

Hungarian authorities break up €8 million VAT fraud scheme



The Hungarian National Tax and Customs Administration (NTCA) has dismantled an organised criminal group (OCG) suspected of facilitating VAT fraud and money laundering. The criminal activities caused more than €8.2 million in tax loss to the Hungarian state budget.

The OCG used 'missing traders' based in Hungary and Croatia. Using fictitious contracts, the 'missing traders' were commissioned to perform services, which they did not have the necessary means to perform. The companies were found to have no employees, equipment or premises. As part of the scheme, the beneficiary companies received fictitious invoices and transferred funds to the 'missing traders' on a monthly basis. The criminal proceeds were then withdrawn and returned in cash to the representatives of the company initiating the transfer. This modus operandi, known as 'invoice mills', is increasingly common in the European Union.

More than 300 financial investigators and police officers took part in the action day, which took place on 2 March and resulted in:

- 100 searches carried out in Hungary and Croatia.
- 9 suspects arrested, including the leader of the OCG and his two associates.
- Several bank accounts frozen; cash and properties with a total value of €4.16 million seized.

EUROPOL'S ROLE

Europol supported the investigation by facilitating the secure information exchange, providing analytical support, organising operational meetings and coordinating the operational activities. A Europol mobile office was deployed on the spot to facilitate in real-time the exchange of information between the participating law enforcement authorities. Europol also provided specialised support for the extraction of data from the seized mobile devices.

WHAT IS MTIC FRAUD?

MTIC fraud is a compound form of VAT fraud that relies on the violation of the VAT rules for cross-border transactions. MTIC fraudsters obtain €60 billion in criminal profits every year in the EU by avoiding the payment of VAT or by corruptly claiming repayments of VAT from national authorities.

ESMA UPDATES CSDR Q&As

The purpose of the CSDR is to harmonise certain aspects of both the settlement cycle and the general settlement discipline, and to provide a set of common requirements for CSDs operating securities settlement systems across the EU.

The revised ESMA Regulation (Article 16b(5)) specifies that ESMA transfers queries which interpret Union law to the European Commission (EC). The latest Q&As on the CSDR contain answers provided by the EC that relate to:

- The provision of CSD services in other Member States: (i) the first Q&A further clarifies that Article 23 of CSDR applies to all types of financial instruments, as defined under MiFID II, whether or not admitted to trading, or traded, on trading venues; (ii) the second Q&A clarifies that, for the purpose of Article 23(2) of CSDR, the “law under which the securities are constituted” should by default be the standard law of the issuance of the securities and/or, if determined by the issuer, the national law of the issuer; and
- The exemption from the application of cash penalties and the buy-in requirements for settlement fails relating to transactions involving CCPs: the third Q&A clarifies that only settlement fails relating to transactions for which a CCP interposes itself between the counterparties (i.e. transactions cleared by the concerned CCP) should be captured by the exemption under Article 7(11) of CSDR.

Background

Q&As are an important tool to promote common supervisory approaches and practices in the application of CSDR. This document is aimed at national competent authorities under the CSDR to ensure that, in their supervisory activities, their actions are converging along the lines of the responses published by ESMA. It should also help investors and other market participants by providing clarity on CSDR requirements.

Next steps

ESMA will continue to publish Q&As on the CSDR and will review and update them where required.

Further information:

Sarah Edwards

Communications Officer

① +33 (1)58 36 64 23

② press@esma.europa.eu

ESMA updates Q&As on the BMR Transitional Provision

The Q&A's further clarify the applicable transitional provisions for third-country benchmarks as set out in the BMR.

The purpose of this Q&A is to promote common supervisory approaches and practices in the application of BMR. It provides responses to questions posed by the general public, market participants and competent authorities in relation to the practical application of the BMR.

The content of this document is aimed at competent authorities under the Benchmarks Regulation to ensure that their supervisory activities are aligned with the common practices set out in the responses adopted by ESMA. The updated Q&A also provide guidance to market participants on BMR requirements.

Next steps

ESMA will continue to periodically review these Q&A and update them where required.

Further information:

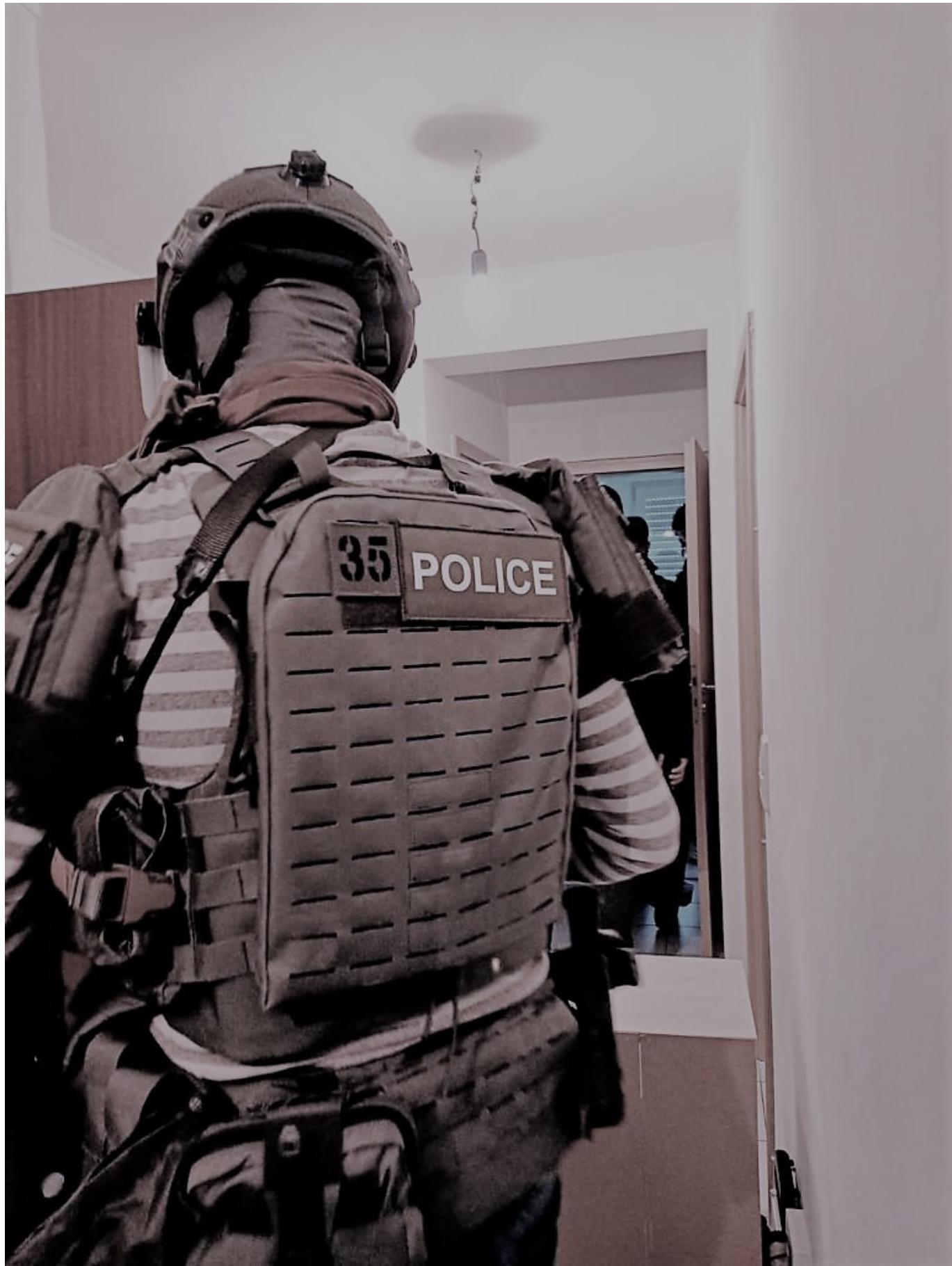
Sarah Edwards

Communications Officer

① +33 (1)58 36 64 23

② press@esma.europa.eu

Follow the money: members of drug trafficking network arrested for money laundering in Germany and Luxembourg



At the request of France, authorities in Germany and Luxembourg carried out a coordinated blow on the network which was set up to launder proceeds from drug trafficking

At the request of Lille's Interregional Specialised Prosecution Service (JIRS) in France, law enforcement authorities in Germany and Luxembourg have arrested four members of a criminal group suspected of laundering the proceeds from drug trafficking. The crime group consisted of its leader, nicknamed "the Minister", as well as intermediaries and lorry drivers who were facilitating the trafficking of drugs and cash through various European countries.

The investigation began in France in 2017 after customs agents found £225 990 inside a lorry owned by a company registered in Luxembourg. A cocaine seizure made in France in 2019, and the ensuing information exchange, pointed authorities to the possible links between the two seizures. The financial investigations supported by Europol's European Financial and Economic Crime Centre (EFECC) were key to the success of the case as they allowed authorities to draw clear links between drug trafficking and the money laundering activities of the group.

The operational action took place on 23 March and resulted in:

- Fourteen searches carried out in Germany and Luxembourg.
- Four members of the crime group including its leader, arrested on the basis of European arrest warrants issued by France.
- Four properties worth several million of euros and high-value vehicles seized.
- Several bank accounts frozen with a total value of 187 000 euros.
- 26 000 euros cash seized
- Fifty mobile phones and other devices seized for further examination.

Europol supported the operation by facilitating the information exchange, providing intelligence and analytical reports, and organising several operational meetings for investigators. Two experts from Europol's EFECC, equipped with a mobile office, supported the action day in Luxembourg. Eurojust assisted with the execution of European Investigation Orders and the freezing of the bank accounts.

The participating authorities:

- **France:** Judicial Customs Investigation Service (SEJF) and Anti-Drug Office (OFAST), under the coordination of the judiciary.
- **Germany:** PPOs in Stuttgart, Wiesbaden and Saarbrücken with the support of the Police Departments of Passau, Esslingen, Heidelberg and Westhessen and the State Criminal Police Office Saarland.
- **Luxembourg:** Police Grand-Ducal and the Customs and Excise Agency, under the supervision of the investigating judge of the Luxembourg District Court and the Public Prosecutor's Office (PPO).
- **Europol**
- **Eurojust**

ESMA promotes coordinated action on the suspension of best execution reports

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, is issuing a [Public Statement](#) to promote coordinated action by National Competent Authorities (NCAs) under MiFID II. The statement relates to the temporary suspension of the obligation on execution venues to make available to the public data related to the quality of execution of transactions on their venues (RTS 27 Reports).

The Directive amending MiFID II, under the Capital Markets Recovery Package, states that these reports are rarely read and do not enable investors and other users to make any meaningful comparisons on the basis of the information they contain. Following the adoption of this Directive on 16 February 2021, ESMA and NCAs have observed a lack of clarity among market participants on the application date of the suspension of the obligation to publish RTS 27 reports.

ESMA therefore publishes this statement to provide clarity on the application date of the suspension. Moreover, in light of the rationale of the suspension, ESMA expects NCAs not to prioritise supervisory actions towards execution venues relating to the obligation to publish the RTS 27 reports, until the date on which the national transposition measures apply.