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AML Regulation 2024/1624: Harmonizing Compliance Standards across the EU

Introduction

As illicit money flows can prove particularly damaging to the integrity, stability and prestige of the financial sector and threaten the EU's internal market, targeted and proportionate prevention of the use of the financial system for money laundering and terrorist financing is more necessary than ever. To this end, Directive 2015/849 was, until recently, the key legal instrument at EU level, reinforced by Directive 2018/843, which increased transparency on beneficial ownership. However, the lack of direct application of the AML rules as well as the fragmented approach in the national contexts highlighted the need for a uniform application of the AML/CFT framework across the EU, through a Regulation.

On 31.5.2024, Regulation 2024/1624 (hereinafter referred to as "AMLR") was adopted, which together with Regulation 2023/1113, Directive 2024/1640 and Regulation 2024/1620, will form the legal framework which will aim to modernize the existing AML regime and harmonize the action of both obliged entities and supervisory authorities. The most important innovation of the new legislative package is the establishment of an EU Anti-Money Laundering Authority (AMLA)[1] which will, inter alia, develop draft regulatory technical standards on the requirements applicable to obliged entities and the information to be collected in the context of the application of due diligence measures[2]. The Regulation will enter into force on 10.07.2027 and the Directive (EU) 2015/849 will be repealed, with effect from the same date, by the new AML Directive, (EU) 2024/1640[3].

Differences between the new Regulation and the existing AML Directive 2015/849

The reform of the AML framework aims to ensure the effective implementation of the existing EU AML/CFT framework and establish a single EU rulebook on AML/CFT. The risk-based approach in conducting the required due diligence,

[1] Article 1 of Regulation 2024/1620 establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (hereinafter, **AMLA Regulation**).
[2] Article 28 of Regulation 2024/1624 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (hereinafter, **AML Regulation**).
[3] Article 77 of Directive 2024/1640 (hereinafter, **AML Directive**).

already established by the previous regime, continues to be the main pillar around which obliged entities shall carry out their KYC Due Diligence. The aim is to bring about an EU-level AML/CFT supervision through the establishment of the new AML Authority, which will ensure mutual cooperation of national supervisory authorities and will also directly supervise a number of selected financial sector authorities which are exposed to a high risk of money laundering as of 2028.

The list of obliged entities subject to the EU AML/CFT rules, including financial institutions (banks, life insurance companies, payment service providers etc.) and various non-financial entities and operators (lawyers, accountants, real estate agents), has been extended through several additions, such as these of:

- crypto-asset providers, who according to the FATF recommendations will be subject to the same requirements as those applicable to banks and financial institutions;
- crowdfunding platforms and crowdfunding intermediaries;
- Mortgage credit intermediaries and consumer credit providers that are not financial institutions, to ensure that the provision of similar financial services is regulated;
- 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, to mitigate any risk of laundering money from outside the EU;
- Persons trading, as a regular or principal professional activity, in precious metals and stones, as well as persons storing, trading or acting as intermediaries in the trade of cultural goods and of certain high-value goods, such as jewellery, clocks and watches, where the transaction's value exceeds €10,000, luxury motor vehicles exceeding the value of €250,000, and planes and boats exceeding the value of €750,000;
- Professional football clubs, when carrying out certain transactions such as those with investors, sponsors or agents, and transactions for the purpose of a football player's transfer.

As the establishment of business relationships and the carrying out of occasional transactions continue to form circumstances under which customer due diligence measures should be applied, the AMLR also sets a lower threshold of transactions which trigger due diligence obligations. Under the new regime, all obliged entities carrying out occasional transactions exceeding €10,000 shall conduct customer due diligence measures, whereas the current threshold is €15,000 while it is worth mentioning that the corresponding threshold for crypto service providers is 1,000€ and crypto providers have the obligation to identify and verify the identity of their customer even in cases where the value of the transaction is below €1,000. The

same obligation applies to those carrying out occasional transactions in liquid assets amounting to a value of at least €3,000 (while the threshold was €10,000 under the previous regime). All thresholds mentioned above apply whether the transaction is carried out in a single operation or through linked transactions.

The AMLR also includes a new harmonized customer due diligence approach for the identification of beneficial ownership[4] setting out the necessary information that obliged entities need to collect in order to identify and verify the identity of the customer and the beneficial owner, and also sets out rules for the identification of the beneficial owner when faced with more complex structures and doubts arise as to the beneficial owner during the verification stage, with the aim of ensuring a consistent application of the Due Diligence procedure across the Single market.

The AMLR also extends the cases of reporting transactions either on the own initiative of the obliged entities or at the request of the Financial Intelligence Unit (FIU) by providing[5] that, regardless of the existence of suspicions of illicit origin of funds, transactions of certain high value goods[6] exceeding specified thresholds should be reported by the traders themselves. Finally, an important development is the provision[7] for the exchange of information between obliged entities and, where appropriate, competent authorities in the context of information-sharing partnerships, subject to strict safeguards, provided however that it should not be based solely on information obtained through the exchange of information on the risk of money laundering and terrorist financing in relation to the customer or the transaction or the decision to create or terminate a transaction.

Conclusion

The new integrated set of rules comes to shield the credibility of the financial system against modern challenges by modernising and consolidating the mechanisms and procedures to be followed by obliged entities to achieve the accurate and timely risk assessment of the AML/CFT risk posed. As the new Regulation will have direct effect, it will harmonize the Due Diligence measures adopted by obliged entities and enhance the exchange of information between obliged entities and competent authorities. A strong ally in this multi-layered effort will be, without doubt, the newly established AML Authority, which will permit the conduct of AML/CFT supervision at an EU level and ensure the effective implementation of the new regime by all stakeholders, including obliged entities

[4] Article 22 of the AML Regulation.
[5] Article 74 of the AML Regulation.
[6] Motor vehicles, boats and aircrafts.
[7] Article 75 of the AML Regulation.

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and competent supervisory authorities, through the adoption of more specific regulatory technical standards.

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