

MOODY'S

A man with glasses is shown in profile, looking towards the left. He is wearing dark-rimmed glasses and has a beard. The background is dark with blurred blue and red lights, suggesting a high-tech or data center environment.

EU AML Regulatory Alignment

Addressing the New EU
Customer Due Diligence
Standards (2026–2027)



EXECUTIVE SUMMARY

The European Union's (EU) revised anti-money laundering (AML) framework represents one of the most significant regulatory shifts in decades. The introduction of a single rulebook, a new supervisory authority, and expanded requirements for customer due diligence (CDD) and beneficial ownership (BO) transparency are expected to influence how obliged entities approach onboarding, ongoing monitoring, and data governance.

As the implementation deadlines approach, firms are assessing how new regulatory technical standards (RTS) affect existing processes, particularly in areas such as entity verification, ownership identification, politically exposed persons (PEPs), and the use of third-party data sources.

This paper outlines key recent regulatory developments and looks at how data, technology, and operating models might evolve in response.

1. The EU AML framework: what is changing?

The EU's updated AML framework introduces structural and operational changes designed to increase consistency across member states and strengthen supervision.

KEY DEVELOPMENTS INCLUDE:

- **A new EU-level authority (AMLA)**
The Anti-Money Laundering Authority will directly supervise a defined group of high-risk obliged entities (sometimes referred to as the "famous 40") and coordinate national supervisors.
- **A single AML rulebook**
AMLR replaces fragmented national interpretations with harmonized requirements for know your customer (KYC) and CDD across the EU.
- **Expanded scope of obliged entities**
New categories, including certain crypto asset service providers and certain high-value goods traders, are brought explicitly into scope.
- **Revised beneficial ownership definitions**
Updated rules clarify how ownership and control should be identified, including indirect ownership and control via other means.

Together, these changes are intended to shift AML compliance from nationally interpreted frameworks toward a more standardized, centrally coordinated model.

2. Regulatory timelines: 2026-2027

The implementation timeline for the EU's updated AML framework is compressed, with multiple regulatory milestones running in parallel. The 6th Anti-Money Laundering Directive (AMLD6) is being implemented through phased national transposition, and BO register access is one of the areas where earlier implementation activity is expected, with further steps anticipated through July 2026.

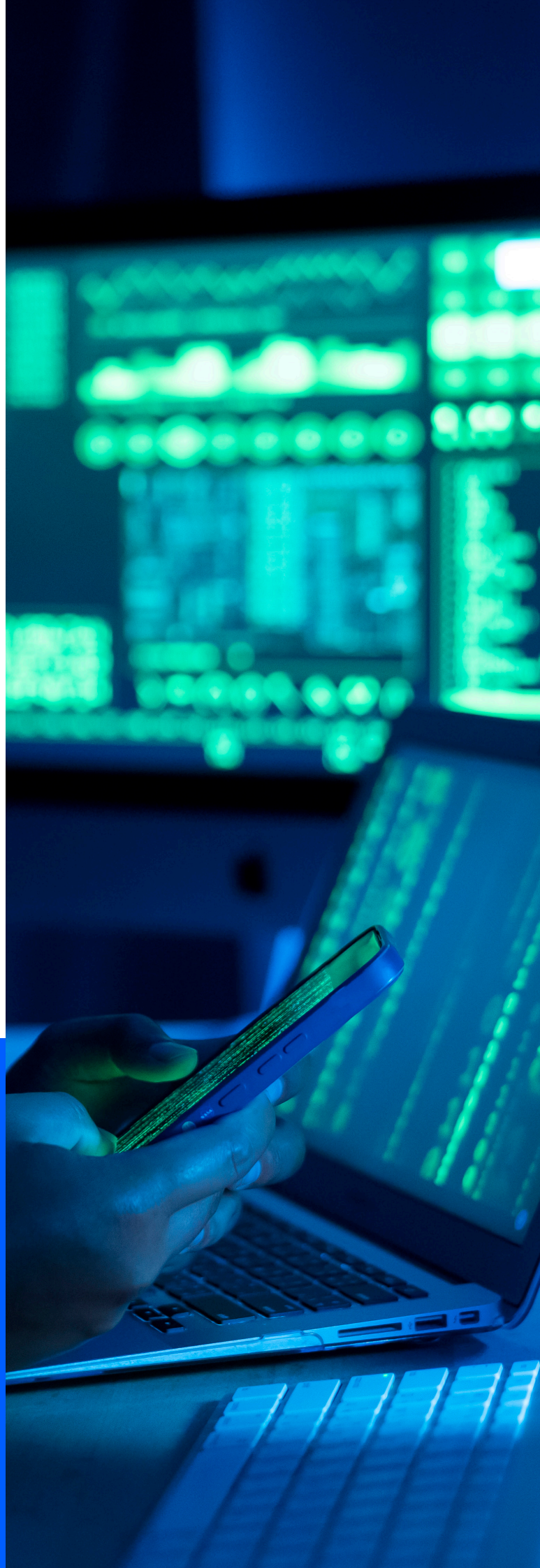
- **AMLD6 transposition is expected by July 2026**
- **AMLR is due to apply from July 2027**
- **Consultation and finalization are likely to continue alongside these changes**
- **RTS' are expected to develop throughout 2026**

On Tuesday March 24, AMLA held a public hearing (divided into two sessions) on its ongoing consultations on the draft RTS on [Criteria for Identifying Business Relationships, Occasional and Linked Transactions and lower thresholds](#) and on the draft RTS on [Customer Due Diligence \(CDD\)](#). The hearing confirmed that AMLA has identified these RTS as priorities and was inviting further feedback, including the non-financial sector, before the consultation closed on May 8.

During this transitional period, regulators have signaled that obliged entities may be expected to demonstrate progress toward alignment with emerging RTS expectations, while also preparing for the AMLR's full application. This could create practical challenges when balancing nearer-term supervisory scrutiny with longer-term implementation planning, particularly where internal programs, data, and controls need to be updated in stages.

SUPERVISORY CONVERGENCE

While the AMLR is intended to create a more consistent regulatory baseline across the EU, in practice, supervisory approaches may still vary, particularly during the transition period. National competent authorities will continue to apply RTS expectations through local supervisory frameworks, risk priorities, and market context. As a result, firms operating across multiple EU jurisdictions might encounter differences in supervisory focus, depth of review, and expectations for documentation, even where underlying legal requirements are aligned. This makes consistency and transparency in how CDD decisions are reached and evidenced increasingly important considerations, particularly for groups managing cross-border operating models.



Which businesses will be impacted?

The new EU customer due diligence (CDD) standards will affect all obliged entities under EU AML rules.



Financial services firms

Financial services firms will be most directly affected. This includes banks, digital and challenger banks, payment and e-money providers, investment firms, asset managers, insurers, and crypto-asset service providers. While many of these firms already carry out CDD, the new rules set out more detailed and standardized requirements, particularly around customer identification, BO, and ongoing monitoring. Firms operating in more than one EU country may need to adjust local processes to meet a single EU-wide standard.



Professional services and other non-financial firms

This includes accountants, auditors, tax advisers, legal professionals involved in certain financial or corporate activities, trust and company service providers, and real estate agents. For many of these businesses, the new standards may mean more structured CDD processes and greater focus on ownership, control, and record-keeping.



Businesses with complex or international ownership structures

Some businesses may be affected even if they are not directly regulated. As financial institutions and advisers apply the new rules, they are likely to request more detailed ownership and control information from customers. This is particularly relevant for multinational groups, private investment structures, and family-owned businesses.



Businesses who rely on intermediaries or third parties

As CDD expectations become more consistent, regulated firms may be less willing to rely on incomplete or informal information, leading to more detailed and standardized information requests.

In practice, many organizations operating within or closely connected to the EU financial and professional services landscape are likely to feel some impact of the new CDD standards during the 2026–2027 transition period.



3. Customer due diligence under the AMLR

The AMLR introduces more detailed expectations around how customer due diligence is performed, documented, and refreshed over time.

3.1 INFORMATION SOURCES AND ENTITY VERIFICATION

The regulation references the use of recent extracts from official registers to confirm legal entity status and permits the use of reputable data service providers for entity verification; beneficial ownership identification; and enhanced due diligence (EDD), including adverse media and risk signals. This highlights increased regulatory focus on traceable, well-governed data sourcing.

3.2 BENEFICIAL OWNERSHIP IDENTIFICATION

The AMLR provides greater clarity on how BO should be assessed in complex ownership structures. It specifies that indirect ownership is to be calculated by multiplying ownership interests at each level of the ownership chain, rather than assessing holdings in isolation. This approach is intended to give a more accurate view of an individual's ultimate economic interest where ownership is layered or spread across multiple entities.

In addition to ownership thresholds, the AMLR clarifies that control exercised through other means should also be taken into account. This might include for example rights to appoint or remove senior management, a person's ability to exercise significant influence over a business, the presence of formal or informal agreements, or family links to individuals in senior management positions. Taken together, these factors may increase the operational complexity of ownership analysis, particularly for multinational groups or structures that involve multiple layers and jurisdictions.

3.3 POLITICALLY EXPOSED PERSONS (PEPS)

The definition of PEPs is expanded to include:

- Heads of local authorities in jurisdictions with populations above defined thresholds

- More granular, member-state-maintained lists of qualifying public functions

This places additional emphasis on jurisdiction-specific PEP identification as well as ongoing updates.

3.4 RISK ASSESSMENT INDICATORS

The AMLR identifies certain factors that may indicate a higher level of money laundering or terrorist financing risk. These include ownership structures that appear unusually complex when compared with the nature, size, or stated purpose of the business, as well as entities that are incorporated in jurisdictions where there is little apparent economic presence or clear commercial rationale.

The regulation reflects characteristics commonly associated with shell company activity. This includes entities with minimal or no operational footprint, limited staff or physical presence, and business activities that are difficult to reconcile with the scale or location of incorporation. In some cases, frequent changes in ownership, management, or control, or the use of layered or circular ownership arrangements, may further obscure the identity of the individuals ultimately behind the entity.

By highlighting these indicators for elevated risk, the AMLR underscores the continued importance of applying a contextual, risk-based approach to CDD, rather than relying solely on static thresholds or check-list-driven assessments. Assessing ownership structures, economic substance, and behavioural signals together provides a more complete view of potential risk than any single factor in isolation.

3.5 PERPETUAL KYC AND ONGOING REVIEW

The regulation supports a more continuous approach to CDD clarifying that the frequency with which customer information is updated should be proportionate to the level of risk posed by the relationship, rather than being driven by fixed review cycles. This points to a "perpetual KYC" model, where screening is continuous, instead of point in time.

It also recognizes that, in certain circumstances, obtaining confirmation from the customer that their information has not changed might be sufficient. In addition, some member states have indicated an interest in streamlining "bulk KYC" processes for populations who are assessed as posing a lower risk.

Taken together, these provisions suggest a shift away from purely periodic reviews toward more event-driven and risk-based monitoring.

3.6 DOCUMENTATION, AUDITABILITY, AND SUPERVISORY EVIDENCE

Across the updated AML framework, there is emphasis on the ability of firms to evidence how CDD decisions were reached, not simply the outcome of the decisions. This includes retaining clear records of data sources used, how BO and control were assessed, how higher-risk indicators were considered, and how discrepancies were investigated and resolved.

In this context, documentation and audit trails are becoming increasingly central to supervisory engagement, particularly where CDD models incorporate multiple data sources, risk scoring, or event-driven review triggers.

For many organizations, this shifts attention toward repeatable decision logic and defensible records that can be explained consistently across teams and jurisdictions.

4. Data quality and third-party sources

The AMLR and accompanying RTS place clear emphasis on the quality, reliability, and governance of the data being used in CDD processes.

4.1 PUBLICLY ACCESSIBLE SOURCES (ARTICLE 21 – RTS)

Examples of acceptable public sources include:

- Official corporate registries
- Stock exchange filings
- Government publications
- Financial statements and disclosures
- News media and press releases
- Regulatory filings and sanctions lists

These sources are referenced as meeting the criteria for reliable and independent publicly available information, subject to appropriate controls.

4.2 RELIABILITY AND INDEPENDENCE (ARTICLE 8 – RTS)

Article 8 sets out criteria for assessing third-party data sources, including:

- Credibility and reputation of the source
- Official status and independence
- Frequency of updates
- Data consistency and prior checks
- Protection against falsification

These expectations elevate data governance and source transparency as regulatory considerations.

4.3 DATA PROTECTION AND PRIVACY CONSIDERATIONS

Expanded expectations for BO transparency and more continuous CDD also interact with wider EU data protection requirements. As firms collect and maintain more detailed ownership, control, and risk-related information, attention often increases on access controls, data minimization, and retention practices, particularly where information is sourced from multiple third parties or shared across group entities.

These considerations can be more complex in cross-border operating models, where local rules on register access and permissible use of information may differ. As a result, data governance for CDD increasingly spans both compliance and privacy disciplines, with a growing focus on traceability of sources and clear accountability for how information is used.

5. Beneficial ownership registers and access

5.1 LEGITIMATE INTEREST UNDER AMLD6

AMLD6 introduces a legitimate interest test for access to national BO registers. Under this framework, public access may be permitted for specific purposes, such as research activities and AML and CFT objectives.

The directive also allows AML/CFT solution providers to access BO registers where this is necessary to

deliver services to obliged entities or competent authorities within the EU. Member states are given up to two years to implement these provisions, with national measures expected to be in place by mid-2026.

5.2 FRAGMENTED NATIONAL ACCESS MODELS

Access to BO registers continues to vary across member states, with many operating legitimate-interest access models and differing approaches as to whether access is general once approved or assessed on a case-by-case basis.

6. Technology, data, and operating model considerations

“Market observations suggest some firms are increasingly refining how they source, analyze, and manage entity and ownership information.” said Ted Datta, head of industry practice at Moody’s. “Many are adopting waterfall approaches to data sourcing, using multiple sources in a defined order to fill gaps and validate information where primary data is incomplete or unavailable.”

At the same time, organizations are putting greater emphasis on mechanisms that help reconcile information obtained from official registries with internal records, helping to identify inconsistencies and support auditability. There is also growing use of

scoring models and indicators to assess ownership complexity and different forms of control, particularly where structures are layered or non-transparent.

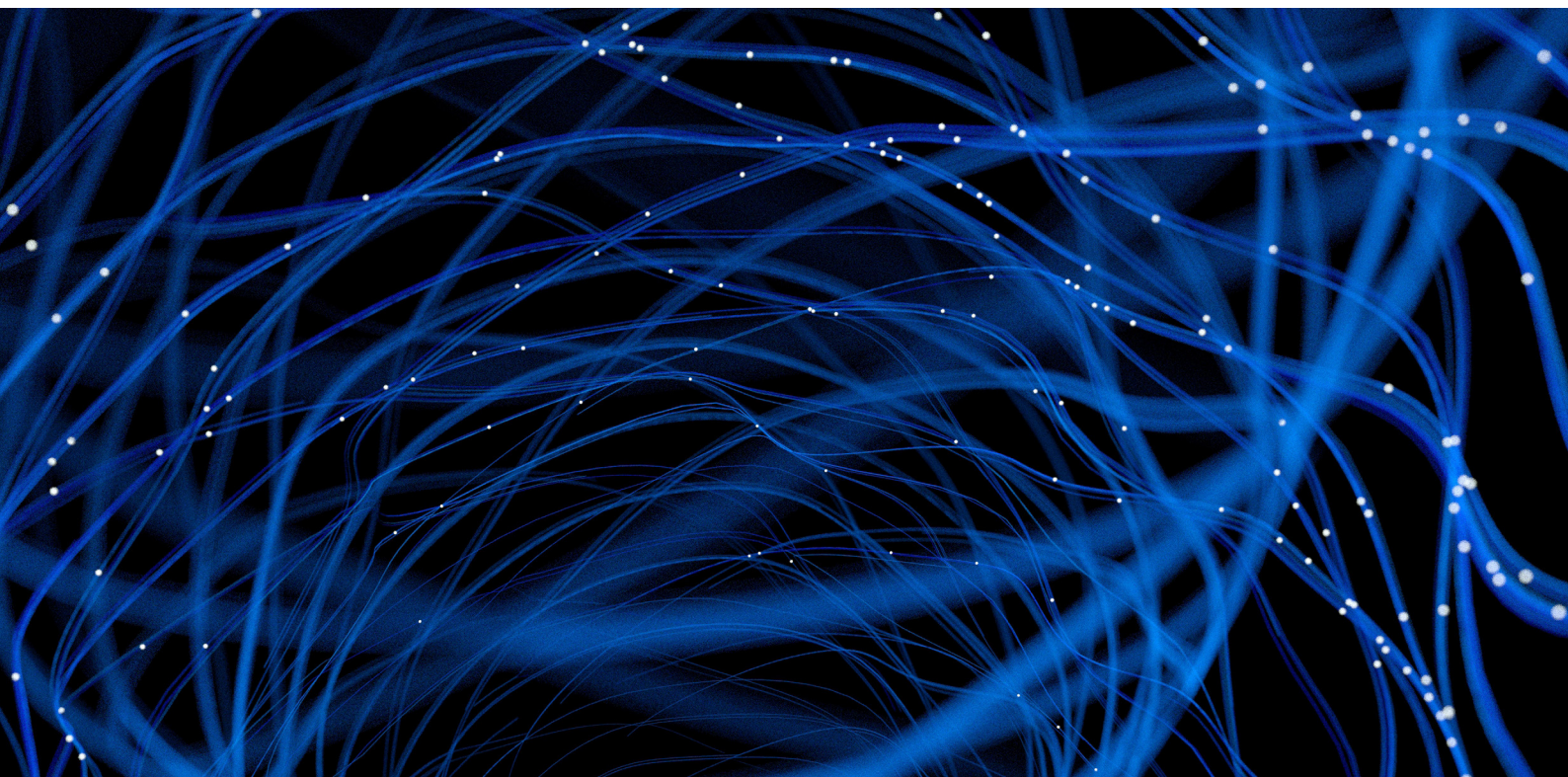
In parallel, firms are focusing on stronger integration between CDD, ongoing monitoring, and broader client lifecycle management (CLM) platforms. As supervisory scrutiny increases, interoperability between systems and clear documentation of data sources, decisions, and processes are becoming more central to how firms may demonstrate alignment with regulatory expectations.

6.1 UNIFIED RISK MANAGEMENT

Beyond regulatory alignment, the updated EU AML framework is influencing how organizations think about operating models and the customer lifecycle more broadly.

As CDD becomes more continuous and data-driven, firms are increasingly looking at how entity and ownership information can be reused across onboarding, monitoring, periodic refresh, and relationship management, rather than being collected and processed in silos.

This has the potential to bring greater focus on standardized workflows, clearer ownership of data and controls, and more integrated platforms across first- and second-line teams. In parallel, there is growing attention on how to maintain robust CDD while managing friction in customer experience, particularly where customers are asked to provide additional ownership and control information in response to more structured requirements.



Conclusion

The EU's AML reforms represent a structural shift in how CDD, beneficial ownership, and data governance are approached across the financial system. While the regulatory objectives are clear, implementation is likely to require careful alignment between regulatory interpretation, data sourcing, and operational design.

As timelines advance toward 2026 and 2027, firms could be using this period to assess how their current frameworks map to emerging RTS expectations and where greater consistency, transparency, and scalability may be required.

About Moody's

Moody's provides data, analytics, and workflow solutions that support risk assessment, entity verification, beneficial ownership analysis, and ongoing monitoring across the customer lifecycle.

These capabilities are designed to assist organizations in supporting AML and CDD use cases across jurisdictions and operating models, as part of their broader compliance frameworks.

For more information about Moody's solutions for compliance, please get in touch with the team any time.



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