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Revolution in AML regulations – 10 key changes introduced by the EU AML Package

After a legislative path lasting almost three years, on 19 June 2024 the acts belonging to the so-called Anti-Money Laundering ("**AML**") Package were published in the Official Journal of the European Union. The aim of this article is to answer the following questions:

i. What does the AML Package consist of?

ii. How much time do obliged entities have to implement the new AML provisions?

iii. What are the 10 most important changes introduced by the AML Package?

What does the AML Package consist of?

The AML Package consists of total of four legal acts:

i. AML Regulation[1];

ii. AML Directive[2];

iii. AMLA Regulation[3]; and

iv. Regulation on money transfer information[4].

When will the AML Package enter into force?

As for the AML Regulation, the obliged entities have to be compliant with its provisions from 10 July 2027 (except for football agents and professional football clubs, for which the deadline is 2 years longer, i.e. 10 July 2029). It may seem that the 3-year adjustment period is long, but considering the wide range of changes, **it is not that much time and it is worth commencing the implementation work as soon as possible.**

The AML Directive will enter into force on 9 July 2024 and Member States will be required to implement it to the national legal order in phases, depending on the specific provisions of the act, from 10 July 2027 to a maximum of 10 July 2029.

Regarding the activities of the new supervisory body – Anti-Money Laundering Authority ("**AMLA**") will start operating in mid-2025. It will achieve its full powers, including powers in the area of direct supervision, in 2028. Until 31 December 2025, the European Banking Authority ("**EBA**") will maintain its powers in the area of AML.

The amended Regulation on money transfer information shall apply from 30 December 2024.

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[1] Regulation (EU) 2024/1624 of the European Parliament and of the Council of 31 May 2024 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing (OJ. EU. L. of 2024, item 1624).

[2] Directive (EU) 2024/1640 of the European Parliament and of the Council of 31 May 2024 on the mechanisms that Member States should put in place to prevent the use of the financial system for the purpose of money laundering or terrorist financing, amending Directive (EU) 2019/1937 and amending and repealing Directive (EU) 2015/849 (OJ EU. L. 2024, item 1640).

[3] Regulation (EU) 2024/1620 of the European Parliament and of the Council of 31 May 2024 establishing an Office for the Prevention of Money Laundering and Terrorist Financing and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 (OJ EU. L. 2024, item 1620).

[4] Regulation (EU) 2023/1113 of the European Parliament and of the Council of 31 May 2023 on information accompanying funds transfers and certain cryptocurrencies and amending Directive (EU) 2015/849 (OJ EU. L. 2023 No. 150, p. 1).

Key changes

Please see below our selection of the 10 key changes introduced by the AML Package.

1. AMLA and its powers

The AMLA Regulation established AMLA as the central authority responsible for AML/CFT in the European Union.

The purpose of the establishment of AMLA is to centralize and coordinate AML/CFT activities and to create a more uniform and effective supervisory system across the European Union. Accordingly, the AMLA has been provided with a number of powers and tools to enable it to exercise such effective supervision.

The key tasks of the AMLA include:

i. tasks related to the identification and risk assessment of ML / TF risks in the internal market;

ii. supervision of financial and non-financial supervisors, as well as financial intelligence units ("**FIU**");

iii. adoption of regulatory technical and implementing technical standards and guidelines or recommendations for obliged entities, supervisors and FIU; and

iv. direct supervision of selected obliged entities from the financial sector.

Direct supervision of selected obliged entities from the financial sector within the European Union

AMLA has obtained new powers of direct supervision of selected obliged entities, which represents a major evolution in the European Union AML/CFT supervisory system.

The AMLA's direct supervision will be carried out on selected obliged entities, which include "credit institution, a financial institution, or a group of credit institutions or financial institutions at the highest level of consolidation in the Union in accordance with applicable accounting standards, which is under direct supervision by the Authority pursuant to Article 13"[5].

Entities eligible for direct supervision include credit and financial institutions and groups of credit and financial institutions:

i. which operate, whether through establishments or under the freedom to provide services, in at least six Member States, including their home Member State, regardless of whether the activities are carried out through infrastructure on the territory concerned or remotely[6]; and

ii. whose residual risk profile is classified as high[7].

The AMLA classifies the risk profile of the obliged entities assessed in accordance with a methodology that will be specified in regulatory technical standards (the "**RTS**")[8]. Drafts of these RTS will be submitted by AMLA by 1 January 2026[9]. The classification methodology will be established separately for each category of obliged entities (for example, separately for credit institutions, investment firms or payment institutions)[10]. Where the obliged entity assessed is a group of credit institutions or financial institutions, the risk profile will be classified at the level of the entire group[11].

[5] Article 2 section 1 point 1 of the AMLA Regulation.

[6] Article 12 section 1 of the AMLA Regulation.

[7] Article 13 section 1 of the AMLA Regulation.

[8] Article 12 section 3 of the AMLA Regulation.

[9] Article 12 section 7 of the AMLA Regulation.

[10] Article 12 section 4 of the AMLA Regulation.

[11] Article 12 section 3 of the AMLA Regulation.

As part of the selection procedure, the AMLA will select **40 selected obliged entities**, however, it is not excluded that the group would be bigger[12].

AMLA will start the **first selection procedure by 1 July 2027** and complete it by 1 January 2028 at the latest[13]. The AMLA will commence supervision six months after the publication of the list of obliged entities[14]. Subsequent selection procedures will be carried out every 3 years from the date the first procedure starts.

It will also be possible to be directly supervised by AMLA if the supervisory authority of a Member State makes a reasoned request to AMLA to assume direct supervision of an obliged entity[15]. Such a request may only be made under exceptional circumstances in order to eliminate, at European Union level, any increased ML or TF risk or non-compliance by such obliged entity and to ensure consistent application of high supervisory standards[16].

As part of the supervision, the AMLA will have a number of powers, including supervisory and investigative powers as defined in Articles 17-21 of the AMLA Regulation and the ability to impose fines and periodic penalty payments as defined in Articles 22 and 23 of the AMLA Regulation. In order to exercise the above powers, the AMLA may issue mandatory decisions addressed to individual selected obliged entities[17]. The selected obliged entities will be subject to supervisory reviews and assessments, on-site inspections and the imposition of administrative measures i.e. recommendations, orders, decisions, requests for changes in management structure or restrictions on or divestment of activities, requests for withdrawal or suspension of authorization[18].

AMLA will also be able to carry out the necessary investigations, including requesting the submission of documents, explanations, hearings, examining registers and records, obtaining access to, inter alia, internal audit reports, certification of accounts, databases[19].

To ensure the enforcement of its powers in the area of direct supervision, AMLA will be entitled to impose fines on selected obligated entities. AMLA may impose fines if the selected obliged entity intentionally or negligently breaches a requirement set out in Regulation on money transfer information or the AML Regulation or fails to comply with a binding decision issued by the AMLA. Depending on the type of violation and geographical scope, the amounts of fines are:

i. in the event of an infringement in two or more Member States where the entity is established:
   a) for serious, repeated and systematic breaches of one or more requirements relating to customer due diligence, internal rules, procedures and controls and reporting obligations: from EUR 500,000 to EUR 2,000,000 or 1% of annual turnover (whichever of these amounts is the higher)[20];
   b) for other infringements: from EUR 100,000 to EUR 2,000,000[21];
ii. infringements in one Member State where the entity is established:
   a) for serious, repeated and systematic breaches of one or more requirements relating to customer due diligence, internal rules, procedures and controls and reporting obligations: from EUR 100,000 to EUR 1,000,000 or 0.5% of annual turnover (depending on whichever of these amounts is higher[22];
   b) for other infringements: from EUR 100,000 to EUR 1,000,000[23];
iii. in the event of a breach of binding decisions issued by AMLA: from EUR 100,000 to EUR 1,000,000[24].

[12] Article 13 section 2 of the AMLA Regulation.
[13] Article 13 section 4 of the AMLA Regulation.
[14] Article 13 section 4 of the AMLA Regulation.
[15] Article 14 section 1 of the AMLA Regulation.
[16] Article 14 section 2 of the AMLA Regulation.
[17] Article 6 section 1 of the AMLA Regulation.
[18] Article 21 section 2 of the AMLA Regulation.
[19] Article 21 section 2 of the AMLA Regulation.
[20] Article 22 letter (a) of the AMLA Regulation.
[21] Article 22 section 3 letter (c) of the AMLA Regulation.
[22] Article 22 section 3 letter (b) of the AMLA Regulation.
[23] Article 22 section 3 letter (d) of the AMLA Regulation.
[24] Article 22 section 3 letter (e) of the AMLA Regulation.

2. New obliged entities

The AML Regulation extends the catalogue of obliged entities to include new categories of entities[25]. The following entities have been added to the catalogue of obliged entities:

i. crypto-assets service providers;

ii. entities dealing in precious metals and precious stones;

iii. entities involved in the trade of high-quality goods such as jewelry and gold or silverware with a value of more than EUR 10,000, watches with a value of more than EUR 10,000, cars with a value of more than EUR 250,000 and aircraft and watercraft with a value of more than EUR 7,500,000;

iv. credit intermediaries for mortgage and consumer credits, other than credit institutions and financial institutions, with the exception of the credit intermediaries carrying out activities under the responsibility of one or more creditors or credit intermediaries;

v. crowdfunding service providers and crowdfunding intermediaries;

vi. non-financial mixed activity holding companies;

vii. investment migration operators permitted to represent or offer intermediation services to third-country nationals seeking to obtain residence rights in a Member State in exchange for any kind of investment, including capital transfers, purchase or renting of property, investment in government bonds, investment in corporate entities, donation or endowment of an activity to the public good and contributions to the state budget;

viii. football agents and professional football clubs in respect of transactions with potential investors, sponsors, football agents and transfers of players. Due to the diverse risks associated with this sector, Member States have the possibility to exclude these entities from the list when low risk is identified. The provisions concerning this sector will enter into force after an extended transitional period of five years from the date of entry into force of the AML Regulation[26].

3. Changes in beneficial ownership definition

Prior to the adoption of the AML Package, the definition of beneficial owners was outlined in Article 3 section 6 of the IV AML Directive[27] as amended by the V AML Directive[28] and was composed of one main provision. While this provision appeared relatively clear in theory, its application in practice often led to inconsistent outcomes, particularly in the context of complex corporate structures. Recognizing this as an issue, the European Commission addressed it through two key measures.

Firstly, the definition of beneficial owners was moved from the directive to the AML Regulation. This shift is intended to eliminate discrepancies in the interpretation of the term across different jurisdictions, which often arose from variations in Member States' approaches to the transposition of the directive. Since the AML Regulation will be directly applicable in all Member States, it will promote a uniform understanding and implementation of the beneficial ownership definition across the European Union.

Secondly, the legislator decided to minimize the space for varying interpretations by making the beneficial ownership definition more detailed and complex. The revised wording of the beneficial ownership definition is notably more comprehensive, resembling an interpretative guideline or other forms of soft law, rather than the typical language of a legally binding European Union regulation.

That being said, while the beneficial ownership definition in the AML Regulation is considerably longer than the original, it does not introduce many new elements. Instead, it primarily serves to clarify and address gaps in interpretation, providing more specific guidance without fundamentally altering the core concept.

[25] Please note that under some local AML regulations some of the described entities were already treated as obliged entities (for example crypt-assets providers in Poland).

[26] Article 5 section 1 of the AML Regulation.

[27] Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ EU. L. 141, 05.06.2015, p. 73).

[28] Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU (OJ EU. L. 284, 12.11.2018, p. 2).

Adjustments to the beneficial ownership thresholds

The 25 % threshold is widely recognized as a key criterion for identifying beneficial owners. However, it has frequently faced criticism for being arbitrary, potentially allowing individuals to exploit this threshold to circumvent the law.

During the legislative process there has been the trend of lowering the threshold for high-risk sectors, such as extracting industry[29]. Following this approach, the European Union now proposes to reduce the threshold for corporate entities that are associated with a higher risk of money laundering and terrorist financing. This reduction would be implemented through a delegated act of the European Commission, which will rely on information provided by member states. The threshold could potentially be lowered to as low as 15 %, aiming to strengthen oversight and mitigate risks in these vulnerable sectors.

It is also important to note that the original threshold, which required beneficial ownership to be identified at more than 25 %, has now been adjusted to 25 % or more. This seemingly subtle change increases the scope of coverage, ensuring that any individual holding exactly 25 % of the ownership is also captured under the beneficial ownership identification requirements.

All elements of the beneficial ownership definition are equally important and must be assessed in parallel

There has been ongoing debate about whether the beneficial ownership definition should be applied in a hierarchical or "cascade" manner. This would mean that once a beneficial owner is identified based on one criterion (e.g., holding at least 25 % of the ownership interest in a legal entity), there would be no need to examine whether anyone else meets the criteria for "control via other means."

Now, the AML Regulation provides the clear answer stating that: "*Control via other means over the corporate entity shall be identified independently of and in parallel to the existence of an ownership interest or control through ownership interest.*"[30]. The AML Regulation even provides the non-exhaustive list of circumstances under which someone is considered to control the entity via other means – e.g. through veto rights, right to appoint or remove a majority of the members of the corporate bodies or even informally through relationships between family members.

This approach is logical, as all beneficial owners hold the same "status" or "significance" and there is no justifiable reason to prioritize identifying certain beneficial owners over others.

Defining beneficial owners in multilayered structures

In complex corporate structures consisting of multiple layers of legal entities, calculating indirect ownership might be challenging. While there has generally been a consensus on how to calculate indirect interests in practice, the European legislator has now explicitly outlined the calculation process in the AML Regulation. According to this regulation, shares, voting rights, or other ownership interests held by intermediary entities within a chain must be multiplied. When multiple chains of ownership lead to the same beneficial owner, the results from each chain should be combined to determine the total indirect interest.

An additional takeaway from this provision is that all ownership chains must be examined when calculating ownership interest, even if an entity in the first layer of ownership holds a share below 25 %. This ensures that the entire structure is analyzed comprehensively, as smaller holdings in initial layers may still lead to significant indirect ownership when added together.

Another piece of guidance provided by the AML Regulation concerns the process of identification of beneficial owners in the structures which include different types of entities. This can be relevant especially in large family businesses, where corporate ownership structures often lead to trusts, foundations, or similar arrangements and entities, such as *Privatstiftung* in Austria, *fundacja rodzinna* in Poland or *Svěřenský* fond in the Czech Republic.

If a trust, foundation or similar legal arrangement holds a relevant ownership share in, or exerts control over, a corporate legal entity, then the beneficial owners of the trust, foundation or similar arrangement are also deemed to be the beneficial owners of that corporate entity. For instance, if a family trust indirectly holds a 30 % ownership share in a local entity through a holding company and regional subsidiaries, the beneficial owners of that local entity would include among others, the settlor(s), trustee(s), and beneficiaries of the family trust. Taking it a step further,

[29] Extractive Industries Transparency Initiative ("EITI"): https://eiti.org/.

[30] Article 42 section 1 of the AML Regulation.

if any of these positions within the trust, such as settlor or trustee, is held by a legal person, the beneficial owner of that legal person would also be considered one of the beneficial owners of the trust and, consequently, one of the beneficial owners of the local entity.

Trusts, similar arrangement and undertakings for collective investment and alternative investment funds

Corporate entities, even across different jurisdictions, are relatively straightforward when it comes to understanding the distribution of control and ownership rights within a structure. However, certain legal forms can complicate the identification of beneficial owners. The AML Regulation finally addresses this challenge, specifically defining who qualifies as a beneficial owner of investment vehicles, which are commonly found in intricate corporate structures, particularly in the infrastructure and energy sectors. Under the new AML Regulation, beneficial owners of investment vehicles include investors who hold 25 % or more of the units in an undertaking for collective investment or an alternative investment fund, as well as individuals who have the ability to define or influence the investment policy of the vehicle or control its activities.

The AML Regulation also clarifies specific aspects of trusts and similar arrangements, such as the treatment of classes of beneficiaries. It is common for a trust deed to define future beneficiaries based on general characteristics, such as family affiliation. Under the AML Regulation, when beneficiaries have not yet been determined, the class of beneficiaries and its defining characteristics must be identified. Additionally, individual beneficiaries will need to be identified as beneficial owners as soon as they are named or designated as beneficiaries within that class.

4. Registers of beneficial owners – new approach

The new rules governing beneficial ownership registries have been highly anticipated, particularly in light of the Court of Justice of the European Union's ruling in the *Sovim* case[31]. It comes as no surprise, therefore, that the revised regulations on central beneficial ownership registries focus on two key areas: the quality of the registered information and the accessibility of the registry.

Unlike the rules on identifying beneficial owners, the operation of the central beneficial ownership registries continues to be regulated primarily by the AML Directive and will require transposition into national legislations of the member states.

Registration of management instead of beneficial owners shall be an exception, not a general practice

The registration of a company's management in case the beneficial owners cannot be identified is a relatively common practice across various jurisdictions. It is so prevalent that it raises reasonable doubts as to whether the registered entity truly exhausted all possible means to identify the actual beneficial owners.

Both the AML Directive and AML Regulation emphasize that registering senior management officials instead of beneficial owners should be a rare occurrence, treated as an exception rather than the norm. Although this is not a new concept, it is the first time that the European legislator has been so explicit about this rule. It is worth mentioning that information about senior management officials adds little value, as it is typically already publicly accessible, and the "controlling" powers of management body do not carry the same weight as those of beneficial owners.

According to the AML Regulation, legal entities will be required to provide the registration authority with a statement indicating either that there is no beneficial owner or that the beneficial owner(s) could not be determined. This statement must be accompanied by a justification explaining why it was not possible to identify the beneficial owners.

[31] Judgment of the Court of Justice of the European Union in the Joined Cases C-37/20 and C-601/20, WM and Sovim SA v. Luxembourg Business Registers.

Verification of the registered data

Under the new AML Directive, entities in charge of the central beneficial ownership registries will be granted significantly broader powers and will play a much more active role both in the registration process and in the ongoing monitoring of the accuracy of the beneficial ownership data.

The European legislator emphasizes that the reliability of this data – ensuring it is adequate, accurate, and up to date – depends on verification before registration and at regular intervals thereafter. If, in the process of initial or continuous verification, the registration authority identifies inaccuracies, it should be able to withhold or suspend the registration, thereby effectively forcing the legal entities to disclose their true beneficial owners.

The broader powers of the registration authorities will also include the right to request relevant information and documents from the registered entities and their legal and beneficial owners. Additionally, they will have the authority to conduct checks, including on-site investigations at the premises or registered office of legal entities.

End of unrestricted access to the beneficial ownership data

In 2018, the V AML Directive granted public access to registered beneficial ownership data to enable greater scrutiny of information by civil society, including by the press or civil society organizations. Although member states were permitted to impose certain access restrictions (e.g., payment of the administrative fee), the requirement to demonstrate a legitimate interest introduced by the previous IV AML Directive was removed.

The era of public access to beneficial ownership information was short-lived, coming to an end on 22 November 2022 with the *Sovim* ruling, which declared the provision of the V AML Directive regarding public access invalid. This ruling effectively reinstated the obligation to demonstrate a legitimate interest and created the basis for the future wording of the AML Directive.

Under the new AML Directive, except for certain public authorities and obliged persons, only individuals with a legitimate interest can access beneficial ownership information. The legitimate interest must be connected to the prevention and combating of money laundering, its predicate offenses and terrorist financing and must be assessed by the registration authority on the case-by-case basis. The assessment process can be lengthy, taking up to thirty-six working days in the event of a "sudden high number of requests for accessing beneficial ownership information"[32].

Given that the definition (or rather the absence) of legitimate interest has historically been a controversial issue, the AML Directive outlines categories of individuals and entities automatically deemed to have a legitimate interest. These include, for instance, journalists and civil society organizations connected with the prevention and combating of money laundering, its predicate offenses, and terrorist financing.

Once the registration authority in one member state verifies that the applicant holds a function or occupation which falls within the category of persons deemed to have a legitimate interest, the applicant can use this proof across all jurisdictions in the European Union without having to undergo the same verification process in every member state. This is a welcome administrative simplification which should make the burden of the verification process less cumbersome, however, it should be noted that member states are still permitted to require a fee for making beneficial ownership information available, even to those deemed to have a legitimate interest.

One of the new features of access to beneficial ownership information is also the requirement for registration authorities to maintain records of who accesses the data. This information must be disclosed to beneficial owners upon their request. Nevertheless, this disclosure obligation does not extend to information about access by journalists and civil society organizations.

[32] Article 12a section 6 of the AML Directive.

5. Changes in CCD measures

The AML Regulation includes more specific and detailed provisions on identifying customers and verifying their identity.

Firstly, the AML Regulation modifies the threshold of occasional transaction that triggers the obligation of the obliged entity to carry out the customer due-diligence measures – the threshold is reduced **from EUR 15,000 to EUR 10,000**[33]. This change will result in obliged entities being more frequently obliged to apply due-diligence measures.

Secondly, the AML Regulation expands and modifies the catalog of cases in which obliged entities are obliged to apply due diligence measures. For example, the identity of individuals must be identified and verified if they occasionally make cash transactions between EUR 3,000 and EUR 10,000[34].

The AML Regulation also contains an **EU-wide upper limit of EUR 10,000 for cash payments**[35]. However, Member States can also set a lower limit for cash transactions. Thus, for example in Poland the current limit of PLN 15,000 (ca EUR 3,500) will most probably be maintained. Please note that this limit shall not apply to payments between natural persons who are not acting in a professional capacity.

The directly binding nature of the AML Regulation will also require the collection of a unified catalog of data of the client, his representative and its beneficial owner for the purposes of his identification.

There have been also changes introduced as regards to conducting simplified and enhanced due-diligence measures. The catalogue of simplified and enhanced due-diligence measures has been introduced directly in the AML Regulation. Additionally, enhanced due diligence obligations are imposed for providers of crypto services in cross-border correspondent banking relationships. Financial and credit institutions must also take enhanced due diligence measures if they are entrusted with the custody of a large amount of assets (at least EUR 5,000,000) due to business relationships with very wealthy individuals (total assets of at least EUR 50,000,000).

6. Changes in the AML internal risk assessment

The AML Regulation introduces important changes in the area of risk assessment. Although, in principle, European Union AML regulations are still in the spirit of the risk-based approach, there are more and more changes towards the approach used in the first few AML directives, i.e. the rule-based approach.

A number of regulations have been introduced to structure the internal risk assessment carried out by obligated institutions. Obliged entities shall take appropriate measures, proportionate to the nature of their business, including its risks and complexity, and their size, to identify and assess the risks of money laundering and terrorist financing to which they are exposed, as well as the risks of non-implementation and evasion of targeted financial sanctions. Such risk assessment should be conducted taking into account at least:

i. the risk variables set out in Annex I to the AML Regulation (concerning clients, clients, distribution channels) and the risk factors set out in Annexes II and III to the AML Regulation (lower and higher risk factors);

ii. the findings of the risk assessment at Union level conducted by the Commission;

iii. the findings of the national risk assessments carried out by the Member States

iv. relevant information published by international standard setters in the AML/CFT area or, at the level of the Union, relevant publications by the Commission or by AMLA;

v. information on money laundering and terrorist financing risks provided by competent authorities;

vi. information on the customer base.

The general risk variables relating to customers, products and supply channels have been made more specific by indicating a detailed, but not exhaustive, catalogue of the elements included in each factor[36].

[33] Article 19 section 1 letter (b) of the AML Regulation.

[34] Article 19 section 4 of the AML Regulation.

[35] Article 80 of the AML Regulation.

[36] Annex I to AML Regulation.

The AML Regulation also sets out a catalogue of factors relating to the customer, product, service, transaction or delivery channel, as well as those relating to geographical location, indicating potentially lower[37] and higher[38] ML and TF risks, which obliged entities consider in their risk assessment. This catalogue is however not exhaustive.

By 10 July 2026, AMLA shall issue guidelines on the minimum requirements for the content of the business-wide risk assessment drawn up by the obliged entity, and on the additional sources of information to be taken into account when carrying out the business-wide risk assessment.

The described above changes will require the obliged entity to adapt the internal risk assessment document to the new regulations, including taking into account the indicated risk factors and variables and adapting to the requirements indicated by AMLA in its guidelines.

7. Changes in reporting obligations

The new rules significantly expand and tighten the reporting obligations for obliged entities. All suspicious transactions, including attempts and suspected cases resulting from the inability to apply customer due diligence measures, are subject to mandatory reporting. Reports must be made to the FIUs. The AML Package provides the FIUs more extensive powers to analyse and uncover cases of money laundering and terrorist financing. AMLA has to provide guidelines with indicators for suspected activities and behaviour by July 2027.

After a report has been made, the obliged entities must respond to a request for information from the FIU. Of particular note is the shortening of the deadline for such a response to five workdays or in justified and urgent cases even to less than 24 hours.

In addition, the requirements for the standardisation and detail of reports have been significantly increased. The aim is to ensure that suspicious activity is recorded more quickly and accurately, so that the relevant authorities can react quickly. AMLA will prepare the draft of RTS which will indicate such a form by July 10, 2026.

8. Approach to high-risk third countries – a "black" list and a "grey" list

The AML Regulation sets out revised rules for obliged entities to exercise heightened vigilance when dealing with so called high-risk third countries. The AML Regulation introduces distinction of two types of high-risk third countries:

i. third countries with significant strategic deficiencies in their national AML/CFT regimes[39]; and

ii. third countries posing a specific and serious threat to the Union's financial system[40];

the so-called "**black list**" third countries; and

iii. third countries with compliance weaknesses in their national AML/CFT regime[41]

the so-called "**grey list**" third countries.

The European Commission is empowered to identify these high-risk third countries[42] and to adopt delegated acts listing these jurisdictions[43]. The European Commission carries out this risk assessment on the basis of the FATF lists.

Once a third country is placed on one of these lists, the European Union will implement measures proportionate to the risks posed by that country which will trigger the obligation of the obliged entity to introduce appropriate due-diligence measures.

[37] Annex II to AML Regulation.

[38] Annex III to AML Regulation.

[39] Article 29 of the AML Regulation.

[40] Article 31 of the AML Regulation.

[41] Article 30 of the AML Regulation.

[42] Article 29 section 1 of the AML Regulation.

[43] Article 29 of the AML Regulation.

Countermeasures against high-risk third countries

Obliged entities will need to adjust their customer due diligence measures based on whether the entities are located in countries within the two specified categories ("grey list" and "black list").

Both categories will be required to apply enhanced due diligence measures to occasional transactions and business relationships involving high-risk third countries[44], which may include e.g. obtaining additional information on the customer and the beneficial owners or obtaining the approval of senior management for establishing or continuing the business relationship.

For countries on the "black list", posing a serious threat to the EU financial system, additional measures will be required[45]. This could for example be application of additional elements of enhanced due diligence, introduction of enhanced relevant reporting mechanisms or systematic reporting of financial transactions or limitation of business relationships or transactions with natural persons or legal entities from those third countries.

Member States may also decide to introduce additional countermeasures towards countries on the black list e.g. limit business relationships or transactions with natural persons or legal entities from high-risk third countries, refuse the establishment of subsidiaries or branches or representative offices of obliged entities from the country concern[46].

9. AML policies in groups - group-wide AML measures for parent undertakings

Group-wide AML/CFT measures

Group-wide obligations must already be implemented under the existing AML framework. However, the AML Regulation specifies these obligations in more detail.

The new AML Regulation stipulates that parent undertakings which are obliged entities must adopt group-wide AML/CFT measures and policies[47]. These obligations also applies to branches or subsidiaries operating in third-party states, with certain exceptions. Where the law of a third country does permit compliance with the AML Regulation and branches or subsidiaries of obliged entities are located in third countries where the minimum AML/CFT requirements are less strict than those set out in the AML Regulation, the parent undertaking has to ensure that those branches or subsidiaries comply with the requirements laid down in the AML Regulation, including requirements concerning data protection[48].

Obligation to prepare group-wide risk assessment

As a group-wide measure, a parent undertaking must conduct a group-wide risk assessment that incorporates the business-wide risk assessments from all branches and subsidiaries within the group. Additionally, it must establish and implement group-wide policies, procedures, and controls, including those related to data protection and information sharing for AML/CFT purposes, to ensure that employees across the group are aware of the requirements set out in the AML Regulation.

The group-wide policies, procedures and controls and the group-wide risk assessments shall include all the elements listed in Article 9 of the AML Regulation (Scope of internal policies, procedures and controls) and Article 10 of the AML Regulation (Business-wide risk assessment).

The minimum requirements of group-wide policies, procedures and controls, including minimum standards for information sharing will be set out in draft of the RTS to be published by AMLA by 10 July 2026[49].

[44] Article 34 of the AML Regulation.

[45] Article 35 of the AML Regulation.

[46] Article 35 letter (b) of the AML Regulation.

[47] Article 16 of the AML Regulation.

[48] Article 17 of the AML Regulation.

[49] Article 16 section 4 of the AML Regulation.

Obligation to introduce compliance functions at the level of the group

Another newly introduced group-wide measure will be the establishment of compliance functions at the level of the group. Those functions shall include a compliance manager at the level of the group and, where justified by the activities carried out at group level, also a compliance officer[50]. The compliance manager is e.g. responsible for regular reports (at a minimum once a year) to the management body in its management function of the parent undertaking on the implementation of the group-wide policies, procedures and controls.

Group-wide measures in holding companies

The AML Regulation extends the definition of a holding company. Undertakings, the principal activity of which is to acquire holdings, including a financial holding company, a mixed financial holding company and a financial mixed activity holding company are to be considered as financial institution and therefore as obliged entities for the purpose of the AML Regulation[51]. A financial mixed activity holding company is defined as an undertaking, other than a financial holding company or a mixed financial holding company, which is not the subsidiary of another undertaking, the subsidiaries of which include at least one credit institution or financial institution[52].

While most obliged entities covered by the AML Regulation were already subject to the IV and V AML Directive, the AML Regulation expands the scope of entities subject to AML/CFT requirements to further include e.g. non-financial mixed activity holding companies. A non-financial mixed activity holding company is defined as a company, other than a financial holding company or a mixed financial holding company, that is not a subsidiary of another undertaking but whose subsidiaries include at least one obliged entity as referred to in Article 3 section 3 of the AML Regulation[53].

Holding companies that carry out mixed activities and have at least one subsidiary that is an obliged entity should themselves be included as obliged entities in the scope of the AML Regulation. To ensure consistent supervision by financial supervisors, in cases where the subsidiaries of a mixed activity holding company include at least one credit institution or financial institution, the holding company itself should also qualify as a financial institution .

As a result, the group-wide measures in such constellations are to be introduced by the respective obliged entity as well as the holding company itself, which also qualifies as an obliged entity, when having a subsidiary in the group which is an obliged entity.

[50] Article 16 section 2 of the AML Regulation.

[51] Article 3 section 2, Article 2 section 1 point 6 letter (a) of the AML Regulation.

[52] Article 2 section 1 point 10 of the AML Regulation.

[53] Article 2 section 1 point 13 of the AML Regulation.

[54] Recital number 10 of the AML Regulation.

10. Approach to restrictive measures

An important novelty introduced by the AML Regulation is the inclusion of issues related to restrictive measures in the scope of EU AML regulations.

In order to ensure that risks of non-implementation or evasion of targeted financial sanctions are appropriately mitigated, the obliged entities will have to include the topic of the targeted financial sanctions in their internal procedures[55]. Additionally, the obliged institutions will need to include the risk of non-implementation and evasion of targeted financial sanctions in their internal risk-assessment[56].

The AML Regulation also requires to introduced changes concerning related to compliance with restrictive measures in the customer due-diligence obligations – as a part of the CDD the obliged entity will need to verify whether the customer or the beneficial owners are subject to targeted financial sanctions, and, in the case of a customer or party to a legal arrangement who is a legal entity, whether natural or legal persons subject to targeted financial sanctions control the legal entity or have more than 50 % of the proprietary rights of that legal entity or majority interest in it, whether individually or collectively[57]. The above-mentioned aspect should also be subject to the ongoing monitoring[58].

Obliged entities should keep records of the funds or other assets they hold for customers listed or designated under UN financial sanctions, or customers owned or controlled by listed or designated individuals or entities, of any attempted transaction and of transactions carried out for the customer, such as for the fulfilment of basic needs of the customer[59].

Please also note that it has been explicitly highlighted in the AML Regulation that obliged entities shall refrain from applying simplified due diligence measures in case there is a suspicion that the customer, or the person acting on behalf of the customer, is attempting to circumvent or evade targeted financial sanctions[60].

In assessing whether a customer who is a legal entity is owned or controlled by individuals designated under targeted financial sanctions, obliged entities should take into account the Council Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the Union common foreign and security policy[61] and the Best Practices[62] for the effective implementation of restrictive measures.

> Taylor Wessing's Financial Services Regulatory team continuously monitors all legislative activities affecting the financial sector. Our work focuses on introducing individualized measures that respond to the ever-changing instruments and requirements that are placed on banks, insurers, leasing companies, factoring companies, loan companies and other financial institutions and fin-tech firms.

[55] Article 9 section 1 of the AML Regulation.

[56] Article 10 section 1 of the AML Regulation.

[57] Article 20 section 1 letter (d) of the AML Regulation.

[58] Article 26 section 4 of the AML Regulation.

[59] Article 27 of the AML Regulation.

[60] Article 33 section 5 letter (e) of the AML Regulation.

[61] Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy (doc. 5664/18) https://data.consilium.europa.eu/doc/document/ST-5664-2018-INIT/en/pdf.

[62] Update of the EU Best Practices for the effective implementation of restrictive measures https://data.consilium.europa.eu/doc/document/ST-11623-2024-INIT/en/pdf.