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WHITE PAPER

# EU ANTI-MONEY LAUNDERING REGULATION: IMPACT ON OPERATIONAL PROCESSES AND COMPLIANCE

## Executive Summary

The aim of the EU Anti-Money Laundering Package adopted this year is to further harmonize the fight against money laundering within the EU, which was previously complicated by different national regulations.

The central component, the EU Anti-Money Laundering Regulation (AMLR), brings significant changes. In the future, service providers for crypto assets and professional football clubs will be among the obliged entities.

There will be a comprehensive adjustment with regard to the determination of the beneficial owner. The adjustment of the threshold from more than 25% to exactly 25% and the change in the calculation method will lead to significantly more beneficial owners.

Other changes concern the collection of data on beneficial owners, the shorter deadlines in relation to the periodic review of customer data and the extension of the PEP definition to regional/local executive or legislative bodies and regional/local authorities.

Overall, the new law requires obliged entities to adapt their processes and training in order to implement the new regulations by the time they come into force on July 10, 2027.

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## Introduction

Around three years have passed since the publication of the first legislative proposal of the new EU Anti-Money Laundering Package and its adoption. It consists of the EU Anti-Money Laundering Regulation (AMLR), the 6th EU Anti-Money Laundering Directive (AMLD6) and the Regulation establishing the Anti-Money Laundering Authority (AMLA). An additional part of the EU Anti-Money Laundering Package was the previously adopted 5th Money Transfers Regulation. In the meantime, obliged entities have had a few months to familiarize themselves with the AMLR in particular, which forms the core of the EU Anti-Money Laundering Package and must be implemented by July 10, 2027.

The new EU Anti-Money Laundering Package intends to achieve harmonization within the Union. The previous Anti-Money Laundering Directives did not achieve this due to the necessary transposition into national law which led to the individual member states issuing their own interpretation of the directives. Based on the PWC 2024 EMEA AML Survey[1], 75% of the banks surveyed stated that universal standards would be the regulatory change that would increase the effectiveness of the fight against money laundering. Another important aspect is a cross-border regulatory authority that issues uniform interpretative standards. The new EU Anti-Money Laundering Package meets both of the wishes by implementing an EU-wide standard through regulation and creating a transnational Anti-Money Laundering Authority (AMLA).

Some changes are expected to be anticipated by the BaFin interpretation and application notes currently under consultation. At an operational level, some of the changes brought about by the AMLR will have a significant impact. In particular, the determination of the beneficial owner will have a considerable impact in practice, both for obliged entities and for all other companies that have to register in the central register.

## Obliged Entities

On the one hand, the group of obliged entities will be expanded and, on the other, the existing group of obliged entities will be narrowed.

The following are new obliged entities:

- Service providers for crypto assets
- Crowdfunding service providers and crowdfunding intermediaries
- Investment migration operators
- Non-financial mixed activity holding companies
- Professional football clubs (restrictions based on turnover / league possible)
- Football agents

However, professional football clubs and football agents are not considered obliged entities until July 10, 2029 and therefore have additional time to deal with the regulation.

[1] PWC EMEA AML Survey 2024: Spotlight on Effectiveness

For the existing obliged entity group of goods traders, there is a limitation to traders in certain high-value goods and cultural goods. Other goods traders are no longer considered obliged entities due to the new cash limit of EUR 10,000.

## Determination of the beneficial owner

### Basic aspects

Determining the beneficial owner is one of the key aspects of due diligence measures. The previously known determination will change significantly as a result of the AMLR.

The first change concerns the threshold above which a natural person counts as a beneficial owner. Currently, the threshold of more than 25% applies to capital and/or voting rights, with the exception of foundations and other fiduciary arrangements. The threshold will be adjusted to 25% or more of directly or indirectly held capital and/or voting rights. This brings the EU into line with the threshold that applies in the United States.

The previously known aspects of control from Section 290 of the German Commercial Code remain in place and are supplemented by other control options, including relationships between family members and formal and informal agreements.

In addition, Article 52 (1) and Article 54 of the AMLR set out two further methods for determining beneficial owners, which are described in detail below.

If no actual beneficial owner can be determined after examining the various methods, then, as is already the case today, the members of the management body are to be used as notional beneficial owners.

### Multi-layered ownership structure (Art. 54 AMLR)

The determination of the beneficial owner in accordance with Article 54 of the AMLR takes precedence over the accumulation method in accordance with Article 52 (1) of the AMLR.

In our view, the wording in Article 54 of the AMLR can lead to different interpretations in practice. Only the technical regulatory standards of the AMLA are likely to provide final clarity.

According to our current interpretation, Article 54 of the AMLR contains, among other things, the current calculation method used in Germany. It also defines constellations in which control aspects and ownership interests are combined. The following two relevant scenarios will arise in the future:

- A natural person is classified as a beneficial owner if they directly or indirectly, via ownership interest or other means, control legal entities that have a direct ownership interest (>=25%) in the customer. This methodology is currently used in Germany to determine the beneficial owner (see Otto in the example)
- A natural person is classified as a beneficial owner if they hold, directly or indirectly, an ownership interest (>=25%) in a legal entity that directly or indirectly, via ownership interest or other means, controls the customer (see Paula in the example)

If one of the two constellations applies, the amount of the shareholding for the respective natural person is not calculated using the accumulation method.

The methodology for determining the values for the type and scope of the ownership interest still appears unclear if natural persons are deemed to be beneficial owners on the basis of the second point (see Paula in the example).

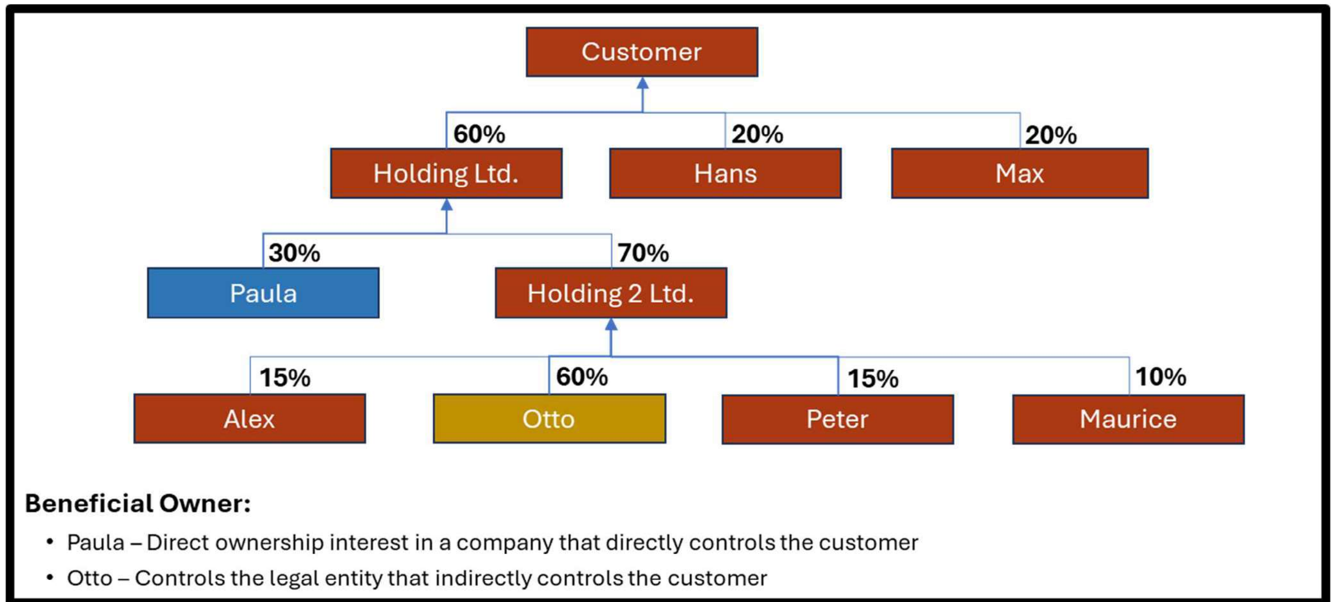


*Figure 1: Example Art. 54 AMLR*

### Accumulation method (Art. 52 AMLR)

For natural persons within the ownership structure who do not qualify as beneficial owners under Article 54 AMLR, it must be examined whether they hold a relevant ownership interest pursuant to the accumulation method.

In order to calculate indirect ownership, the vertical shareholdings are calculated by multiplying the shares with each other. Parallel strands must be taken into account. Until now, this type of calculation of the beneficial owner was not stipulated in the BaFin Guidelines in Germany. The FAQs on the transparency register from the Federal Office of Administration also emphasize that a pro rata calculation or percentage calculation of shareholdings is not permitted.

The calculation method is known from the Anglo-American region. Internationally active obliged entities with subsidiaries in the Anglo-American region are already familiar with this calculation method and use it in parallel to the dominance method in some cases. For obliged entities with a national focus, however, this change means a transition.

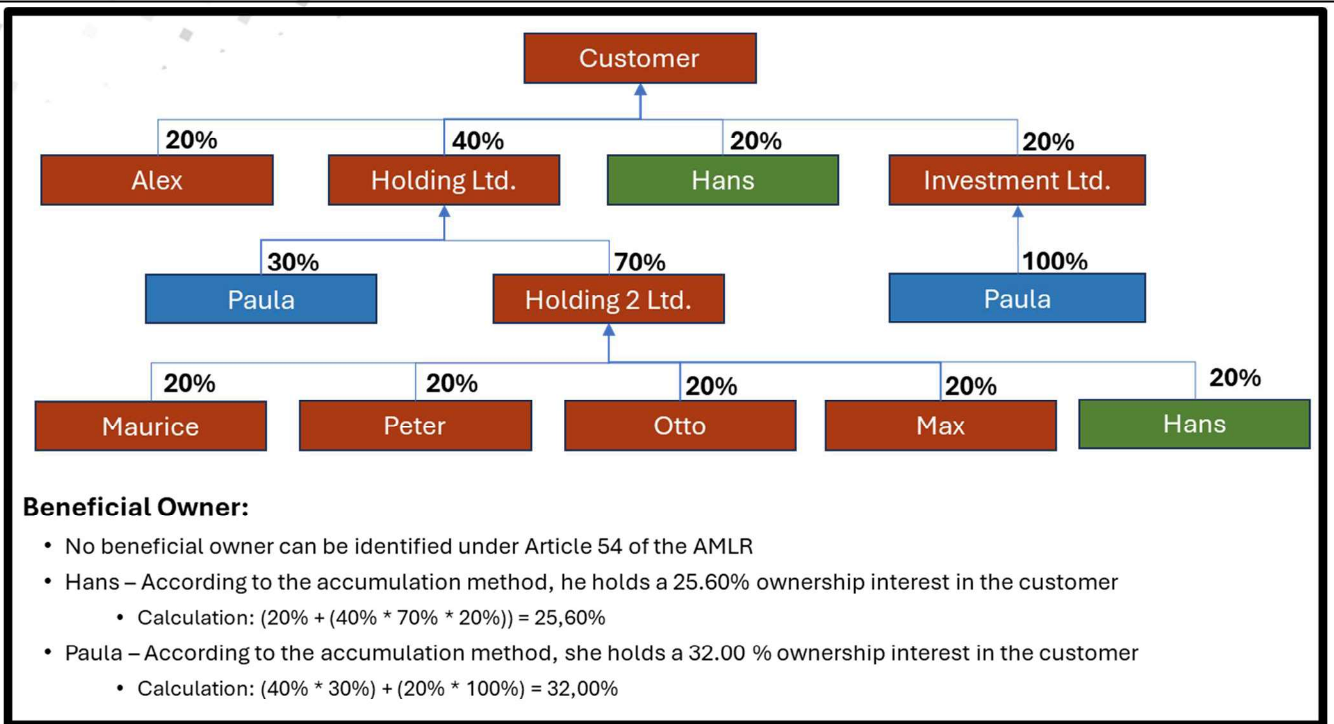


*Figure 2: Example Accumulation method (Art. 52 AMLR)*

### Existence of multiple calculation methods

Within a shareholding structure, there may be beneficial owners in accordance with both Article 54 and Article 52(1) of the AMLR. This adds a further dimension of complexity to the determination of the beneficial owner, as shown in the example below.

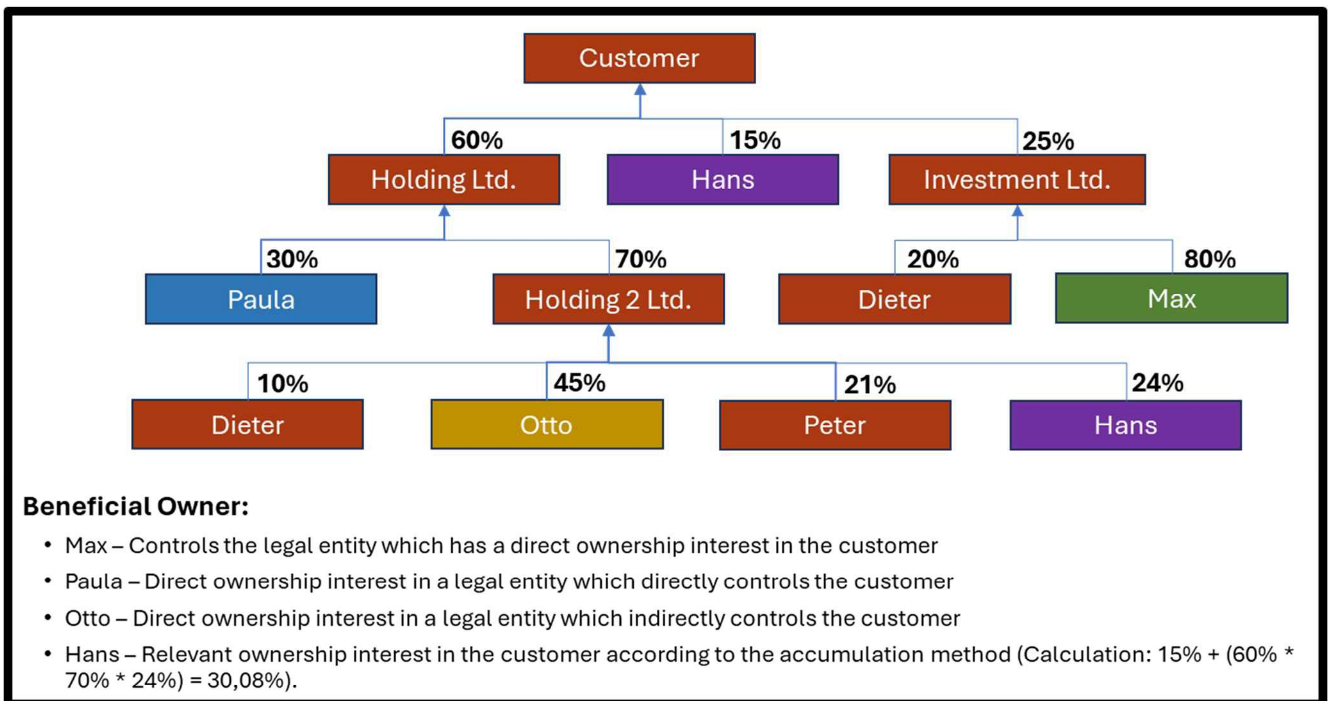


*Figure 3: Example of existence of multiple calculation methods*

### Listed entities

A simplification currently applies to companies whose securities are admitted to trading on a regulated market. The obliged entities do not have to determine the beneficial owner for these companies. Thanks to the interpretation and application notes on the Anti-Money Laundering Act issued by the German Federal Financial Supervisory Authority (BaFin), the exemption also extends to subsidiaries of listed companies as long as they hold more than 50% of the capital or voting rights and there is no other beneficial owner. However, listed companies and their subsidiaries are not exempt from reporting their beneficial owners to the transparency register.

In the future, obliged entities will have to identify the beneficial owners of listed companies and their subsidiaries. Listed companies, on the other hand, do not have to keep information on their beneficial owners and do not have to report to the central register if:

- control over the company is exercised exclusively by the natural person who holds the voting rights,
- no other legal entities or legal arrangements are part of the ownership or control structure of the company

The same exemptions apply to legal entities from abroad, provided that the requirements are considered equivalent. The extent to which subsidiaries are covered by the exemption is currently unclear. These restrictions pose challenges for obliged entities, as they must determine the beneficial owner of listed companies, whereas the companies themselves are not required to have any information on this if they meet the above mentioned requirements.

### Foundations

Foundations are also treated differently under the AMLR. In addition to the already known roles under Section 3 (3) German AML Act, the members of the management body in its supervisory function (foundation board, board of trustees, etc.) will in future also be considered beneficial owners, which currently only have to be taken into account if they have a controlling influence on the use of funds. This change is also relevant if a foundation directly or indirectly holds a relevant ownership interest in a legal entity. In such situations, the natural persons who are the beneficial owners of the foundation will in the future be the beneficial owners of the legal entity in which the foundation holds the relevant ownership interest.

## Beneficial owner data points

First name and surname are currently the only data points that obliged entities must collect under the German AML Act, insofar that this is appropriate in view of the risk. The other data points specified in the German AML Act can be collected optionally and independently of the identified risk.

In our experience, these options lead to different requirements depending on the obliged entity. Furthermore, the customer experience can differ significantly from obliged entity to obliged entity and this often leads to discussions with customers when it comes to providing information on the beneficial owner.

The new AMLR standardizes the scope of data points that obliged entities must obtain in relation to the beneficial owner across the EU. In addition to all first and last names, the place of birth, the full date of birth, the residential address, the country of residence, all nationalities, the number of the identification document (passport or identity card) and, if available, a unique identification number must be collected. These data points are necessary both for comparison with the central register and for recording in accordance with Section 24c KWG.

The standardization is expected to reduce confusion and queries from the customers of obliged entities, as every obliged entity within the Union will request the same data points on the beneficial owner. In addition, legal entities will be explicitly obliged to keep the data points available.

## Periodic Review

To date, the legislator has given the obliged entities under BaFin supervision considerable leeway in terms of the periodic updating of the documents, data or information used. Depending on the customer's risk, the periods range from two years at the latest for high risk customer relationships to 15 years at the latest for low risk customer relationships.

The AMLR shortens the periods significantly and they apply to all obliged entities. For example, the period of one year may not be exceeded for high risk customers. Customers classified as low or normal risk must be updated every five years at the latest. No distinction is made between the update periods for low-risk and normal-risk customers. In practice, some obliged entities with an international focus already use an update period of three years for normal risk customers.

With the BaFin AuAs currently under consultation, the BaFin is aiming to adjust the update periods inspired by the AMLR requirements. The BaFin envisages an update period of five years for normal risk clients and a risk-based review period for low risk clients.

## Politically Exposed Persons

The AMLR also entails an adjustment to the definition of politically exposed persons (PEPs). In two cases, there is an adjustment of previous definitions and a new PEP role that must be taken into account.

The current definition of “members of the governing bodies of political parties” has been made more specific. According to the new regulation, such persons will only be considered PEPs if they hold seats in national executive or legislative bodies or in regional or local executive or legislative bodies representing constituencies with at least 50,000 inhabitants. Measuring the population threshold will be a challenge for obliged entities, as well as for providers of PEP screening services.

A further adjustment concerns the members of administrative, management and supervisory bodies of state-owned companies. The definition has been expanded so that in the future, members of these bodies must also be considered for companies that are either directly controlled by the state or are under the control of regional or local government authorities.

However, the last point only applies to medium-sized and large companies in accordance with the Accounting Directive 2013/34/EU.

The new PEP role resulting from the AMLR is for heads of regional and local authorities, including associations of municipalities and metropolitan regions, with at least 50,000 inhabitants.

The adjustments in relation to PEP status are expected to result in significantly more individuals being classified as PEPs in future than is currently the case. Accordingly, customer relationships that are currently subject to a low or normal money laundering risk will become high-risk customer relationships and lead to additional costs for obliged entities. It is also to be expected that the new PEPs will have a significantly lower level of recognition than the previous ones.

However, as there are no official PEP name lists and the obliged entities mainly perform such checks via screening providers, the greatest adjustment effort is expected to be made by the latter.

## Financial sanctions

For the first time, the anti-money laundering regulations make specific reference to the sanctions check. Even though this was already mandatory in principle, it is currently preferably carried out as part of the due diligence obligations for reasons of efficiency. With the AMLR, sanctions screening will be officially included in future.

According to the new regulation, obliged entities will have to check if their customers are subject to targeted financial sanctions. If the customers are legal entities, the beneficial owners and the legal entities that control the customer must also be checked.

What is new in this context is the definition of intermediary companies that must be taken into account in the screening process.

## Central Register and discrepancy report

Other important changes relate to the central register, which is currently known as the transparency register in Germany. In the future, legal entities will have to regularly check whether they have up-to-date information on their beneficial owners. This check must be carried out at least once a year, e.g. as part of the submission of the annual financial statements and will raise awareness of the subject among legal entities.

Any changes to the beneficial ownership details must be reported to the central register immediately and in any case within 28 calendar days. The wording gives legal entities a specific time frame in which they must report the changes.

Obliged entities must also immediately report discrepancies between the central register and the information obtained. In the context of the discrepancy report, however, “immediately” means within 14 calendar days of discovery. The definition of immediately provides the obliged entities with a precise framework for submitting the discrepancy report. When submitting the discrepancy report, the obliged entities must make the information obtained available to the central register.

An obliged entity may refrain from submitting a discrepancy report and request its customer to report the correct information to the central register immediately if the discrepancies identified:

- are limited to typographical errors, different ways of transliteration, or minor inaccuracies that do not affect the identification of the beneficial owners or their position; or
- are a result of outdated data, but the beneficial owners are known to the obliged entity from another reliable source and there are no grounds for suspicion that there is an intention to conceal any information.

If the customer does not comply with the request, the obliged entity must submit a discrepancy report. It remains to be seen whether obliged entities will make use of this possible extra loop in customer communication.

Legal entities established outside the Union must also report their beneficial owners to one of the central registers if they:

- Enter into a business relationship with an obliged entity. However, the prerequisites for this are:
    - The obliged entity is, according to the risk assessment at Union level, associated with medium or high risks of money laundering or terrorist financing
    - The foreign legal entity is, according to the risk assessment at Union level, associated with medium or high risks of money laundering or terrorist financing
- acquire real estate in the Union directly or through intermediaries (exception for legal entities that acquired real estate in the Union before January 1, 2014)
- acquire certain high-value goods (motor vehicles >= EUR 250k, watercraft or aircraft >= EUR 7.5 million)
- receive a public contract for goods, services or concessions from a contracting authority in the Union

If a foreign legal entity meets the requirements in relation to a business relationship with an obliged entity, the obliged entity must inform the foreign legal entity of this and obtain proof of registration. Otherwise, the business relationship cannot be established or continued. If foreign legal entities meet the requirements for registration in the central register in several member states, registration in one member state is sufficient.

Furthermore, the change in the method of calculating the beneficial owner means that the entry in the central register requires an update.

Based on the AMLD6, the authorities responsible for the central register will have to ensure that the beneficial ownership information is appropriate, accurate and up-to-date. To this end, they should initially check the data within a reasonable period after transmission and regularly thereafter. The scope and frequency of the verification must correspond to the risks associated with the identified categories of legal entities and legal arrangements. The Commission must issue recommendations on the methods and procedures for verifying beneficial ownership information by July 10, 2028.

## Individualization options of the member states

The Member States have the option of making some adjustments, which they must notify to the Commission. There may be deviations in the following points in the individual member states:

- Lower thresholds in relation to residents for the designation of important public offices for members of the governing bodies of political parties represented at regional or local level and heads of regional and local authorities
- Lower thresholds for the designation of companies under the control of regional or local authorities
- Extension of the scope of the designation of siblings as family members
- Exemptions for certain gambling services, professional football clubs and financial activities
- Setting a lower cash limit

## Conclusion and recommendation

The AMLR, in combination with the uniform regulatory standards of the AMLA, represents a harmonization of Anti-Money Laundering requirements at EU level and is particularly welcome for obliged entities that are active throughout the EU. However, the possibility of individualization by the member states could undermine the harmonization and lead to country-specific requirements.

Obliged entities must adapt their work instructions and adequately train and prepare the 1st line of defense. In this way, they can ensure that the requirements of the EU Anti-Money Laundering Package, in particular the AMLR, are understood and implemented when it comes into force on July 10, 2027. The change in the determination of beneficial owners might lead to different beneficial owners than before and the number of beneficial owners is expected to increase significantly.

Additional compliance controls are recommended at the beginning, with a focus on determining the beneficial owner.

Providers of AML compliance software solutions and obliged entities with self-developed systems must make adjustments in time to be able to map the legal changes in a way that complies with the regulations.

It is still unclear to what extent and in what timeframe companies will have to update their entries in the central register. However, it is expected that the new method of calculating the beneficial owner will result in incorrect information being entered with regard to the type and scope of the shareholding. Specialized companies can support entities with the registration or take over the registration and ongoing maintenance.

Overall, the requirements are expected to result in increased personnel requirements for the obliged entities and the authorities (including the operators of the central registers). Competition for well-trained employees therefore seems inevitable.

With the planned publication of the technical regulatory standards and the guidelines by the AMLA on July 10, 2026, at the latest, obliged entities must begin to familiarize themselves with the new rules in order to be ready when the AMLR comes into force on July 10, 2027.

This white paper does not constitute legal advice. We assume no liability for its accuracy and completeness.

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