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1. Money Laundering Risk Assessment Report

The European Commission published on 26 June its first supranational report on the assessment of the risks of money laundering and terrorist financing affecting the internal market and relating to cross-border activities. This follows the work done by the Commission on identifying the areas which are most at risk and the most widespread techniques used by criminals to launder illicit funds. It looks at different sectors, including real estate investment, and financial products. The report is a tool intended to help Member States identify, analyse and address money laundering and terrorist financing risks. The report includes an extensive mapping of risks per relevant area; a list of the means more frequently used by criminals to launder money and recommendations to Member States on how to address identified risks. The Commission also commits to examining options to enhance the operation and cross-border cooperation of financial intelligence units.

The report identifies the real estate sector as being exposed to significant money laundering risks due to factors including the variety of professionals involved in real estate transactions (real estate agents, credit institutions, notaries and lawyers). For investment real estate the assessment of the threat is considered to be very significant, as is the vulnerability related to activities in real estate. The assessment of the money laundering vulnerability related to investment in real estate shows that: risk exposure is increased by the fact that estate agents are most of the time involved in a business relationship together with other professionals, with each sector relying on the other to conduct the controls; the level of risk awareness is uneven throughout the sector and depends in particular on the size of the structure concerned and the supervision of the sector is incomplete; real estate agents are subject to anti-money laundering requirements at EU, but it appears that the controls in place are not efficient enough. The level of suspicious transaction reports is uneven.

The conclusions are that the real estate sector is not sufficiently organised to ensure raising a correct level of risk awareness; the involvement of different kinds of obliged entities in a real estate transaction tends to dissuade the sector from conducting its own customer due diligence; the level of suspicious transaction reports is not satisfactory; the controls are difficult to implement and there is a weak information trail.

The assessment also recommends mitigating measures for competent authorities which include:

- Ensuring that competent authorities/self-regulatory bodies supervising the real estate sector produce an annual report on supervisory measures put in place to ensure that the sector accurately complies with its obligations. When receiving suspicious transaction reports, self-regulatory bodies shall report annually on the number of reports filed with the financial intelligence units.
- On-site inspections commensurate with the population of real estate representatives on the territory of the Member State.
- Member States should also provide guidance on risk factors arising from real estate transactions and specific training to face situations where several professionals are involved in the real estate transaction (estate agent, legal professional, financial institution).

The Commission will carry out the necessary actions outlined in the report. It will also engage with Member States to monitor the implementation of the recommendations. It will continue to review the risks and will issue a new assessment of such risks by June 2019 at the latest and every two years after that.

The report was published on the day of the deadline for the implementation of the Fourth Anti-Money Laundering (AML) Directive in all EU Member States. In July 2016 the Commission published a proposal to reinforce these rules further. Discussions concerning this proposal for a targeted revision of the Fourth AML Directive between the European Parliament and European Council are in their final stages.

2. Building Sustainability Performance

The European Commission is working on a framework of indicators for the assessment of the environmental performance of buildings. As part of this work it is developing Level(s), intended to be a common language for sustainable buildings. Level(s) is a voluntary reporting framework to improve the sustainability of buildings. Using existing standards, Level(s) provides a common EU approach to the assessment of environmental performance in the built environment. The European Commission is now looking for companies, associations and public authorities to test Level(s). Participants can test the complete framework, or only parts of it, at different stages during a building's life-cycle.

Level(s) is a voluntary reporting framework that has a broad potential for use by building sector professionals across the EU. It links the environmental impact of an individual building with resource priorities at European level and help to grow the green building market in Europe. Level(s) builds upon existing standards to provide a common EU approach to the environmental performance assessment of buildings. It also provides an entry point for everyone in the real estate industry to start, or expand, their reporting and analysis. The framework has been compiled by leading industry professionals across the EU. It sets out six inter-locking indicators, from simpler resource consumption reporting to more advanced design parameters.

Level(s) focuses attention on the most important aspects of a buildings performance. Each Level(s) indicator is designed to link the individual building's impact with the priorities for the circular economy at European level, including: greenhouse gas emissions throughout the building's life-cycle, resource efficient and circular material life-cycles, efficient use of water resources, healthy and comfortable spaces, adaptation and resilience to climate change, and whole building life-cycle cost and value. The entry point to Level(s) is through the common performance metrics (common units of measurement and basic calculation methodologies). To compare the environmental performance of buildings, at portfolio or national level, Level(s) also offers the option of comparative performance assessment, suitable for building professionals and owners of property portfolios.

Level(s) will be ready for testing from autumn 2017. The test period will last for two years and the European Commission will provide technical support during this process.

3. European Parliament Workshop on Professional Services

On 11 July a workshop took place at the European Parliament on reforming professional services at which the CEPI Secretariat was represented. The event was organised by Nicola Danti MEP (IT, S&D) who is rapporteur for the Parliament's own-initiative report on the Professional Qualifications Directive and the need for reform in professional services. Mr Danti's report is in the process of preparation and the workshop had been organised in order to present and discuss some of the main issues with which it will be concerned. Two expert panels focused on the economic effects of regulating professional services and recommendations for policy makers.

The workshop was opened by newly appointed Internal Market and Consumer Protection (IMCO) Committee Chair Anneleen van Bossuyt (BE, ECR) who identified the main questions as being whether or not professional rules are still fit for purpose, and are further reforms needed? Barriers are seen as being challenges, with many believing that professional rules should be reformed. On the other hand, many still believe that professional restrictions are justified because they protect quality and the consumer. Mr Danti emphasised that his report will consider professional services and their reform. As this is part of the work being done on the services package he will be looking at the regulation of the seven professions already highlighted for first examination by the European Commission (including real estate agents).

At the moment the emphasis is on the state of play. There are huge variations between countries. Mr Danti emphasised that proportionality is important, and that he aims to address specific recommendations to the professions concerned. His work will ensure an in-depth assessment of the need for further regulation or not. It is important to improve the work of the Member States in their implementation of the rules. He stressed that he wants good regulation, with the right balance between sustaining growth and ensuring the quality of services.

The first expert panel focused on the economic effects of regulation and quantitative/qualitative evidence to inform policy-making in the field of regulated professions. Evidence presented included work done for the World Bank on regulatory services reform by Dr Eric Van der Marel of the European Centre for International Political Economy. This measures the effect of regulation (and deregulation) on productivity. Generally speaking, reform results in an increase in productivity. However Dr Van der Marel emphasised that the success of deregulation depends on the strength of the institutions in place, if those institutions are weak the productivity growth is low. Therefore having the right institutional framework is important.

The European Commission has developed its own indicator for the restrictiveness of professional regulation (per profession and per country). This was examined by Professor Jacques Pelkmans of the Centre for European Policy Studies who compared it to the existing OECD regulatory indicators. He emphasised that market failures have to be overcome first and that market failures

can justify the need for regulation because of the need to protect consumers etc. The issue of quality remains open, and the problem is that the consumer cannot always easily judge the quality of a service in advance. Sion Jones of London Economics called for more detailed monitoring and implementing plans showing how reforms will be assessed.

The second expert panel focused on country and specific recommendations on the need for reforms in professional services. An explanation was given of the stages involved in the implementation of the Professional Qualifications Directive in France and subsequent work done on reforms in the framework of the Services Directive. A presentation was also given of the state of professional regulation in Estonia including work done on the mutual evaluation. This was followed by the presentation of a report by the OECD on innovation in professional services/digitalization and reforms. This looks at disruptive innovation (largely introduced by new technology) and its effect on the market. It calls on the competition authorities to encourage regulatory assessment of its impact.

On behalf of the European Commission, Martin Frohn, Head of Unit in DG GROW, presented its work on the mutual evaluation conducted with Member States in accordance with the requirements of the Professional Qualifications Directive. There remain difficulties with the required proportionality assessments of professional regulation, some are missing or not solid. Some Member States have not yet submitted their national action plans, and some remain lacking in ambition.

These panels were followed by presentations on behalf of certain professions, the liberal professions as a whole, tourist guides, lawyers, tax advisers and engineers. Calls were made for a balanced approach between protecting the public interest, more consumer choice and the free movement of professionals. The positive results of deregulation can be over-estimated and are not always transparent. On behalf of the lawyers it was observed that free movement is not taken into account in the Commission's new restrictiveness indicator. The Consumer Choice Centre highlighted the problems consumers can have accessing services in regulated professional service sectors, with little choice available. Market access barriers are often too high and a call was made for more competition to promote more quality services.

The presentations given at the workshop are available on the IMCO website. It is expected that Mr Danti's draft report will be published over the summer and presented in IMCO in early September.

4. European Commission Consults on EU Consumer Law

The European Commission has launched a public consultation on the targeted revision of EU consumer law directives. This consultation will remain open until **8 October 2017**. The areas where legislative changes may be considered necessary include:

- enhancing transparency for transactions concluded on online platforms;
- giving consumers rights to individual remedies in the event of unfair commercial practices;
- strengthening penalties for breaches of consumer law;
- making the Consumer Rights Directive (CRD) rules more coherent as regards online services;
- simplification of information requirements and burden reduction as regards right of withdrawal from the contract.

In addition the Commission is seeking stakeholders' views on certain issues related to national rules banning doorstep selling.

The Commission has completed a fitness check on the key EU consumer directives. It has also carried out an evaluation of the CRD. It has concluded overall that the general existing EU consumer law is still fit for purpose. Therefore it is focusing on a number of proposed targeted amendments. It is now looking for additional evidence, supported as far as possible by facts and figures. Following this consultation the Commission will prepare an impact assessment and the legislative proposal.

If any CEPI member associations would like more information, or intend to respond to the public consultation, please contact the CEPI Secretariat.

There will be no political newsletter in August as work at the European institutions in Brussels slows down over the summer months. We wish all CEPI members a good holiday!

Useful links

www.cepi.eu

Risk analysis about terrorist financing and money laundering

http://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=81272

More about Level(s)

<http://ec.europa.eu/environment/eussd/buildings.htm>

To register interest in testing Level(s)

<https://ec.europa.eu/eusurvey/runner/Levels>

European Parliament workshop on professional regulation

<http://www.europarl.europa.eu/committees/en/imco/events-workshops.html?id=20170607WKS00601>

Public consultation on the targeted revision of EU consumer law directives

http://ec.europa.eu/info/consultations/public-consultation-targeted-revision-eu-consumer-law-directives_en