[Fight against terrorism financing requires wider measures]

EESC supports Commission's cash control plans but points to the obstacles to their implementation

The European Economic and Social Committee (EESC) backs the European Commission's new proposal on expanding cash controls at the EU borders and giving the authorities more power to conduct checks and confiscate goods in the event of suspected illicit activities, in order to gather more information and discover more cases of terrorist financing.

But the EESC has again called upon the Commission to publish a new list of tax havens responsible for the majority of illicit money flows, seeing it as a huge obstacle to the effective application of the proposal.

"Cash consignments continue to be the main channel through which money launderers and other financial criminals operate," stated **Javier Doz Orrit**, rapporteur on the opinion [Terrorism Financing – Controls of Cash Movements], adopted at the EESC plenary session on April 27.

Estimates put money 'laundered' for terrorism purposes at between hundreds of billions and a trillion US dollars per year, according to a report by the intergovernmental body Financial Action Task Force (FATF).

The obligation requiring all travellers entering or leaving the EU with EUR 10,000 or more to declare the amount at the border was introduced by the first Cash Control Regulation (CCN) in 2005. The new proposal extends the obligation to declare to all cash sent by post, courier or freight transport.

It also empowers the competent authorities to temporarily detain amounts below that threshold if an illegal activity is suspected. The number of cash consignments entering and leaving the EU remains high, but cash controls are still limited, amounting to some 100,000 per year in all the Members States put together, an analysis has shown. Furthermore, the controls and the number of suspicious cases investigated vary from country to country.

The EESC recommends that, following extensive consultations and a comprehensive study, the Commission should put together a plan for reducing the use of cash in the EU.

"As part of this study, the question of whether the compulsory declarations threshold of EUR 10,000 is appropriate should be considered", co-rapporteur **Mr Mihai Ivaşcu** said. Starting from 2018, EUR 500 banknotes will be removed from circulation as it is widely documented that they are used to make cash payments in illicit trafficking. The Committee welcomes this development and its beneficial implication for fighting against terrorism financing.

Furthermore, the new regulation promotes the introduction of penalties in all the Member States for failing to comply with the obligation to declare. The

EESC believes those penalties should be harmonised and a common communication procedure should be set up for all Member States.

The Committee underlines the importance of improving the exchange of information and coordination between the authorities of the Member States and with the third countries, to achieve the maximum effect in applying the new regulation. In this sense, the EESC urges all Member States to make their anti-terrorist databases available to Europol.

The new proposal also broadens the definition of cash to include prepaid cards and highly liquid commodities like gold. Although the EESC acknowledges the social value of prepaid cards, which allow people of different social status to make payments online and offline, it points to the threat of their use by criminals or terrorists, as was the case in the November 2015 attacks in Paris.

The Committee also recommends that in addition to gold, other commodities of high value should be listed as cash, such as precious metals and gemstones.

However, the EESC points out that the successful implementation of any legislation against money laundering and terrorist financing is seriously hampered by the fact that the tax havens do not appear on the list of "high-risk third countries with strategic deficiencies", published by the Commission in the Annex to its Regulation (EU) 2016/1675.

"The lack of any real political will to eradicate tax havens is a serious obstacle to the effective application of the regulation," Mr Doz Orrit stated.

He said the EESC felt obliged to reiterate the call made in one of its previous opinions: "The Commission should propose a new list of tax havens, merging it into a single list of third countries and territories not cooperating in the prosecution of financial crimes and terrorist financing".

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