



## Portugal faces a violation proceeding for incorrect transposition of AML4 Directive

Portugal has two months to explain the European Commission why it has not yet fully transposed AMLD4 into the Portuguese legal system.

On February 18, the European Commission opened violation proceedings against countries that have incorrectly transposed into their domestic law provisions regarding the 4th Anti-Money Laundering Directive (AMLD4 or Directive). Portugal included.

The deadline for the transposition of AMLD4 was June 27, 2017, and Brussels concluded that several provisions of the Directive were not transposed correctly into Portuguese law.

Because of this, the European Commission initiated a violation procedure by sending the defaulting countries a formal notice.

Over the next two months, Portugal must defend itself and answer adequately the Commission's questions on why the transposition was not fully done. If it does not, the violation procedure will be pursued.

Portugal must address the fundamental aspects of the anti-money laundering framework, such as: (i) exchanging information with Financial Intelligence Units (FIUs) and cooperating adequately with them, for that matter; (ii) complying with customer due diligence requirements; and foster and encourage the transparency of central beneficial ownership registers.

If the Commission concludes that Portugal has not complied with its obligations under the EU law, the second stage of the violation procedure will follow.

In the second stage, the Commission sends Portugal a formal request to comply with AMLD4 and exposes the reasons why it considers that Portugal is breaching EU law. It also asks Portugal to inform the Commission of the measures adopted, within a specified period, usually 2 months.

The non-compliance with these rules might cause an impact on the EU, as a whole, by not protecting the financial system and combating money-laundering-related crimes. In order to step up these efforts the Commission published a six-point Action Plan on May 7, to further strengthen the EU's fight against money laundering and terrorist financing.

Now Portugal has to wait and see what the European Commission will decide, and we have to wait and see how the country will justify the poor transposition of the Directive into the Portuguese legal system.

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