual currencies**
- **Prepaid cards**
- **Cooperation between EU FIUs**
- **EU "list of high risk third countries"**
- **Central register of bank and payment accounts**

➤ Transparency of beneficial ownership

- **Improve access to BO information**



# Impact assessment - mapping

Market capitalisation: €7 billion

Merchants accepting bitcoins: 110.000

Parties:

- **Users (investors/Merchant/consumers)**
  - 500.000 in EU (worldwide 1-4 million)
- **Miners:**
  - 10.000 in EU (100.000 worldwide)
- **Wallet providers (software WP, custodian WP, multisignature):**
  - >20 custodian WP in the EU (>100 worldwide)
- **Exchange platforms ("bureau de change")**
  - >28 ExP in the EU (>100 worldwide)



# Impact assessment - options

## Issues:

- Anonymity / ML+TF risks
- Risk at conversion (today) – use of VC (tomorrow)
- No EU regulation
- Diverse MS legislation = risk of regulatory arbitrage in EU

## Mapping of Policy options for each Party:

- Unregulated
- AML/CFT obligations
- Registration
- Full licencing
- Prohibition



## Proposals on VC

**Issue:** objective to reduce anonymity as much as possible by targeting two major types of market players:

- **Exchange platforms that provide virtual currencies against fiat currencies (and vice versa)**
- **Custodian wallet providers that hold private keys (credentials to access virtual currencies) on behalf of their customers**





# Virtual currency exchange platforms:

- **Add VC exchange platforms to the list of obliged entities:**
  - Obligation of CDD with their clients
  - Obligation to report suspicious transactions
  - ATMs are included
  - Registration with competent authorities
- **Rationale:**
  - They are a major gateway of the VC environment
  - Supported by all but one MS + 1st reco of the EBA Opinion
  - Already proposed in 2014 (but late in the process)



# Virtual currency custodian wallet providers:

- **Add VC custodian wallet providers to the list of obliged entities:**
  - Obligation of CDD with their clients
  - Obligation to report suspicious transactions
  - Registration with competent authorities
- **Rationale:**
  - They are an important gateway of the VC environment
  - Contrary to software wallets, they have a strong relationship with their clients + keep funds on behalf of "others" and should know who these "others" are
  - In a growing environment, they might replace exchanges as the 1st gateway



# Users

- **Idea to give the possibility to users to self-declare, on a voluntary basis, as VCs users and provide their identities to NCAs – centralised by EBA:**
- **Rationale:**
  - Lifts further anonymity at very limited cost
  - Incentive: anonymity is hindering the development of VCs rather than helping it -> mindful users willing to give legitimacy to the product would follow a self-declaration process

⇒ **Report by 2017**





# Thank you for your attention!

**More information on Impact assessment VC:**

**<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2016:0223:FIN%20>**

**More information on the AML Directive revision on VC:**

**[http://ec.europa.eu/justice/civil/financial-crime/applying-legislation/index\\_en.htm](http://ec.europa.eu/justice/civil/financial-crime/applying-legislation/index_en.htm)**

