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PRACTICAL IMPLEMENTATION OF THE EU AML PACKAGE

An Industry Perspective on Key Implementation Challenges and Strategic Opportunities

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Introduction

The establishment of the European Anti-Money Laundering Authority (AMLA) and the broader EU AML package marks the most significant reform of the European AML/CTF (anti-money laundering and counter-terrorist financing) framework in decades. For the first time, the European Union is creating a genuinely integrated AML/CTF architecture built on a single rulebook, harmonised supervisory standards and a central supervisory authority with direct responsibilities for selected financial institutions. The ambition is clear: reduce fragmentation, strengthen supervisory consistency and improve the effectiveness of the fight against money laundering and terrorist financing across the Union.

Financial institutions broadly support these objectives and recognise the significant opportunity to establish a more coherent and predictable regulatory environment. Greater harmonisation has the potential to reduce national divergences, improve cross-border cooperation and enable a more risk-based and data-driven supervisory approach. At the same time, the transition towards the new framework represents a substantial transformation effort across governance, data management, customer due diligence, monitoring, reporting and technology domains. The success of the new framework will ultimately depend not only on the quality of the legislation itself, but also on its practical implementation. Effective implementation requires close cooperation between AMLA, national competent authorities and the private sector to ensure that supervisory expectations remain proportionate, operationally feasible and aligned with implementation realities. Against this backdrop, this paper outlines key industry considerations across data-driven supervision, group governance, customer lifecycle management and broader implementation challenges, while also highlighting strategic opportunities that could shape the future evolution of AML/CTF supervision in Europe.

The Frankfurter Institut für Risikomanagement und Regulierung (FIRM) is an independent think tank and professional network dedicated to advancing risk management, regulation and supervisory dialogue across the financial sector. FIRM brings together practitioners, academics, supervisors and policymakers to address emerging challenges in financial regulation and risk management.

Boston Consulting Group is a global management consulting firm that supports financial institutions, public sector organisations and other stakeholders in addressing strategic, operational and regulatory challenges, including the design and implementation of AML/CTF frameworks and transformation programs.

A. Data-Driven Supervision and Risk Management

GETTING READY FOR AMLA REPORTING

The EU AML framework introduces extensive reporting and data collection requirements to support AMLA's increasingly data-driven supervisory approach. For the first time, supervisors will seek to compare institutions across Member States using harmonised datasets, risk indicators and supervisory methodologies. This creates important opportunities to improve transparency, comparability and risk prioritisation, but also places significant demands on institutions' data capabilities. In practice, relevant AML/CTF information is often distributed across multiple systems and processes, including customer due diligence, customer risk rating, transaction monitoring, sanctions screening, investigations and governance frameworks. Extracting, aggregating and transforming this information into consistent supervisory reporting formats will require significant investments in data architecture, governance and reporting infrastructure.

To facilitate efficient implementation, AMLA can provide early clarity regarding reporting templates, data definitions and implementation sequencing. A phased and proportionate approach would allow institutions to build sustainable capabilities while avoiding unnecessary implementation costs and duplicative remediation efforts. Early transparency would also help institutions align supervisory reporting requirements with broader AML transformation programmes already underway.

IMPLEMENTING MINIMUM DATA REQUIREMENTS FOR AML RISK ASSESSMENTS AND CRR ALIGNMENT

AMLA's emerging supervisory model places increasing emphasis on the use of harmonised data to support business-wide risk assessments, customer risk rating frameworks and supervisory risk profiling. This reflects a broader shift towards evidence-based supervision in which risk assessments become more transparent, comparable and data-driven across institutions and jurisdictions. Implementing these expectations requires institutions to reassess existing methodologies, risk taxonomies and governance frameworks. Greater granularity of risk classifications may improve comparability but also increases operational complexity and implementation effort. In addition, institutions must ensure consistency across multiple processes, including enterprise-wide risk assessments, customer risk rating frameworks, transaction monitoring methodologies and supervisory reporting obligations.

To support effective implementation, AMLA could promote a consistent and transferable data framework that can be applied across risk assessments, customer risk management processes and supervisory reporting. Clear expectations regarding data quality, governance, aggregation and reporting would help institutions establish sustainable operating models while reducing unnecessary duplication. At the same time, implementation requirements should remain proportionate and recognise differences in size, complexity and risk profile across institutions.

ADVANCING TRANSACTION MONITORING UNDER AMLA EXPECTATIONS

The EU AML framework places growing emphasis on the effectiveness of transaction monitoring systems and the ability of institutions to identify relevant patterns of suspicious activity. In addition, AMLA puts more emphasis on considering client's individual characteristics, such as

customer specific risk drivers and behavior deviations from comparable peer groups, when monitoring the client's behavior and processing the resulting alerts. In combination, this represents an important evolution from traditional supervisory approaches that focused primarily on the existence of controls and predefined monitoring scenarios for rather heterogenies customer segments. Many institutions continue to rely predominantly on rule-based monitoring systems built around predefined red flags and threshold-based alerts. While these approaches remain important, they often generate large volumes of alerts and require significant manual review effort. As financial crime patterns become increasingly sophisticated, institutions are exploring complementary analytical approaches such as behavioral monitoring, anomaly detection, network analytics and machine learning techniques.

AMLA can support this evolution by providing clear supervisory expectations regarding governance, explainability, validation and performance monitoring of advanced analytical approaches. A technology-neutral supervisory framework that focuses on effectiveness rather than methodology would encourage innovation while maintaining appropriate safeguards and accountability.

DEEP DIVE: FROM INFORMATION SHARING TO COLLECTIVE AML INTELLIGENCE

Art. 75 of the AML Regulation creates a unique opportunity to rethink how financial institutions cooperate in the fight against financial crime. Historically, AML frameworks have largely been built around institution-centric detection models. Individual institutions monitor their own customers, transactions and relationships, and report suspicious activity based on information available within their own organisational boundaries. While effective in many situations, this model faces inherent limitations when confronted with increasingly complex criminal networks operating across institutions, jurisdictions and sectors. Criminal organisations rarely confine their activities to a single institution. Instead, they exploit fragmentation within the financial system, distributing activities across multiple entities to avoid detection. As a result, individual institutions often see only isolated fragments of a broader pattern. Information that appears insignificant within one institution may become highly relevant when combined with data from other market participants. Art. 75 provides the foundation for a new generation of structured information-sharing partnerships capable of overcoming these limitations. The opportunity lies not merely in exchanging information, but in creating collaborative mechanisms that enable collective intelligence and network-based detection capabilities. Such approaches allow institutions to identify typologies, behavioural patterns and interconnected activities that would otherwise remain invisible.

Existing initiatives already demonstrate the practical value of such models. SafeAML in Germany shows that GDPR -compliant information sharing can be operationally feasible while delivering meaningful operational benefits. Trusted intermediary models, pseudonymisation techniques and advanced network analytics create opportunities to identify risks without compromising privacy or legal safeguards. AMLA can play a unique role in accelerating this evolution. Beyond issuing guidance, AMLA can help actively foster a European AML information-sharing community through working groups, knowledge-sharing platforms, training initiatives and practical implementation forums. Successful national initiatives should be made visible and transferable across Member States, allowing institutions and supervisors to learn from emerging best practices. AMLA could actively promote interoperable information-sharing partnerships across Europe and view Art. 75 as a strategic opportunity to strengthen collective AML effectiveness.

B. Group Governance and Customer Lifecycle Management

IMPLEMENTING STRICTER STANDARDS FOR GROUP TRANSPARENCY AND STEERING

The new AML framework significantly strengthens expectations regarding group-wide transparency, governance and oversight. Draft RTS under Art. 16 and 17 introduce more explicit requirements regarding the exchange of AML/CTF information across legal entities and the ability of management bodies to maintain a comprehensive understanding of group-wide risks and control effectiveness.

For many institutions, implementation will require substantial enhancements to governance structures, reporting processes and information-sharing mechanisms. This challenge is particularly pronounced in large international groups operating across multiple jurisdictions, legal entities and regulatory environments. Establishing consistent risk transparency while maintaining compliance with local regulatory requirements can create significant operational complexity.

AMLA can provide practical guidance on group-wide implementation expectations, including scope, consolidation principles, and interactions with local supervisory requirements. Greater clarity would support effective group steering while reducing the risk of conflicting or duplicative obligations.

SHARING AML DATA ACROSS ENTITIES AND BORDERS

Effective AML/CTF risk management increasingly depends on the ability to share relevant information across entities, business lines and jurisdictions. The EU AML framework seeks to create greater consistency in this area while supporting more effective group-wide risk management and supervision. Despite these ambitions, institutions continue to face significant legal and operational challenges. Data protection requirements, banking secrecy provisions and third-country restrictions can create uncertainty regarding the permissible scope of information sharing. In many cases, institutions must navigate complex legal assessments and implement extensive governance arrangements to facilitate compliant information exchange. AMLA has an important role in creating greater legal certainty and operational consistency. Close coordination with data protection authorities and other stakeholders will be essential to establish clear principles and practical guidance regarding AML-related information sharing. Increased clarity would support more effective risk management while reducing implementation complexity and legal uncertainty.

CLARIFYING KYC DATA SOURCES AND CUSTOMER DATA MANAGEMENT

The AML Regulation significantly expands customer due diligence requirements, including enhanced expectations regarding customer identification, beneficial ownership transparency and ongoing maintenance of customer information. While greater harmonisation is welcome, implementation will require substantial remediation efforts across large parts of the industry. Institutions will need to update customer records, reassess beneficial ownership structures and collect additional information to comply with new requirements. This effort is further complicated by uncertainty regarding the legitimacy, reliability and acceptability of various external data sources used for customer identification and verification. Divergent practices currently exist across institutions and jurisdictions regarding the use of registries, third-party providers and secondary verification sources.

AMLA can provide clear guidance regarding acceptable primary and secondary KYC (Know Your Customer) data sources. Greater transparency would support consistency across the industry while enabling scalable and efficient implementation approaches.

DEEP DIVE: GRADUAL SHIFT TOWARDS PERPETUAL AML RISK MANAGEMENT

The future of customer due diligence is increasingly moving beyond a sole reliance on periodic review cycles towards a greater emphasis on continuous customer understanding. Historically, periodic reviews have served as a practical mechanism to ensure that customer information remains up to date. However, review cycles are ultimately based on fixed calendars rather than actual risk developments. As a result, substantial effort is often spent updating low-risk customer files while genuinely significant risk changes may occur between scheduled review dates. Advances in technology, data availability and digital infrastructure increasingly allow institutions to move towards more dynamic operating models. Automated registry integrations, screening updates, external data feeds and customer self-service capabilities make it possible to maintain customer information on a more continuous basis. In such an environment, a higher share of the customer due diligence becomes an ongoing (=perpetual) process complementing periodic refresh exercises. This evolution also requires a more integrated approach to AML risk management. Customer due diligence, customer risk rating, sanctions screening, transaction monitoring and investigations should increasingly operate as components of a connected customer lifecycle framework. Information identified within one process should automatically trigger reassessment activities in others, enabling a more holistic and responsive understanding of customer risk.

The ability to implement such approaches, however, varies considerably across Europe. Digital maturity differs significantly between Member States, particularly regarding digital availability of registries, public data sources and automated interfaces. Institutions can only fully realise the benefits of perpetual risk management where the supporting ecosystem exists. AMLA can help accelerate convergence by increasing transparency regarding digital maturity across jurisdictions and promoting best-practice sharing among institutions and supervisors. Comparative assessments, implementation guidance and practical forums can help establish a common direction of travel while recognising national differences. AMLA can encourage institutions to gradually reduce their reliance on rigid review cycles and increasingly adopt perpetual, event-driven risk management approaches where operationally feasible. Supervisory expectations should increasingly focus on the effectiveness of ongoing monitoring rather than solely on the frequency of periodic reviews, while recognising differences in institutional capabilities and digital infrastructures across Europe.

C. Managing the Transformation

The implementation of the EU AML package extends across multiple regulatory layers, including the AML Regulation, AMLA Regulation , AML Directive , Regulatory and Implementing Technical Standards, guidelines and future supervisory expectations. While this layered approach is necessary to establish a comprehensive framework, it also creates significant implementation complexity for financial institutions. Many institutions currently face uncertainty regarding the sequencing, interaction and timing of requirements across governance, customer due diligence, reporting, monitoring and data management domains. Without sufficient transparency, firms risk investing in interim solutions, duplicative implementations or capabilities that may require significant rework once additional guidance becomes available. A structured implementation roadmap would therefore provide considerable value to the industry. Greater transparency regarding priorities, milestones and dependencies would improve planning certainty and support more efficient capability development. Equally important will be a pragmatic supervisory transition approach that recognises good-faith implementation efforts and allows reasonable flexibility where compliance depends on evolving infrastructure, data availability or further regulatory clarification.

CONCLUSION

The establishment of AMLA and the broader EU AML package represents a defining moment for the future of AML/CTF supervision in Europe. The new framework creates a unique opportunity to strengthen harmonisation, improve supervisory consistency and enhance the effectiveness of the fight against financial crime across the Union. Realising this ambition will require more than regulatory convergence alone. Success will depend on the industry's ability to operationalise new requirements in a sustainable and scalable manner, while AMLA will play a critical role in shaping practical implementation expectations and fostering cooperation across the European AML ecosystem. Beyond implementation, AMLA also has an opportunity to drive the next generation of AML/CTF supervision. Initiatives such as collaborative information-sharing partnerships and perpetual risk management approaches illustrate how the framework can evolve beyond traditional compliance models towards more effective, intelligence-driven and risk-focused outcomes. By combining harmonisation with operational pragmatism, AMLA can help establish a more resilient, innovative and future-oriented AML/CTF framework for Europe.

FIRM welcomes continued dialogue with AMLA, national competent authorities and industry stakeholders to support the successful implementation of the EU AML package and contribute to the development of a stronger and more integrated European AML ecosystem.

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