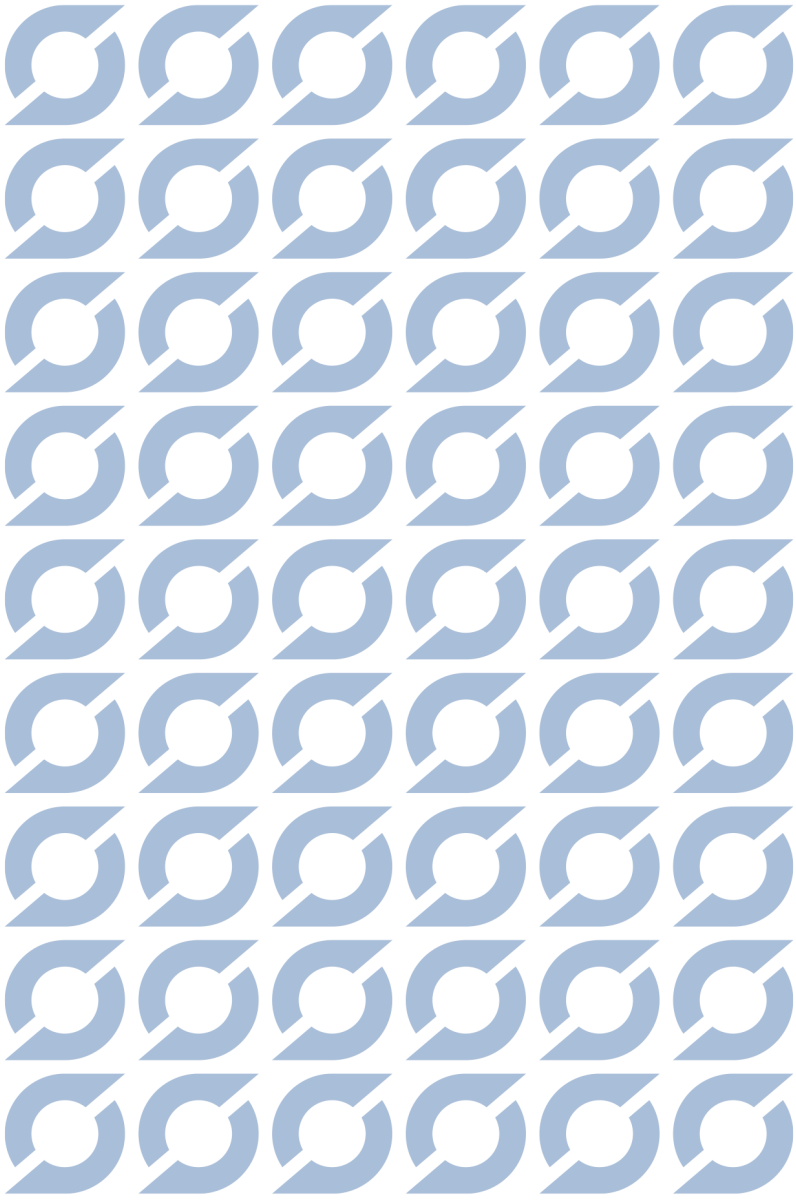
Consultation Paper

Draft Regulatory Technical Standards on group-wide requirements under article 16(4) of Regulation EU 2024/1624 and on additional measures on branches and subsidiaries in third countries under article 17(3) of Regulation EU 2024/1624



AMLA
Anti-Money Laundering Authority

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1. Responding to this consultation

The Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices AMLA should consider.

1.1. Submission of responses

To submit your comments, click on the 'respond' button on the consultation page by **15/06/2026, 23:59 (CET)**. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

1.2. Publication of responses

Contributions will always be published. The name of organisations submitting their contribution will also always be published. The name of the natural person providing a contribution will be published unless they object to said publication.

1.3. Data protection

The protection of individuals with regard to the processing of personal data by AMLA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the AMLA website.

1.4. Who should read this paper?

All interested stakeholders are invited to respond to this Consultation Paper. In particular, AMLA encourages obliged entities from the financial and the non-financial sectors to participate.

2. Executive Summary

In order to strengthen the Union's framework for anti-money laundering and countering the financing of terrorism (AML/CFT), Regulation (EU) 2024/1624 (AMLR) aims to harmonise the preventative measures to be put in place at Union level.

Articles 16 and 17 AMLR cover the regulatory provisions regarding the design and implementation of group-wide AML/CFT frameworks, including their application across cross-border group structures and in situations where branches or subsidiaries operate in third countries. The purpose of the mandates under articles 16(4) and 17(3) AMLR is to clarify further these provisions in Regulatory Technical Standards (RTS).

In addition to addressing organisational aspects related to group-wide requirements, these RTS define provisions related to information sharing among entities of a group. It also provides criteria for identifying the parent undertaking in the Union in cases of two or more obliged entities in the Union belonging to a head office in a third country. It further extends group-wide requirements to structures other than groups and provides criteria to identify the parent undertaking in the Union in those cases. This extension represents a significant development, particularly for the non-financial sector where such arrangements are more prevalent. The draft RTS therefore ensure a proportionate and risk-based approach, ensuring applicability across both financial and non-financial sector groups.

The mandates under articles 16(4) and 17(3) AMLR are inherently interlinked, reinforcing each other through cross-referred obligations and complementary requirements. AMLA therefore proposes to draft a single set of RTS to address both mandates in a cohesive and simplified manner. Such a single instrument ensures regulatory coherence, avoids duplication between related provisions and provides obliged entities with a clearer and more consistent framework for implementing group-wide AML/CFT requirements across the Union.

In preparing this consultation paper, AMLA sought and considered input from national supervisors across financial and non-financial sectors. AMLA invites stakeholders to provide feedback on the proposed approach to ensure that this regulatory instrument supports a clear, practical and proportionate implementation of article 16 and 17 AMLR across all sectors.

2.1. Next steps

This Consultation Paper is published for a two-month period. AMLA will consider the feedback to this consultation when preparing its submission to the European Commission by 30 September 2026.

3. Background and rationale

3.1. General provisions

Article 16 AMLR establishes the core obligations for group-wide AML/CFT frameworks, requiring parent undertakings to implement uniform policies, controls and procedures across all entities under their responsibility. It also mandates the establishment of a group compliance function and the adoption of an annual report on the implementation of these group-wide policies. Finally, it requires effective sharing of information within entities of a group. Article 16(4) AMLR requires AMLA to develop draft RTS specifying:

- the minimum requirements of group-wide policies, procedures and controls, including minimum standards for information sharing within the group;
- the criteria for identifying the parent undertaking in the cases covered by article 2(1), point (42)(b)[1] AMLR;
- the conditions under which the provisions of this article apply to entities that are part of structures which share common ownership, management or compliance control, including networks or partnerships, as well as the criteria for identifying the parent undertaking in the Union in those cases.

Article 17 AMLR complements the group-wide framework established under article 16 AMLR by addressing situations where branches or subsidiaries located in third countries of obliged entities cannot fully implement group-wide AML/CFT policies, procedures and controls due to restrictions in local laws applicable in third country. Article 17 AMLR requires parent undertakings or obliged entities to implement additional measures where legal or regulatory restrictions in a third country prevent compliance with the AMLR and to inform the supervisor of the home Member State of such impediments. Where those measures are insufficient to effectively manage the risk of ML/TF, supervisors of the home Member State may require the implementation of further supervisory actions, including restrictions on business relationships, the termination of transactions, or the closure of operations in the relevant third country. Article 17(3) AMLR therefore mandates AMLA to develop draft RTS specifying:

- the type of additional measures to be taken by obliged entities where the law of a third country prevents compliance with the AMLR,
- the minimum actions that must be implemented in such circumstances, and
- the additional supervisory actions that may be applied by supervisors where the measures taken are insufficient.

The proposed provisions in the draft RTS submitted for consultation establish high-level balanced group-wide requirements, which remain compatible with existing financial sector guidelines. The criteria for identifying the parent undertaking in cases where there are two or more obliged entities in the

[1] Two or more affiliates in the Union with the same head office in a third country.

Union belonging to a head office in a third country are designed to facilitate efficient and harmonised implementation across Member States. For obliged entities with other entities in third countries subject to AML/CFT rules, including the head office, the draft RTS establish rules on information sharing, particularly in situations where legal or regulatory restrictions in third countries limit the effective application of group-wide AML/CFT policies, procedures and controls. The criteria for determining when structures other than groups are required to apply group-equivalent requirements are based on the conditions that such structures have common ownership, common management or common compliance control. These are drafted to ensure harmonised and effective application of the requirement under article 16 AMLR.

The draft RTS provisions associated with article 16 AMLR encompass a broad range of configurations of group and structures, including branches, subsidiaries, partnerships, networks and franchisees. Conversely, the provisions related to Article 17 AMLR are limited in scope and apply exclusively to groups comprising branches and/or subsidiaries in third countries.

3.2. Proportionality and simplification

The proposed RTS contain a strong focus on the principle of proportionality. They clarify that the level of details and elaboration of group-wide requirements should be aligned to the size and complexity of groups and structures, providing rules of general application to all types of business models. The RTS also allow parent undertaking and OEs to calibrate the requirements to group, and risk, specific needs such as on the type of engagements of group compliance functions or on the content of information sharing policies and procedures. Further, the RTS include some measures to address proportionality such as recognising the risk-based approaches in some instances and reducing the level of regulatory obligations across the different types of OEs.

The draft RTS are the result of simplification efforts to reduce regulatory burden and to adopt a single instrument combining two provisions under Regulation (EU) 2024/1624. The interlinked nature of the mandates for group-wide requirements and additional measures for subsidiaries and branches in third countries justifies the adoption of a single RTS.

3.3. Minimum requirements regarding group-wide policies, procedures and controls

The draft RTS provide that OEs shall have in place internal policies, procedures and controls, and shall take appropriate measures to mitigate risks. Article 16 AMLR states that, in the case of a group, the parent undertaking in the Union ensures that these requirements (detailed in articles 9 and 10 AMLR) apply in all branches and subsidiaries.

The RTS clarify that group-wide policies must be formally documented, subject to regular review, and made accessible to competent authorities upon request. Central to these policies is the establishment of a clear governance structure with proper allocation of function and adequate information.

3.4. Information sharing within a group

Effective information sharing is a cornerstone of the draft RTS, reflecting the principles outlined by the EBA as part of its response to the Commission's call for advice issued in October 2025[2]. The draft RTS set a broad yet risk-based approach to information sharing, enabling obliged entities to detect and mitigate cross-border ML/TF risks more effectively.

The draft RTS nonetheless make clear that such sharing must be conducted on a strict "need to know" basis with appropriate safeguards to ensure compliance with data protection regulation. OEs are required to define the conditions under which information must be shared between group entities. At a minimum, this includes situations where a common customer or a common beneficial owner or customers belonging to the same group exist across at least two OEs of the group.

Additional provisions clarify the approach to the sharing of information to and from third countries when information sharing takes place from the perspective of OEs of the group in the Union.

3.5. Legal impediments affecting branches and subsidiaries in third countries

Groups subject to the AMLR frequently operate through branches or subsidiaries established in third countries. In some jurisdictions, local legal or regulatory frameworks may restrict the ability of OEs to implement group-wide AML/CFT policies, procedures and controls in full. Such impediments may arise, for example, from national data protection rules, banking secrecy provisions, restrictions on the sharing of suspicious transaction information, or limitations on access to customer or beneficial ownership information.

Article 17 AMLR establishes a harmonised Union-level framework for managing such situations. Where the law of a third country does not permit compliance with the AMLR, parent undertakings or obliged entities are required to implement additional measures to ensure that branches and subsidiaries effectively manage ML/TF risks.

The draft RTS build on the framework established by Commission Delegated Regulation (EU) 2019/758, extending its scope to all obliged entities under the AMLR, including the non-financial sectors. This approach ensures continuity with the existing regulatory framework while updating it to reflect the broader scope and supervisory architecture introduced by the AMLR.

The draft RTS introduce provisions on additional supervisory actions and establish a structured escalation framework to be applied where supervisors determine, following a supervisory assessment, that the measures taken are insufficient to effectively manage the risk. Where risks arising from third-country impediments are considered remediable, supervisors may require corrective measures, including the submission and implementation of risk-mitigation plans, and monitor their implementation. Where risks are deemed unmanageable, the framework provides for stronger

[2] EBA response to the European Commission's Call for Advice on six AMLA mandates - Anti-Money Laundering

supervisory interventions, including restrictions on business relationships or occasional transactions, and ultimately the closure of some or all operations in the affected jurisdiction.

3.6. Criteria for identifying the parent undertaking in the Union in cases of two or more obliged entities whose head office is located outside of the Union

The draft RTS introduce criteria for identifying the parent undertaking in the Union in cases of two or more obliged entities whose head office is located outside of the Union. These provisions apply in situations where two or more OEs have a common head office located outside of the Union and where there is no parent-subsidiary relationship among the OEs (sister or affiliate entities).

The draft RTS provide a clear methodology for determining which OE should assume responsibility for the group-wide requirements. The quantitative and qualitative criteria focus on operational control and risk management capacity, ensuring that the designated parent undertaking is the entity best positioned to enforce AML/CFT measures across the group. This includes entities that have sufficient prominence in the group such as the OE with the highest number of customers and/or transactions and that have sufficient understanding of operations in the group such as the OE with decision-making authority over AML/CFT policies, whether through majority ownership, management oversight, or de facto control of compliance functions. These criteria ensure that the designated parent undertaking has the necessary resources and influence to implement and monitor compliance effectively.

To prevent regulatory uncertainty, the RTS introduce a notification obligation in this case, requiring entities that qualify as parent undertaking to notify their supervisors. This mechanism ensures transparency and allows supervisors to identify and address potential gaps in compliance oversight.

3.7. Conditions for the application of group-wide requirements to structure sharing common ownership, management or compliance controls

GENERAL PROVISIONS

The draft RTS clarify the extension of the scope of group-wide requirements from traditionally defined groups under accounting or prudential regimes to structures that, while not formally organised as groups, exhibit characteristics that warrant similar AML/CFT requirements. This includes networks, partnerships, or franchises where two or more OEs operate under common ownership, management, or compliance controls.

The recitals, definitions, and criteria set out in the draft RTS are specifically designed to provide OEs, particularly those in the non-financial sector, with clear and actionable provisions to determine whether they fall within the scope of these provisions. The objective is to effectively target structures where the application of group-wide AML/CFT measures is both necessary and proportionate.

CRITERIA FOR IDENTIFYING THE PARENT UNDERTAKING IN THE UNION FOR STRUCTURES OTHER THAN GROUPS

In addition to defining the scope of application of group-wide requirements to structures other than groups, the draft RTS also provide criteria for identifying parent undertaking in the Union for these structures. The criteria are built on those applicable to formal groups, with one key distinction, i.e. the parent undertaking may also be a non-OE in specific cases. The determination of non-OEs as parent undertakings in these cases ensures that the best placed entity in the structure enforces group-wide AML/CFT measures.

To maintain regulatory clarity, the draft RTS introduce a notification requirement to the supervisors. This mechanism ensures that supervisors are aware of the designated parent undertaking and can monitor compliance effectively in such structures.

4. Draft regulatory technical standards

COMMISSION DELEGATED REGULATION (EU) …/…

of XXX

supplementing Regulation (EU) 2024/1624 of the European Parliament and of the Council with regard to regulatory technical standards on group-wide requirements, on additional measures and additional supervisory actions related to obliged entities' branches or subsidiaries in third countries

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to 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 purposes of money laundering or terrorist financing, and in particular Articles 16(4) and 17(3) thereof,

Whereas:

(1) Regulation (EU) 2024/1624 aims for harmonisation of the measures to be put in place to prevent money laundering, its predicate offences, terrorist financing and the non-implementation and evasion of targeted financial sanctions at Union level, including when such measures are designed and implemented in a group or in a structure mentioned in Regulation (EU) 2024/1624. Consistent implementation of group-wide anti-money laundering, countering the financing of terrorism and of group-wide requirements to target the non-implementation or evasion of targeted financial sanctions is key to the robust and effective management of risks, especially in a cross-border context.

(2) Minimum requirements for group-wide policies, procedures and controls should be developed, implemented and applied at group level in an adequate and consistent manner, while avoiding any risks of compromising anti-money laundering, countering the financing of terrorism requirements as well as preventing the non-implementation or evasion of targeted financial sanctions. Minimum requirements are also applicable to structures other than groups when such structures fulfil the conditions set out in this Regulation. Group-wide policies, procedures and controls should be designed to ensure consistency in the implementation of the group-wide requirements mentioned in Regulation (EU) 2024/1624 such as to enhance governance arrangements, the standing and role of the compliance manager and compliance officer at group level, the relations between the parent undertaking and the subsidiaries in the Union and in third countries as well as the business-wide risk assessments at group level.

(3) Group-wide policies, procedures and controls should not result in a derogation for the parent undertaking in the Union from carrying out the entity level policies, procedures and controls, including its entity-level risk assessment.

(4) Information sharing within groups and other structures, such as networks, partnerships, franchises and branches, is a key element to ensure appropriate understanding of money laundering, terrorist financing risks as well as risks of non-implementation and the evasion of targeted financial sanctions. Information sharing should mitigate these risks especially when they are associated with customers and transactions. Among others, the type of

information to be shared within the group and structures should include information on customers, transactions, services and activities, risk assessments, control functions, external audits, suspicious transactions or activity reporting, group-wide policies, procedures and controls, and interactions with supervisors and competent authorities. In any case information sharing should take into account the requirements set out in Regulation (EU) 2024/1624, Regulation (EU) 2023/1113 and any administrative act of the supervisors.

(5) Obliged entities should use the information shared by other entities in the group to make, among others, informed decisions on customers, transactions and risk assessments and potentially restrict or refuse to enter into a new relationship or terminate existing business relationships or restrict or refuse to carry out the execution of occasional transactions in accordance with Regulation (EU) 2024/1624. Furthermore, the information shared within the group and structures should be used to prevent and mitigate money laundering, terrorist financing as well as the non-implementation and evasion of targeted financial sanctions and to inform the parent undertaking in the Union on the group-wide level risk assessment.

(6) Information sharing should include also ad hoc sharing of newly identified relevant information, such as negative or adverse media reports concerning customers or beneficial owners or trends related to the non-implementation or the evasion of targeted financial sanctions.

(7) Information sharing within groups should not lead to an automatic group-wide acceptance or rejection of a customer or categories of customers and to pursue de-risking practices which might result in circumventing other legal obligations, in particular those laid down in Directive 2014/92/EU of the European Parliament and of the Council or Directive (EU) 2015/2366.

(8) The Union AML/CFT framework applies to a wide variety of obliged entities. Some obliged entities perform transactions, other obliged entities such as real estate agents, lawyers and notaries provide services or activities connected to transactions. For these obliged entities, information sharing requirements should include the information related to the provision of the services or activities under the AML/CFT framework.

(9) Certain aspects of the implementation of the AML/CTF framework involve the collection, analysis, storage and sharing of data, including personal data. The processing of personal data should be permitted only for the purposes of the prevention and management of money laundering, terrorist financing and the non-implementation or evasion of targeted financial sanctions. Information sharing should be subject to sufficient guarantees in terms of confidentiality, data protection and the use of information as well as fully respecting fundamental rights.

(10) The sharing of information should be proportionate to the type of request for information sharing and be based on a need-to-know assessment. There are, though, regulatory limitations to information sharing within a group stemming from Regulation (EU) 2024/1624. First, cases in which information comes from partnerships for information sharing, which can only be shared under the conditions set out in Article 75(5) of Regulation (EU) 2024/1624. Second, information mentioned in Article 70(2) of Regulation (EU) 2024/1624 when covered by legal privilege shall not fall under the scope of this Regulation.

(11) Obliged entities in the Union might share information with other entities of the group or the structure outside the Union. In this case, this Regulation clarifies that in cases of restrictions or prohibitions to the sharing of information to third countries, the parent undertaking in the Union and the other obliged entities of the group or structure in the Union need to assess the restrictions and prohibitions and communicate them to the supervisors in the Union. Similarly, in cases where restrictions or prohibitions on the sharing of information exist from third countries to the Union, including to supervisors in the Union, obliged entities in the

Union need to assess restrictions or prohibitions and communicate them to the supervisors in the Union. In any case, obliged entities should take appropriate measures to address such restrictions or prohibitions to share information.

(12) There are circumstances where a group operates branches or subsidiaries in a third country whose law does not permit the implementation of group-wide anti-money laundering and countering the financing of terrorism policies, procedures and controls. This can be the case, for example, where the third country's data protection, banking secrecy or professional secrecy law limits the group's ability to access, process or exchange information related to customers of branches or subsidiaries in the third country.

(13) In those circumstances, and in situations where the ability of supervisors to effectively supervise the group's compliance with the requirements Regulation (EU) 2024/1624 is impeded because supervisors do not have access to relevant information held at branches or subsidiaries in third countries, additional policies, procedures and controls are required to manage money laundering and terrorist financing risk effectively. These additional policies, procedures and controls may include obtaining consent from customers, which can serve to overcome certain legal obstacles to the implementation of group-wide anti-money laundering and countering the financing of terrorism policies, procedures and controls in third countries where other options are limited.

(14) The need to ensure a consistent Union level response to legal obstacles to the implementation of group- wide policies, procedures and controls justifies the imposition of specific minimum actions obliged entities should be required to take in those situations. However, the extent of such additional policies, procedures and controls should be proportionate and risk-based.

(15) Obliged entities should be able to demonstrate to their supervisor that the extent of additional measures they have taken is appropriate in view of the money laundering and terrorist financing risk. However, should the supervisor consider that the additional measures an obliged entity has taken are insufficient to manage that risk, the supervisor should be able to direct the obliged entity to take specific measures to ensure the obliged entity's compliance with its anti-money laundering and countering the financing of terrorism obligations.

(16) The additional supervisory actions described in this Regulation are specific to situations where, in the context of operations carried out in a third country, including through branches or subsidiaries forming part of the group, the parent undertaking in the Union or the obliged entity does not put in place adequate systems and controls to manage the money laundering and terrorist financing risks where the law of that third country does not permit the application of group-wide AML/CFT systems and controls that comply with Union law. The assessment of whether such third-country legal or regulatory impediments prevent effective compliance should not depend on the internal allocation of functions within the group. Where operations are carried out in a third country through a branch or subsidiary, such assessment should be made irrespective of whether specific AML/CFT functions are performed locally or at group level. Following a supervisory assessment, where the policies, procedures, systems and controls put in place do not ensure that the associated money laundering and terrorist financing risks are effectively managed, supervisors should apply the additional supervisory actions provided for in this Regulation. Those additional supervisory actions complement other supervisory actions and measures that supervisors may apply under Union or national law, including enforcement measures available under those legal frameworks. The actions supervisors take should be proportionate and risk-based, taking into account the specific circumstances of the case.

(17) The provisions of this Regulation should also be without prejudice to the enhanced due diligence measures obliged entities are required to take when dealing with natural persons or legal entities established in countries identified by the Commission as having significant

strategic deficiencies in their national AML/CFT regimes, weaknesses in their national AML/CFT regimes, and or, posing a specific and serious threat to the Union's financial system pursuant to Articles 29, 30 and 31 of Regulation (EU) 2024/1624.

(18) For groups whose head office is located outside of the Union, where at least two subsidiaries are obliged entities established in the Union and they are not in a relationship of control with each other pursuant to Article 2(1) number (42)(b) of Regulation (EU) 2024/1624, a parent undertaking in the Union, responsible for the implementation of the AML/CFT and the prevention to the non-implementation and evasion of financial sanctions framework, should be determined.

(19) In the situation covered by Article 2(1) number (42)(b) of Regulation (EU) 2024/1624, before notifying the home supervisor, the parent undertaking in the Union should assess its role, taking into account certain criteria such as the prominence of activities, the understanding of operations and the responsibility of implementing group-wide requirements. These criteria should be based on elements such as the customer base, the amount of transactions when these are performed, the total annual turnover in the group, the types of powers and influence of each obliged entity in the Union.

(20) To ensure that supervisors are aware of the identified parent undertaking in the Union for groups whose head office is located outside of the Union and that have two or more obliged entities in the Union which are not a subsidiary of another undertaking that is an obliged entity established in the Union, a notification mechanism to supervisors should be included.

(21) Supervisors should receive a notification by the identified parent undertaking in the Union pursuant to Article 2(1) number (42)(b) of Regulation (EU) 2024/1624 and be permitted to request, where necessary, specific clarifications or additional information regarding the parent undertaking assessment performed by the identified parent undertaking in the Union. The home supervisor of the identified parent undertaking should be able to reach a decision on the identification of the parent undertaking in the Union within two months after the complete notification by the identified parent undertaking.

(22) All the relevant supervisors and the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (´the Authority´) should be fully informed in any case on the notification procedure to identify the parent undertaking in the Union pursuant to Article 2(1) number (42)(b) of Regulation (EU) 2024/1624. This is to ensure that appropriate information sharing and good cooperation between supervisors take place and that the home supervisor adopts the decision on the identification of the parent undertaking in the Union in due course. In cases of disagreement between supervisors on the assessment of the parent undertaking performed by the home supervisor, one or more supervisors may ask the Authority to settle the disagreement between supervisors in cross-border situations.

(23) In addition to groups, structures exist, such as networks or partnerships or franchisees, in which obliged entities might share common ownership, management or compliance control, which should be subject to group-equivalent requirements. To ensure a level playing field across the sectors whilst avoiding overburdening those sectors, this Regulation identifies situations where group-wide policies, procedures and controls, including information sharing requirements, should apply to those structures, taking into account the principle of proportionality.

(24) Given the different types of structures that could exist in different sectors and jurisdictions, especially in the non-financial sector, the conditions for the qualification of structures that share common ownership, management or compliance control should be designed in a general and comprehensible manner to ensure harmonisation at Union level. Furthermore, such conditions should be designed broadly to allow a wide application of the group-wide equivalent requirements. For instance, common compliance control should not be limited to

compliance under the AML/CFT framework, but include other types of compliance such as prudential, product or service compliance arrangements in place.

(25) Networks, as defined in this Regulation, are common arrangements, usually, but not only for auditors, external accountants, lawyers and other professionals where structures are established for specific purposes and that can have common ownership, common management or common compliance control. Similarly, partnerships are common arrangements for auditors, external accountants, lawyers and notaries, including inter-professional or multi-disciplinary networks, with obliged entities belonging to different categories, where common ownership, common management, common compliance control can be established. Further, franchises are common arrangements for instance for professionals, real estate agents, real estate professionals and the gambling sector where arrangements are put in place under a common franchise sharing certain elements of common management or common compliance control for the purposes of marketing specific types of goods and/or services. Under the conditions set out in this Regulation these structures should be subject to group-wide equivalent requirements.

(26) Given the close operational and organisational links between the legal entity and their branches, the application of group-wide policies, procedures and controls to such structures is necessary to ensure a consistent and comprehensive approach to AML/CFT risk management throughout the Union. For instance, an obliged entity authorised in one Member State that operates in other Member States through one or more branches, even when it has no subsidiaries, should be subject to this Regulation. Similarly, when an entity in a third country operates only through branches in the Union, these branches should be subject to this Regulation. In these cases, such structures have in place common ownership, common management or common compliance control.

(27) Differently, there can be structures other than groups that do not share any elements of common ownership, common management or common compliance control, such as pure cooperation agreements or arrangements that establish or develop only common technical tools or sharing of knowledge, customer referrals or exchanges of best practices or only the same name or branding or outsourcing arrangements of compliance control to the same service provider. To ensure proportionality in the application of the requirements, these structures do not fall in the scope of this Regulation.

(28) The relationship between an agent and its principal and between a distributor and its principal does not fall within the scope of this Regulation when it is subject to specific provisions stated in Article 12 and 8(5) of Regulation (EU) 2024/1624.

(29) For arrangements other than groups that share common ownership, common management or common compliance control, the parent undertaking in the Union should be identified to determine the entity in charge of developing and implementing group-wide equivalent requirements taking into account the nature of the risk and the annual turnover of the obliged entities of the structure. The criteria to determine the parent undertaking in the Union should consider the position of the entity identified as parent undertaking in the structure in the Union, its powers of control and management, and its annual turnover.

(30) A notification mechanism to the supervisor of the identified parent undertaking in the Union of the structures falling in the scope of this Regulation other than groups should be included to ensure clarity and effectiveness in the identification of the parent undertaking in the Union in such cases. Supervisors should receive a notification by the identified parent undertaking in the Union and be permitted to request, where necessary, specific clarifications or additional information regarding the parent undertaking assessment performed by the identified parent undertaking in the Union. The home supervisor of the identified parent undertaking should be able to reach a decision on the identification of the parent undertaking

in the Union within two months after the complete notification by the identified parent undertaking.

(31) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the Authority.

(32) The Authority has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based and analysed the potential related costs and benefits.

(33) Application of this Regulation is deferred to 10 July 2027 to align with the date of applicability of Regulation (EU) 2024/1624.

HAS ADOPTED THIS REGULATION:

Section 1

General Provisions

Article 1 - Subject and scope

This Regulation lays down rules concerning:

(a) the group-wide requirements according to Article 16(4) of Regulation (EU) 2024/1624;

(b) additional measures and supervisory actions to effectively handle the risk of money laundering and terrorist financing to which branches or subsidiaries of obliged entities in third countries may be exposed to according to Article 17(3) of Regulation (EU) 2024/1624.

Article 2 - Definitions

For the purpose of this Regulation, in addition to the definitions set out in Article 2(1) of Regulation (EU) 2024/1624, Article of 2(1) of Regulation (EU) 2024/1620 and Article 2 of Directive (EU) 2024/1640, the following definitions shall apply:

(1) ´control function' means a function that is independent from the commercial functions it controls and that is responsible to provide an objective assessment of the obliged entity's risks, review or report on those, including, but not limited to, the risk management function, the compliance function and the internal audit function;

(2) ´structure´ means any form of organisation, agreement or similar that:

(a) includes at least two obliged entities;
(b) is not a group with a parent undertaking within the meaning of Article 2(1), point (42) of Regulation (EU) 2024/1624; and
(c) has the objective of establishing a common framework of business, professional or commercial relationships connecting two or more obliged entities.

(3) ´network' means a structure established by two or more entities based on an agreement or a contract or similar where:

(a) at least two obliged entities carry out their activities in a framework which aims at cooperation and common profit- or cost-sharing, or has in place a common business strategy, or shares common compliance policies, procedures or controls, or uses a common brand or marketing name; and

(b) the relationship is established in a structure under common ownership, common management or common compliance control.

(4) ´partnership' means an agreement, a contract or similar where:

(a) at least two obliged entities exercise an activity in common with a view to profit or cost-sharing or achieving a common purpose; and

(b) the relationship is established in a structure under common ownership, common management or common compliance control.

(5) 'franchise' means an agreement, a contract, a framework or any other arrangement where:

(a) at least two obliged entities establish a relationship between each other and/or with a third entity in exchange for direct or indirect financial benefits exploiting a brand, the know-how, and/or business systems owned or managed by a franchisor for the purposes of marketing specific types of goods and/or services; and

(b) the relationship is established in a structure under common ownership, common management or common compliance control.

Section 2

Minimum group-wide requirements

Article 3 - Minimum requirements regarding group-wide policies, procedures and controls

1. In addition to the requirements set out in Article 16(1), (2) and (3) of Regulation (EU) 2024/1624, the parent undertaking in the Union shall ensure that the following minimum requirements are part of the group-wide policies, procedures and controls:

(a) to set up, implement and maintain an organisation and coordination structure or body at group level with sufficient decision-making powers for the group compliance manager and compliance officer appointed pursuant to Article 16(2) of Regulation (EU) 2024/1624, where applicable, to manage and prevent money laundering, terrorist financing risks as well as to prevent the non-implementation and evasion of targeted financial sanctions. Such structure or body shall have a proper allocation of functions, responsibilities and reporting lines and shall be clearly documented;

(b) to ensure that the management body and the control functions have the necessary information at group level to be able to carry out their functions under Regulation (EU) 2024/1624, Regulation (EU) 2023/1113 and to address and implement any administrative act issued by any relevant supervisor for the oversight and management of subsidiaries and branches of the group in Member States and in third countries;

(c) to identify and mitigate conflicts of interests between the prevention and management of risks related to money laundering, terrorist financing and the non-implementation and evasion of targeted financial sanctions risk and the tasks of the commercial functions of groups, including at subsidiary and branch level;

(d) to carry out and update the business-wide risk assessment at group level pursuant to Article 16(1) of Regulation (EU) 2024/1624 to ensure that it is commensurate to the size, complexity and the risk profile of the group;

(e) to ensure that the compliance functions referred to in Article 16(2) of Regulation (EU) 2024/1624 have regular and documented information exchanges, at least on a periodic basis appropriate to the level of risk, with the management body, commercial functions,

other compliance functions at group level where these are separate functions, and the control functions at group level. Such exchanges shall cover, at a minimum, relevant information on identified risks, significant compliance issues, and measures adopted to address them;

(f) to ensure that the group-wide policies, procedures and controls take into account group-specific risks in their design, execution and application and include group-wide measures to address non-compliance. The parent undertaking in the Union shall take into account in its money laundering and terrorism financing risk management system at group level the individual risks of the various entities of the group and their possible interrelations that could have a significant impact on the group-wide risk exposure, including outsourcing and reliance arrangements. In this respect, particular attention shall be paid to the risks to which the group's branches or subsidiaries established in third countries are exposed to, especially if they are of high money laundering and terrorism financing risk or of evasion or non-implementation of targeted financial sanctions risk. The compliance functions referred to in Article 16(2) of Regulation (EU) 2024/1624 and the control functions shall ensure that the group-wide policies, procedures and controls are adequate to the actual structure, composition and operations of the group and are appropriately designed to take into account the individual situation of the entities and branches in the group;

(g) to ensure that the compliance functions referred to in Article 16(2) of Regulation (EU) 2024/1624 and the control functions regularly review the effectiveness of the group-wide policies, procedures and controls, inform relevant stakeholders, and address deficiencies. The group-wide policies, procedures and controls and the group-wide risk assessments shall be implemented consistently in all the obliged entities that are part of the group and shall be adequately reviewed and reassessed at the level of the parent undertaking in the Union;

(h) to ensure that the group-wide policies, procedures and controls are communicated to relevant staff, including staff employed in subsidiaries and branches established in Member States or third countries.

When complying with the requirements set out in this paragraph, the parent undertaking in the Union shall take into account the nature of the business of the group, including its size, complexity and risks, to identify and assess the risks of money laundering and terrorist financing to which the group is exposed to, as well as the risks of non-implementation and evasion of targeted financial sanctions.

2. Group-wide internal policies shall be approved by the management body of the parent undertaking in the Union in its management function. Group-wide procedures and controls shall be approved at least at the level of the group compliance manager referred to in Article 16(1) of Regulation (EU) 2024/1624.

3. Group-wide policies, procedures and controls shall be recorded in writing and kept up to date and made available to supervisors upon request.

Section 3

Information Sharing

Article 4 - Information sharing within a group

1. When information is relevant for the purposes of the prevention of money laundering, terrorist financing and the non-implementation or evasion of targeted financial sanctions, information sharing within a group as referred to in provisions of Article 16(3) of Regulation (EU) 2024/1624 shall enable at least the sharing of the following information:

(a) on customer due diligence:
   (i) the identity and characteristics of a customer, including any information and documents obtained in the course of identifying and verifying the identity of the customer;
   (ii) information regarding the beneficial owner of a customer, including any information and documents obtained in the course of identifying and verifying the identity of the beneficial owner(s), where applicable;
   (iii) the identity and characteristics of the person on behalf of whom the customer acts, including any information and documents obtained in the course of identifying and verifying the identity of the person on behalf of whom the customer acts;
   (iv) the customer's expected transactional behaviour or business profile, where such information has been established as part of customer due diligence;
   (v) the purpose and intended nature of the business relationship or occasional transactions between the customer and the obliged entity, as well as the source of wealth and source of funds of the customer, where applicable;
   (vi) the customer's ownership and control structure, including complex ownership arrangements, where relevant for risk assessment purposes;
   (vii) verification on whether 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;
   (viii) information on the restrictive measures implementing targeted financial sanctions applied to customers, their transactions and their assets;
   (ix) basic information on legal entities and legal arrangements as referred to in Article 2(1) number (33) of Regulation (EU) 2024/1624;
   (x) reliance or outsourcing arrangements related to customer due diligence performed by other entities within the group;
   (xi) material changes in the customer's risk profile or status, including changes in beneficial ownership, business activity or risk classification;
   (xii) any information that has been collected and verified, whenever applicable, under the Delegated Regulation [XXX] on Customer Due Diligence under Article 28(1) of Regulation (EU) 2024/1624.
(b) on transactions, services and activities:
   (i) where a transaction, service or activity is being conducted on behalf of or for the benefit of natural or legal persons other than the customer, information on the identification and verification of the identity of those natural or legal persons;

(ii) information on customer or counterparties transactions, provision of services, or activities, including as a minimum information to identify the persons, the nature, the location, the origin and destination of such transactions, activities or provision of services and their due diligence, where applicable;
(iii) information on occasional transactions, or provision of services;
(iv) cash transactions volumes and amounts, where applicable;
(v) payment methods and accounts, where applicable.

(c) on risk assessments:
(i) the business wide-risk assessment, including typologies and risk indicators related to customers, products, geographies, delivery channels identified by the obliged entity or to which the obliged entity is exposed to;
(ii) money laundering, terrorist financing and targeted financial sanctions control functions reviews performed at group level and at obliged entity level as well as external audit reviews related to these risks, including findings, remediation measures, actions, recommendations, results and any other corrective measure as deemed relevant;
(iii) individual risk assessments, including information on higher and lower risk factors associated with individual customers and the entity´s analysis of the risks associated with the customer;
(iv) individual risk assessments of occasional transactions;
(v) information on politically exposed persons, their close family members or closely associated persons including their risk levels and assets under management, where applicable;
(vi) information on the risk assessment to prevent and mitigate the non-implementation and evasion of targeted financial sanctions;
(vii) information on blocked accounts for reasons related to money laundering, terrorist financing and/or the non-implementation or evasion of targeted financial sanctions;
(viii) information on breaches in the group related to anti-money laundering, counter terrorist financing and prevention and management of the non-implementation or evasion of targeted financial sanctions;
(ix) information on customers whose entry into business relationship was declined or whose business relationship was terminated for money laundering, terrorist financing or targeted financial sanctions reasons, including the grounds of such decisions;
(x) negative or adverse media reports concerning customers or beneficial owners, including analysis of their potential impact on risks related to money laundering, terrorist financing and the non-implementation or evasion of targeted financial sanctions.

(d) on suspicious transaction and activity reporting:
(i) the suspicions or reasonable grounds to suspect that funds or activities are the proceeds of criminal activity or are related to terrorist financing reported to FIU pursuant to Article 69 of Regulation (EU) 2024/1624, accompanied by the underlying analyses, unless otherwise instructed by the competent FIU;
(ii) number and typologies of suspicious transactions and activity reporting.

(e) on other relevant information:

(i) information on the implementation of group-wide policies, procedures and controls pursuant to Article 9 of Regulation (EU) 2024/1624, including outsourcing and reliance arrangements;

(ii) information on training related to risks of money laundering, terrorist financing or the non-implementation or evasion of targeted financial sanctions as deemed appropriate;

(iii) information on interactions with supervisors, including information on on-site inspections;

(iv) information held by the obliged entity of the group pursuant to the obligation of data retention;

(v) any other relevant information related to risks of money laundering, terrorist financing or the non-implementation or evasion of targeted financial sanctions as deemed appropriate.

2. Information shall be provided within the group to any obliged entity established in the Union taking into account the size, the complexity and the risks of the group as well as the availability and quality of the information.

The parent undertaking in the Union shall define what situations are relevant for information sharing, considering their size, complexity and risks. Information sharing within the group shall cover at least common customers, customers having the same beneficial owners, customers that belong to the same group or structure.

Information-sharing policies, procedures and controls at group level shall include appropriate records of information exchanges to ensure traceability and accountability of such information as well as effective supervision.

3. To the extent that it is strictly necessary for the purposes of preventing money laundering, terrorist financing and the non-implementation or evasion of targeted financial sanctions, information shall be up-to-date, provided in an adequate and comprehensible form, on a need-to-know basis and be shared in line with the requirements stipulated by the applicable data protection legislation and respecting requirements on confidentiality.

4. Information sharing shall not exempt obliged entities within the group from the need to conduct adequate own customer due diligence or risk assessments related to customers, products, services, transactions, delivery channels and geographical areas proportionate to the nature of the business, including their size, risks and complexity, also taking into account any outsourcing or reliance arrangements in place.

Information sharing within the group shall not affect the individual responsibility of each obliged entity for its anti-money laundering, counter terrorist financing and the prevention from the non-implementation or evasion of targeted financial sanctions obligations. Each obliged entity shall remain fully responsible for its own risk assessments and decisions, even when such decisions are based on information shared at group level.

Article 5 - Information sharing within groups whose head office is in the Union and have branches or subsidiaries in third countries

1. An obliged entity that has established a subsidiary or a branch in a third country and obliged entities of the group located in the Union shall be able to receive the information listed in Article 4 of this Regulation from branches or subsidiaries in third countries subject to any restrictions or prohibitions of sharing of information under the law of that country.

2. The sharing of information between a subsidiary or a branch in a third country with an obliged entity in the Union shall comply with the requirements set out in Section 4 of this Regulation.

Article 6 - Information sharing within groups whose head office is located outside of the Union

1. Without prejudice to the measures set out in Section 4 of this Regulation, for groups whose head office is located outside of the Union, obliged entities established in the Union shall assess any restrictions or prohibitions on the sharing of information listed in Article 4 of this Regulation as set out in Union law or any national laws of the Member States when sharing such information with entities of the group in third countries.

2. Without prejudice to the measures set out in Section 4 of this Regulation, for groups whose head office is located outside of the Union, obliged entities of the group in the Union shall be able to receive the information listed in Article 4 of this Regulation from entities of the group in third countries, subject to any restrictions or prohibitions of sharing of information under the law of the third country.

3. In cases of restrictions or prohibitions to information sharing from obliged entities in the Union to a third country under Union law or any national laws of the Member States as provided in paragraph 1 of this Article or from third countries to obliged entities in the Union as provided in paragraph 2 of this Article, the parent undertaking in the Union shall assess the reasons of such restrictions or prohibitions and take appropriate measures.

They shall also notify such assessment and, where appropriate, indicate alternative methods to address the abovementioned restrictions or prohibitions to the supervisor of the home Member State without undue delay and in any case within 28 calendar days from the identification of such restrictions or prohibitions.

The supervisor of the home Member State shall inform immediately all the supervisors in the Union and the Authority of such restrictions or prohibitions.

Article 7 - Information sharing for supervisory purposes

1. Without prejudice to the measures set out in Section 4 of this Regulation, obliged entities shall not be prevented from sharing information from entities or branches of the group established in third countries to supervisors in the Union.

2. Where the third country´s law restricts or prohibits the transfer of data to the supervisor of the obliged entity in the Union, the obliged entity shall at least:

(a) inform the supervisor of the home Member State of such restrictions or prohibitions without undue delay and in any case no later than 28 calendar days after identifying the third country and the restrictions or prohibitions;
(b) establish whether consent from the customer and, where applicable, their beneficial owner, or any other means can be used to legally overcome restrictions or prohibitions.

Article 8 - Information sharing in the framework of partnerships for information sharing

1. The sharing of information received from partnerships under Article 75 of Regulation (EU) 2024/1624 and in possession of obliged entities that are members of those partnerships can be permitted only when complying with the conditions set out in Article 75 of Regulation (EU) 2024/1624.

Article 9 - Information sharing concerning reporting of suspicions by certain categories of obliged entities

1. By way of derogation from this Section, the obligations set out herein in this Section shall not apply to information referred in Article 70(2) of Regulation (EU) 2024/1624.

Section 4

Additional measures for branches or subsidiaries in third countries of obliged entities and parent undertakings in the Union

Article 10 - Individual risk assessments

1. Where the parent undertaking in the Union or an obliged entity identifies that the law of a third country does not permit or restricts the application of Regulation (EU) 2024/1624 by a subsidiary or branch when it comes to internal policies, procedures and controls that are necessary to identify and assess adequately the money laundering and terrorist financing risk associated with a business relationship or occasional transaction due to restrictions on access to relevant customer and beneficial ownership information or restrictions on the use of such information for customer due diligence purposes, it shall at least:

(a) inform the supervisor of the home Member State without undue delay and in any case no later than 28 calendar days of the following:
   (i) the name of the country concerned;
   (ii) how the application of the law of the third country concerned does not permit or restricts the application of internal policies, procedures and controls referred to in paragraph 1;

(b) ensure that their branches or subsidiaries established in the third country determine whether consent from their customers and, where applicable, their customers' beneficial owners, can be used to legally overcome the restrictions or prohibitions referred to in point (a)(ii);

(c) ensure that their branches or subsidiaries established in the third country require their customers and, where applicable, their customers' beneficial owners, to give consent to overcome restrictions or prohibitions referred to in point (a)(ii) to the extent that this is compatible with the law of the third country.

2. In cases where the consent referred to in point (c) of paragraph 1 is not feasible, the parent undertaking in the Union or the obliged entity shall apply additional measures as set out in point (c) of Article 15 of this Regulation and one or more of the measures set out in points (a), (b), (d), (e) and (f) of that Article.

3. Where the parent undertaking in the Union or an obliged entity cannot effectively manage the money laundering and terrorist financing risk by applying the measures referred to in paragraphs 1 and 2, it shall:

(a) ensure that the branch or subsidiary terminates the business relationship;
(b) ensure that the branch or subsidiary does not carry out the occasional transaction;
(c) close down some or all operations provided by their branch or subsidiary established in the third country.

4. The parent undertaking in the Union or the obliged entity shall determine the extent of the additional measures listed in paragraph 2 and 3 of this Article on a risk-sensitive basis and shall

inform without undue delay the supervisor of the home Member State that the extent of the additional measures is appropriate in view of the money laundering and terrorist financing risks.

Article 11 - Sharing and processing of customer data within the group or with the obliged entity

1. Where the parent undertaking in the Union or an obliged entity identifies that the law of a third country does not permit or restricts the application of Regulation (EU) 2024/1624 by a subsidiary or a branch when it comes to the sharing of customer information referred to in Article 4 of this Regulation for anti-money laundering and countering the financing of terrorism purposes within the group or with the obliged entity, it shall at least:

(a) inform the supervisor of the home Member State without undue delay and in any case no later than 28 calendar days of the following:
   (i) the name of the third country concerned;
   (ii) how the application of the law of the third country concerned does not permit or restricts the sharing or processing of customer data for anti-money laundering and countering the financing of terrorism purposes;
(b) ensure that their branches or subsidiaries established in the third country determine whether consent from their customers and, where applicable, their customers' beneficial owners, can be used to legally overcome the restrictions or prohibitions referred to in point (a)(ii);
(c) ensure that their branches or subsidiaries established in the third country require their customers and, where applicable, their customer's beneficial owners, to provide consent to overcome restrictions or prohibitions referred to in point (a)(ii) to the extent that this is compatible with the law of the third country.

2. In cases where obtaining the consent referred to in point (c) of paragraph 1 is not feasible, the parent undertaking in the Union or the obliged entity shall apply one or more of the additional measures set out in points (a) to (c) of Article 15.

3. Where a parent undertaking in the Union or an obliged entity cannot effectively manage the risk of money laundering and terrorist financing by applying the measures referred to in paragraphs 1 and 2, it shall close down some or all of the operations provided by their branch or subsidiary established in the third country.

4. The parent undertaking in the Union or the obliged entity shall always determine the extent of the required additional measures set out in paragraph 2 and 3 of this Article on a risk-sensitive basis and shall inform without undue delay the supervisor of the home Member State that the extent of the additional measures is appropriate in view of the risk of money laundering and terrorist financing.

Article 12 - Disclosure of information related to the reporting of suspicious transactions

1. Where the parent undertaking in the Union or an obliged entity identifies that the law of a third country does not permit or restricts the application of Regulation (EU) 2024/1624 by a subsidiary or a branch when it comes to the disclosure of information in compliance with Article 73 paragraphs 3 to 5 of Regulation (EU) 2024/1624, it shall at least:

(a) inform the supervisor of the home Member State without undue delay and in any case no later than 28 calendar days of the following:
   (i) the name of the third country concerned;

(ii) how the application of the law of the third country concerned does not permit or restricts the disclosure of information in compliance with Article 73 paragraphs 3 to 5 of Regulation (EU) 2024/1624;

(b) require the branch or subsidiary in the third country to provide relevant information to the senior management of the parent undertaking in the Union or of the obliged entity so that it is able to assess the money laundering and terrorist financing risk associated with the operation of such a branch or subsidiary and the impact this has on the obliged entity and the group, such as:

(i) the number of suspicious transactions reported within a set period;

(ii) aggregated statistical data providing an overview of the circumstances that gave rise to suspicion.

2. The parent undertaking in the Union or the obliged entity shall take one or more of the additional measures set out in Article 15 paragraph 1 points (a) to (c) and (g) to (h) of this Regulation.

3. Where a parent undertaking in the Union or an obliged entity cannot effectively manage the money laundering and terrorist financing risk by applying the measures referred to in paragraphs 1 and 2, it shall close down some or all of the operations provided by its branch or subsidiary established in the third country.

4. The parent undertaking or the obliged entity shall always determine the extent of the required additional measures set out in paragraph 2 and 3 of this Article on a risk-sensitive basis and shall inform without undue delay the supervisor of the home Member State that the extent of the additional measures is appropriate in view of the risk of money laundering and terrorist financing.

Article 13 - Sharing of customer data for the purposes of supervision

1. Where the parent undertaking in the Union or an obliged entity identifies that the law of a third country does not permit or restricts the application of Regulation (EU) 2024/1624 when it comes to sharing data related to customers of a branch or subsidiary established in a third country with the supervisor in a Member State for the purpose of supervision for anti-money laundering and countering the financing of terrorism, it shall at least:

(a) inform the supervisor of the home Member State without undue delay and in any case no later than 28 calendar days of the following:

(i) the name of the third country concerned;

(ii) how the application of the law of a third country does not permit or restricts the sharing of data related to customers for the purpose of supervision for anti-money laundering and countering the financing of terrorism;

(b) carry out enhanced reviews, including, where this is commensurate with the money laundering and terrorist financing risk associated with the operation of the branch or subsidiary established in the third country, onsite checks or independent audits, to be satisfied that the branch or subsidiary effectively implements group-wide policies, procedures and controls, and that it adequately identifies, assesses and manages the money laundering and terrorist financing risks;.

(c) provide the findings of the reviews referred to in point (b) of this paragraph to the supervisor of the home Member State without undue delay;

(d) require the branch or subsidiary established in the third country to regularly to provide relevant information to the obliged entity's or parent undertaking's senior management, including at least the following:
   (i) the number of high-risk customers and aggregated statistical data providing an overview of the reasons why customers have been classified as high risk, such as the politically exposed person status;
   (ii) the number of suspicious transactions identified and reported and aggregated statistical data providing an overview of the circumstances that gave rise to suspicion;
(e) make the information referred to in point (d) of this paragraph available to the supervisor of the home Member State upon request.

Article 14 - Record retention

1. Where the parent undertaking in the Union or an obliged entity identifies that the law of a third country does not permit or restricts the application of Regulation (EU) 2024/1624 when it comes to the application of record retention rules, especially those specified in Article 77 of Regulation (EU) 2024/1624, it shall at least:
(a) inform the supervisor of the home Member State without undue delay and in any case no later than 28 calendar days after identifying the third country of the following:
   (i) the name of the third country concerned;
   (ii) how the application of the law of the third country concerned does not permit or restricts the application of record retention duties;
(b) establish whether consent from the customer and, where applicable, their beneficial owner, can be used to legally overcome restrictions or prohibitions referred to in point (a)(ii) of this paragraph;
(c) ensure that its branch or subsidiary established in the third country requires customers and, where applicable, their customers' beneficial owners, to provide consent to overcome restrictions or prohibitions referred to in point (a)(ii) of this paragraph to the extent that this is compatible with the law of the third country.

2. In cases where consent referred to in point (c) of paragraph 1 is not feasible, the parent undertaking in the Union or the obliged entity shall apply one or more of the additional measures set out in Article 15 paragraph 1 letters (a) to (c) and (i) of this Regulation.

3. The parent undertaking in the Union or the obliged entity shall always determine the extent of the required additional measures set out in paragraph 2 on a risk-sensitive basis and shall inform without undue delay the supervisor of the home Member State that the extent of the additional measures is appropriate in view of the risk of money laundering and terrorist financing.

Article 15 - Additional Measures

1. Without prejudice to any measures taken under Articles 16 of Regulation (EU) 2024/1624 and this Regulation, the parent undertaking in the Union or an obliged entity shall take one or more of the following additional measures pursuant to Article 10(2), Article 11(2), Article 12(2), and Article 14(2) of this Regulation respectively:

(a) ensuring that its branch or subsidiary established in the third country restricts the nature and type of products and services provided by the branch or subsidiary in the third country to those that present a low money laundering and terrorist financing risk and have a low impact on the group's risk exposure;

(b) ensuring that other obliged entities of the same group do not rely on customer due diligence measures carried out by a branch or subsidiary established in the third country, but instead carry out customer due diligence on any customer of a branch or subsidiary established in the third country who wishes to be provided with products or services by any other branch or subsidiary of the same group;

(c) carrying out enhanced reviews, including, where this is commensurate with the money laundering and terrorist financing risk associated with the operation of the branch or subsidiary established in the third country, on-site checks or ordering the performance of independent audits, to be satisfied that the branch or subsidiary effectively identifies, assesses and manages the money laundering and terrorist financing risks;

(d) ensuring that their branches or subsidiaries established in the third country seek prior approval from the senior management of the parent undertaking or the obliged entity for the establishment and maintenance of higher-risk business relationships, or for carrying out of higher-risk occasional transactions;

(e) ensuring that their branches or subsidiaries established in the third country determine and document the source of funds and wealth and, where applicable, the destination of funds to be used in the business relationship or occasional transaction;

(f) ensuring that their branches or subsidiaries established in the third country carry out enhanced ongoing monitoring of the business relationship including enhanced transaction monitoring, until the branches or subsidiaries are reasonably satisfied that they understand the money laundering and terrorist financing risk associated with the business relationship and enhanced ongoing monitoring is no longer needed in view of the risk situation;

(g) ensuring that their branches or subsidiaries established in the third country share with the parent undertaking or the obliged entity the underlying suspicious transaction report information that gave rise to the knowledge, suspicion or reasonable grounds to suspect that money laundering and terrorist financing was attempted or occurred, such as facts, transactions, circumstances and documents upon which the knowledge or suspicions are based, including personal data to the extent permissible under the law of the third country;

(h) carrying out enhanced ongoing monitoring of any customer and, where applicable, beneficial owner of a customer of a branch or subsidiary established in the third country who is known to have been the subject of a suspicious transaction report filed by another entity within the same group;

(i) ensuring that their branches or subsidiaries established in the third country keep the risk profile and due diligence information related to a customer of a branch or subsidiary established in the third country up-to-date and secure as long as legally possible, and in any case for at least the duration of the business relationship.

Article 16 - Supervisory actions

1. Where the supervisor of the home Member State determines, in accordance with paragraph 3 of this Article, that the additional measures implemented by the parent undertaking in the Union or the obliged entity pursuant to this Regulation are insufficient to ensure that their branches or subsidiaries in the third country effectively manage the risk of money laundering or terrorist financing, the supervisor of the home Member State shall, using the powers available under Union or national law, exercise one or more of the following additional supervisory actions:

(a) require the parent undertaking in the Union or the obliged entity to submit and implement, within a specified timeframe, a risk mitigation plan approved by the relevant management body, aimed at addressing the identified risks, weaknesses or shortcomings;
(b) require the parent undertaking in the Union or the obliged entity to implement, within a specified timeframe, corrective measures available to the supervisors under Union law or national law to address identified weaknesses or to mitigate risks.

The supervisor of the home Member State shall monitor the implementation of the actions referred to in the first subparagraph, points (a) and (b), where applicable, to satisfy itself that the risks of money laundering or terrorist financing are effectively managed.

2. Where the supervisor of the home Member State determines that the parent undertaking in the Union or the obliged entity cannot effectively manage the risk of money laundering or terrorist financing connected with the operations of the branches or subsidiaries established in the third country or that the parent undertaking in the Union or an obliged entity has failed to comply with supervisory actions taken pursuant to paragraph 1 within the specified timeframe, it shall, using the powers available under Union or national law, exercise one or more of the following additional supervisory actions:

(a) require the parent undertaking in the Union or the obliged entity to ensure that the branches or subsidiaries in the third country do not enter into new business relationships or, where relevant, do not carry out occasional transactions;
(b) require the parent undertaking in the Union or the obliged entity to ensure that the branches or subsidiaries in the third country limit, reduce or terminate existing business relationships or do not undertake specific transactions or defined categories of transactions;
(c) require the parent undertaking in the Union or the obliged entity to close down some or all operations carried out in the third country.

3. When determining additional supervisory actions under this Article, supervisors shall take into account, where relevant:

(a) the nature and gravity of the identified risks, weaknesses or shortcomings;
(b) the extent to which relevant third-country legal or regulatory impediments affect the effective implementation or supervision of group-wide AML/CFT policies, procedures and controls; and
(c) existing governance arrangements, risk management frameworks and control functions systems.

Section 5

Criteria for identifying the parent undertaking in the Union in cases of two or more obliged entities whose head office is located outside of the Union

Article 17 - Determination of sufficient prominence

1. Pursuant to Article 2(1) number (42)(b)(iii) of Regulation (EU) 2024/1624 where there are at least two obliged entities in the Union that are part of the same group with a head office in a third country and they are not subsidiaries of an undertaking that is an obliged entity established in the

Union, the following entity shall be considered as being the one with sufficient prominence within the group:

(a) the obliged entity that is the financial mixed activity holding company as defined in Article 2(1)(10) of Regulation (EU) 2024/1624, the non-financial mixed activity holding company as defined in Article 2(1)(13) of Regulation (EU) 2024/1624 or the undertaking 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 as defined in Regulation (EU) No 575/2013 or the insurance holding companies and mixed-activity insurance holding companies as defined, respectively, in Article 212(1), points (f) and (g) of Directive 2009/138/EC at the highest level of consolidation in accordance with Union law for accounting purposes, if the head office in a third country has established such undertaking in the Union.

(b) in case letter (a) does not apply, the obliged entity with the higher of the following two amounts:

(i) average number of customers on 31 December of the previous three years immediately preceding the current calendar year;

(ii) average amount in euro or the equivalent in national currency at the official exchange rate with the euro available on 31 December of the reference calendar year of incoming and outgoing transactions carried out in the previous three years immediately preceding the current calendar year, where applicable.

2. Where paragraph 1 does not conclusively determine sufficient prominence of one obliged entity over the other(s), sufficient prominence shall be the obliged entity with the highest total annual turnover according to the latest available accounts approved by the management body.

Article 18 - Determination of sufficient understanding of operations

1. Pursuant to Article 2(1) number (42)(b)(iii) of Regulation (EU) 2024/1624 sufficient understanding of operations shall be determined with any of, but not limited to, the following circumstances:

(a) the obliged entity having the right or ability to decide on the strategy or to direct the activities of the other obliged entities established in the Union;
(b) the obliged entity having the right or ability to decide on important transactions, including the transfer of profits or losses of the other obliged entities established in the Union;
(c) the obliged entity having the right or ability to coordinate the management or to decide on the control function(s) of one or more of the other obliged entities established in the Union;
(d) the obliged entity having critical or important outsourcing arrangements in place for one or more of the obliged entities established in the Union.

2. Where paragraph 1 does not determine sufficient understanding of operations, this shall be based on the obliged entity with the highest number of full-time equivalent staff members of the compliance functions referred to in Article 16(2) of Regulation (EU) 2024/1624 in the Union.

3. In case the determination of sufficient understanding of operations leads to identify an obliged entity in the Union different from the obliged entity having sufficient prominence, the determination of sufficient prominence shall prevail over the determination of sufficient understanding of operations.

Article 19 - Determination of whether the entity has the responsibility of implementing group-wide requirements

1. Pursuant to Article 2(1) number (42)(b)(iv) of Regulation (EU) 2024/1624 the obliged entity identified as being the parent undertaking in the Union due to its sufficient prominence and understanding of operations under Articles 17 and 18 of this Regulation shall have the responsibility and oversight of implementing group-wide requirements as referred to in Article 16(1) of Regulation (EU) 2024/1624, Section 2 and Section 3 of this Regulation.

Article 20 - Notification to the supervisor

1. The identified obliged entity shall notify its role as parent undertaking in the Union as referred to in Article 2(1) number (42)(b) of Regulation (EU) 2024/1624 to the home supervisor and all the other obliged entities in the Union of the group whose head office is located outside of the Union without undue delay and in any case no later than 28 calendar days after such determination, including the reasons thereof. If a parent undertaking fails to notify to the supervisor appropriate measures pursuant to Section 4 of Chapter IV of Directive (EU) 2024/1640 shall be taken.

2. The notification by the identified parent undertaking in the Union shall include all the following information:

(a) summary overview and explanations on the structure, roles, responsibilities and activities of the parent undertaking in the Union and all the other obliged entities of the group in the Union
(b) detailed reasons of the determination of sufficient prominence in the Union
(c) detailed reasons of the determination of sufficient understanding of operations in the Union
(d) detailed reasons of the responsibility to implement group-wide requirements
(e) any other information considered necessary by the supervisor for evaluating the adequacy of the identification of the obliged entity as parent undertaking in the Union.

Upon receipt of the notification, the home supervisor of the parent undertaking in the Union shall confirm receipt of the notification to the identified obliged entity in the Union and inform all the supervisors of the other obliged entities of the group in the Union and the Authority of such notification. In case the supervisor is a self-regulatory body, the self-regulatory body shall inform also the public authority overseeing it.

3. The home supervisor shall decide on the identification of the parent undertaking in the Union within 2 months from receipt of the complete notification from the identified parent undertaking in the Union. The supervisors of the obliged entities in the Union shall, without undue delay and in any case within 28 calendar days from receipt of the complete notification from the home supervisor, provide each other with any information which is essential or relevant for the assessment.

The home supervisor may determine that the identified parent undertaking in the Union shall be a different one and shall provide reasons for this assessment. It shall then transmit the notification mentioned in paragraphs 1 and 2 of this Article immediately, and in any case within one week from the date of receipt of the notification, to the appropriate home supervisor. The latter home supervisor shall apply the procedure provided in the first subparagraph of this paragraph accordingly.

In case of disagreements between two or more supervisors on the identification of the parent undertaking in the Union, supervisors may refer the matter to the Authority and request its assistance in accordance with Article 33 of Regulation (EU) 2024/1620 for the financial sector or in accordance with Article 38 of Regulation (EU) 2024/1620 for the non-financial sector.

Subparagraph 3 shall not apply in cases where the identified obliged entity is a selected obliged entity under direct supervision of the Authority.

4. The home supervisor shall notify the decision mentioned in paragraph 3 of this Article to the identified parent undertaking in the Union without undue delay. It shall also inform all the other supervisors of the other entities of the group in the Union, the Authority of such decision and, in case the supervisor is a self-regulatory body, the self-regulatory body shall inform also the public authority overseeing it.

5. The identified parent undertaking in the Union shall inform immediately all the other obliged entities of the group in the Union of the decision mentioned in paragraph 3 of this Article.

6. In the event of a change to any of the information communicated pursuant to paragraphs 1 and 2, the parent undertaking shall notify this change to the home supervisor that received the initial notification at least one month before implementing the change. This supervisor shall inform all the supervisors of the entities of the group in the Union and the Authority of such notification and review the notification in accordance with this Article. In case the supervisor is a self-regulatory body, the self-regulatory body shall inform also the public authority overseeing it.

Section 6

Conditions for the application of group-wide requirements to structures sharing common ownership, management or compliance control

Article 21 - Conditions for the application of group-wide requirements to structures sharing common ownership, management or compliance control

1. The parent undertaking identified in this Section and obliged entities within the structures identified in this Article shall apply requirements equivalent to the group-wide requirements set out in Article 16(1), (2) and (3) of Regulation (EU) 2024/1624 and in this Regulation, taking into account the obliged entities´ size, complexity and risks.

2. Structures which share common ownership, management or compliance control shall be, among others, partnerships, networks or franchises as defined in Article 2 of this Regulation that do not fall under the definition of a group pursuant to Article 2(1) number (41) of Regulation (EU) 2024/1624, and that fulfil at least one of the following conditions:

(a) Common ownership by any of the following:
   (i) two or more obliged entities share any common majority shareholder(s) or partner(s) exercising ownership rights or control on their activities in the structure, including situations where the parent undertaking in the Union is not an obliged entity;
   (ii) two or more obliged entities share the ownership or control of the structure.

(b) Common management by any of the following:
   (i) two or more obliged entities are legally dependent parts of an entity in the Union or an entity in a third country and carry out all or some of the transactions or activities or services inherent in the business of an obliged entity as referred to in Article 3 of Regulation (EU) 2024/1624;
   (ii) two or more obliged entities have a common management body or the majority of members thereof and are subject to a homogeneous business strategy and/or business model;

(iii) two or more obliged entities have a common structure or mechanism in place to share profits or revenues or results or losses or to transfer remunerations, revenues or costs for services or activities provided;

(iv) two or more obliged entities have level of reporting equivalent to groups such as the case of obliged entities required to report to the management body or senior management of one of them or another obliged entity or another entity or person;

(v) two or more obliged entities have in place arrangements requiring them to implement and operate activities and operations based on common policies and procedures;

(vi) two or more obliged entities conferred the responsibility for developing mandatory group-equivalent policies and procedures related to anti money laundering and counter terrorism financing to one of them or to another obliged entity or to another natural or legal person.

(c) Common compliance control by any of the following:

(i) two or more obliged entities operate under common policies, procedures or controls managed by a control function;

(ii) two or more obliged entities are obliged to periodically report to a connected obliged entity, legal or natural person on control functions matters such as compliance or risk management;

(iii) two or more obliged entities have in place a system of periodic central compliance operations or compliance costs managed by one of them or by another obliged entity or a natural or legal person;

(iv) two or more obliged entities share audit or reporting functions overseeing the implementation of controls, policies and procedures;

(v) two or more obliged entities have common branding, marketing or franchising arrangements and share the same audits, reviews, risk assessments or control functions related to such branding, marketing or franchising arrangements.

3. Entities within the structure, including franchisors, partners or network members, which are not obliged entities, shall not prevent the application of group-equivalent policies, procedures and controls to obliged entities within the structure.

Article 22 - Criteria for identifying the parent undertaking in the Union for entities that are part of a structure which shares common ownership, management or compliance control

1. The determination of the parent undertaking in the Union referred to in Article 16(4) of Regulation (EU) 2024/1624 for structures other than groups under Article 21 of this Regulation shall be based on any of the following criteria:

(a) the entity has the right or ability to decide on the strategy or to direct the activities of the two or more obliged entities in the structure;

(b) the entity has the right or ability to decide on important transactions, including the transfer of profits or losses of two or more obliged entities in the structure;

(c) the entity has the right or ability to coordinate the management of two or more of the obliged entities in the structure;

(d) the entity provides essential technical information or critical services to two or more obliged entities in the structure which cannot be replaced in a timely fashion without excessive cost;

(e) the entity manages the compliance control or system of two or more obliged entities in the structure;

(f) the entity manages the costs of operational and compliance activities of two or more obliged entities in the structure;

(g) the entity develops, manages, distributes or reviews branding, marketing, franchising, partnership or network arrangements for two or more obliged entities of the structure.

2. Where paragraph 1 does not conclusively determine the parent undertaking in the Union of the structure, the parent undertaking shall be the entity established in the Union with the highest total annual turnover according to the latest available accounts approved by the management body.

Article 23 - Notification to the supervisor in case the parent undertaking is an obliged entity

1. In case the identified parent undertaking in the Union is an obliged entity, this entity shall notify its role as parent undertaking in the Union to the home supervisor and all the obliged entities in the Union without undue delay and in any case no later than 28 calendar days after such determination, including the reasons thereof. If a parent undertaking fails to notify to the supervisor appropriate measures pursuant to Section 4 of Chapter IV of Directive (EU) 2024/1640 shall be taken.

2. The notification by the identified parent undertaking shall include all the following information:

(a) summary overview and explanations on the structure, roles, responsibilities and activities of the parent undertaking and all the other obliged entities of the structure in the Union

(b) any other information considered necessary by the supervisor for evaluating the adequacy of the identification of the obliged entity as parent undertaking.

Upon receipt of the notification, the home supervisor of the parent undertaking in the Union shall confirm receipt of the notification to the identified obliged entity in the Union and inform all the supervisors of the other obliged entities of the structure in the Union and the Authority of such notification.

3. The home supervisor shall decide on the identification of the parent undertaking in the Union within 2 months from receipt of the complete notification from the identified parent undertaking in the Union. The supervisors of the obliged entities in the Union shall, without undue delay and in any case within 28 calendar days from receipt of the complete notification from the home supervisor, provide each other with any information which is essential or relevant for the assessment.

The home supervisor may determine that the identified parent undertaking in the Union shall be a different one and shall provide reasons for this assessment. It shall then transmit the notification mentioned in paragraphs 1 and 2 of this Article immediately, and in any case within one week from the date of receipt of the notification to the appropriate home supervisor. The latter home supervisor shall apply the procedure provided in the first subparagraph of this paragraph accordingly.

In case of disagreements between two or more supervisors on the identification of the parent undertaking in the Union, they may refer the matter to the Authority and request its assistance in accordance with Article 33 of Regulation (EU) 2024/1620 for the financial sector or in accordance with Article 38 of Regulation (EU) 2024/1620 for the non-financial sector.

Subparagraph 3 shall not apply in cases where the identified obliged entity is a selected obliged entity under direct supervision of the Authority.

4. The home supervisor shall notify the decision mentioned in paragraph 3 of this Article to the identified parent undertaking in the Union without undue delay. It shall also inform all the other

supervisors of the other entities of the structure in the Union and the Authority of such decision and in case the supervisor is a self-regulatory body, the self-regulatory body shall inform also the public authority overseeing it.

5. The identified parent undertaking in the Union shall inform immediately all the other obliged entities of the structure in the Union of the decision mentioned in paragraph 3 of this Article.

6. In the event of a change to any of the information communicated pursuant to paragraphs 1 and 2, the obliged entity shall notify this change to the home supervisor that received the initial notification at least one month before implementing the change. This supervisor shall inform all the supervisors of the entities of the structure in the Union of such notification and review the notification in accordance with this Article. In case the supervisor is a self-regulatory body, the self-regulatory body shall inform also the public authority overseeing it.

Article 24 - Notification to the supervisor in case the parent undertaking is not an obliged entity

1. In case the identified parent undertaking in the Union is not an obliged entity, this entity shall ensure that the obliged entities of the structures inform the relevant supervisors of this role without undue delay and in any case no later than 28 calendar days after such determination, including the reasons thereof. In case the supervisor is a self-regulatory body, the self-regulatory body shall inform also the public authority overseeing it. If a parent undertaking fails to notify to the supervisor appropriate measures pursuant to Section 4 of Chapter IV of Directive (EU) 2024/1640 shall be taken.

2. The notification by the obliged entities of the structure shall include all the following information:

(a) summary overview and explanations on the structure, roles, responsibilities and activities of the parent undertaking and all the obliged entities of the structure in the Union
(b) any other information considered necessary for evaluating the adequacy of the identification of the parent undertaking.

3. In the event of a change to any of the information communicated pursuant to paragraphs 1 and 2, the parent undertaking shall ensure that the obliged entities of the structure inform the relevant supervisors and the Authority of such change without undue delay and in any case no later than 28 calendar days after such determination, including the reasons thereof. In case the supervisor is a self-regulatory body, the self-regulatory body shall inform also the public authority overseeing it.

Section 7

Final Provisions

Article 25 - Repeal

Regulation (EU) 2019/758 is repealed with effect from 10 July 2027.

Article 26 - Transitional provisions on notification to supervisors

The parent undertaking in the Union identified under Section 5 of this Regulation as of 10 July 2027 shall notify their role to the supervisor by 10 December 2027. If a parent undertaking fails to notify to the supervisor by 10 December 2027, appropriate measures pursuant to Section 4 of Chapter IV of Directive (EU) 2024/1640 shall be taken.

The parent undertaking in the Union identified under Section 6 of this Regulation as of 10 July 2027 shall notify directly or through obliged entities depending on whether the parent undertaking is an obliged entity their role to the supervisor by 10 December 2027. If a parent undertaking fails to notify to the supervisor by 10 December 2027, appropriate measures pursuant to Section 4 of Chapter IV of Directive (EU) 2024/1640 shall be taken.

During the transitional period referred to in the first and second paragraphs of this Article, supervisors shall have all the necessary supervisory powers conferred on them by Directive (EU) 2024/1640 with regard to the obliged entities under their scope of supervision.

Article 27 - Entry into force and application

This Regulation shall enter into force on the twentieth day following the date of its publication in the *Official Journal of the European Union*.

It shall apply from 10 July 2027, except in relation to obliged entities referred to in Article 3, points (3)(n) and (o) of Regulation (EU) 2024/1624, to which it shall apply from 10 July 2029.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission
The President

[For the Commission
On behalf of the President

[Position]

5. Accompanying documents

5.1. Draft impact assessment with cost-benefit analysis

Introduction

As per article 49(1) of Regulation (EU) 2024/1620, before submitting draft regulatory technical standards (RTS) to the European Commission, AMLA shall conduct open public consultations and analyse the potential related costs and benefits.

This analysis presents the Impact assessment with cost-benefit analysis (IA/CBA) of the main policy options included in the Consultation Paper (CP) on the draft RTS under articles 16(4) and 17(3) of Regulation (EU) 2024/1624.

This IA/CBA is qualitative in nature and the policy choices have been taken primarily in accordance with qualitative considerations, taking into account the experience and professional judgment of competent authorities from the financial and the non-financial sector, self-regulatory bodies (SRBs), and AMLA, as well as input provided by the European Banking Authority (EBA) in its response to the European Commission's Call for Advice. Moreover, quantitative figures in relation to these mandates are currently unavailable and performing a targeted collection would impose a disproportionate burden on obliged entities. Where quantitative evidence is lacking, the analysis is supported by structured qualitative reasoning and professional judgement informed by supervisory experience and wider stakeholders' input.

Background

Article 16(4) of Regulation (EU) 2024/1624 (AMLR) mandates AMLA to draft RTS specifying minimum standards for group-wide policies and procedures, including:

- minimum standards for information-sharing within the group;
- the criteria for identifying the parent undertaking for groups whose head office is located outside of the Union; and
- the conditions under which the provisions of article 16 of Regulation (EU) 2024/1624 apply to entities that are part of structures which share common ownership, management or compliance control, including networks or partnerships, as well as the criteria for identifying the parent undertaking in the Union in those cases.

On 12 March 2024, the European Commission issued a Call for Advice to the EBA on certain draft RTS under the new EU anti-money laundering and countering the financing of terrorism (AML/CFT) framework, to inform AMLA's work. As part of it, the EBA was requested to provide technical advice and set out options for AMLA to consider when developing the draft RTS on group-wide policies and procedures under article 16(4) of Regulation (EU) 2024/1624.

In preparing these options, EBA drew on information from its prudential work and AML/CFT guidelines or standards where applicable. Within the scope of the mandate under article 16(4) of Regulation (EU) 2024/1624, EBA focused solely on minimum standards for information sharing within groups that are financial institutions. Although the EBA's remit is limited to financial institutions, it noted that its advice would be applicable to the non-financial sector as well.

Under article 17(3) of Regulation (EU) 2024/1624, AMLA is required to develop draft RTS specifying:

- the type of additional measures that the parent undertaking shall take to ensure that branches and subsidiaries in third countries, where the law of that third country does not permit compliance with Regulation (EU) 2024/1624, effectively handle the money laundering and terrorist financing (ML/TF) risks;

- the minimum actions to be taken by obliged entities where the law of a third country does not permit the implementation of the measures required under article 16 of Regulation (EU) 2024/1624; and

- the additional supervisory measures required in such case.

In the context of mandate under article 17(3) of Regulation (EU) 2024/1624, the draft RTS are intended to replace the framework currently set out in Commission Delegated Regulation (EU) 2019/758, supplementing Directive (EU) 2015/849. Delegated Regulation (EU) 2019/758 was based on joint draft RTS developed by the European Supervisory Authorities.

A. Problem identification

The previous EU AML/CFT framework relied largely on the national transposition by Member States of the requirements set out in Directive (EU) 2015/849 and its subsequent amendments. This approach proved to be insufficient to effectively tackle the cross-border nature of financial crime, which requires an integrated and harmonised framework at Union level.

To strengthen the effectiveness of the Union's AML/CFT efforts, group-wide requirements for obliged entities are an essential part in ensuring adequate risk assessment, overview of activities, risks, and controls at group level. By applying such requirements, obliged entities formed in groups or structures other than groups, are required to implement a minimum level of group-wide or group-wide equivalent policies, procedures and controls to prevent and manage proceeds of illicit activities entering the legal economy.

To bring AML/CFT rules to an efficient and uniform level across the Union, article 16 of Regulation (EU) 2024/1624 introduces harmonised rules on group-wide requirements. This provision also refers explicitly to articles 9 and 10 of Regulation (EU) 2024/1624, which contain requirements on internal policies, procedures and controls, as well as on business-wide risk assessment.

Supervisory experience, however, shows that obliged entities structured in groups often face challenges in designing, implementing and reviewing group-wide policies, procedures and controls. Additionally, a fragmented approach to the scope of minimum group-wide requirements has been identified in some cases, particularly in the non-financial sector. To ensure a more consistent and effective application of group-wide policies, procedures and controls, clearer rules at EU level are needed.

Regulation (EU) 2024/1624 does not address critical parts of group-wide requirements, in particular:

- minimum requirements on the scope of group-wide policies, procedures and controls;

- the type of information that could be shared within a group;

- the criteria to identify a parent undertaking in the Union in the cases of two or more obliged entities in the Union not in a parent/subsidiary relationship and that belong to a head office in a third country;

- structures other than groups that share common ownership, management or compliance controls.

To ensure minimum requirements for group-wide policies, procedures and controls and clarify certain aspects related to rules on groups and structures other than groups, article 16(4) of Regulation 2024/1624 mandates AMLA to develop a draft RTS on the above aspects.

To prevent the misuse of the Union's financial system for the purposes of ML/TF and to ensure the highest standard of protection for personal data of Union citizens, article 17(1) of Regulation (EU) 2024/1624 requires parent undertakings to ensure that their branches and subsidiaries located in third countries comply with requirements laid down in that Regulation.

However, there may be circumstances in which the law of a third country prevents compliance with those requirements, for example due to limitations on a group's ability to access, process or exchange information, resulting from insufficient level of data protection or banking secrecy law in that third country. In such cases, the parent undertaking or obliged entity shall take additional measures to ensure that branches and subsidiaries located in the third country effectively manage the ML/TF risks, associated with the obliged entity's operations in that country.

Where the implementation of such additional measures is insufficient to effectively manage those risks, supervisors shall, following a supervisory assessment, apply one or more additional supervisory actions to ensure adequate risk mitigation and safeguard the integrity of the Union's financial system.

While the Regulation does not specify those additional measures and supervisory actions, article 17(3) of Regulation (EU) 2024/1624 requires AMLA to develop draft RTS specifying them.

B. Policy objectives

The objective of the mandate under article 16(4) of Regulation (EU) 2024/1624 is to contribute to the strengthening of the harmonised AML/CFT framework applicable to obliged entities formed in groups or structures other than groups as provided in Regulation (EU) 2024/1624, while adhering to the risk-based approach and the principle of proportionality.

To achieve this objective, the draft RTS specify minimum requirements for group-wide policies, procedures and controls that shall be developed and implemented for groups and structures other than groups when they fulfil the conditions set out in the draft RTS. By establishing such minimum requirements, the draft RTS aim to address deficiencies in group-wide requirements that could lead to the inconsistent application, or non-application, of group-wide requirements across the Union as well as to clarify certain situations applicable to groups or structures other than groups.

In addition, the draft RTS address the minimum level of information sharing within groups, to ensure compliance with the obligations to mitigate ML/TF risks and the risks of evasion or circumvention of targeted financial sanctions (TFS). Since group-wide policies, processes and controls are expected to address the type of information that can be shared, it is essential to identify a list of information that can be shared and the way in which such information can be shared to the greatest extent. Given the evolving nature of ML/TF risks and the risks of non-implementation and evasion of TFS, the information-sharing framework should also remain sufficiently adaptive to ensure that relevant and emerging risk-related information can be effectively exchanged within groups.

Closely related to the mandate under article 16(4) of Regulation (EU) 2024/1624 is the mandate under article 17(3) of that Regulation. In this context, the draft RTS aim to ensure that ML/TF risks arising from operations of obliged entities with subsidiaries and branches in third countries are effectively identified, assessed and managed at group level, even where the legal framework of the third country prevents the

full application of group-wide AML/CFT policies, procedures and controls. The draft RTS seek to address potential regulatory and supervisory gaps that may otherwise be exploited when branches or subsidiaries operate in jurisdictions with legal impediments related to data protection, banking secrecy, or supervisory access, thereby safeguarding the integrity of the Union's financial system.

To support this objective, the draft RTS promote a consistent and convergent approach to be applied by obliged entities across the Union. By specifying the types of minimum actions and additional measures, it seeks to minimize divergent interpretations and uneven application of risk mitigation requirements by obliged entities, while preserving the risk-based nature of the AML/CFT framework and ensuring proportionate implementation.

Further, the draft RTS aim to enhance supervisory effectiveness. By defining a framework of supervisory actions that may be applied where additional measures prove insufficient, the draft RTS support supervisors in responding in a timely, proportionate and risk-based manner to situations where ML/TF risks are not effectively managed. This includes enabling supervisors to require submission and implementation of a risk mitigation plan, enhanced monitoring, or, where risks are no longer manageable, restrictive or exit-type measures, thereby ensuring that supervisory intervention is aligned with the severity of the risks identified.

The draft RTS also address the identification of the parent undertaking in the Union in situations where two or more obliged entities are not in a parent-subsidiary relationship and have their head office in a third country. For such cases, Regulation (EU) 2024/1624 introduces a definition of parent undertaking in the Union by reference to qualitative criteria, namely the determination of sufficient prominence of activities of one obliged entity over the other(s), the sufficient understanding of activities of one obliged entity over the other(s) and if the obliged entity is given the responsibility to implement the group-wide policies, procedures and controls. The draft RTS therefore seek to substantiate these qualitative criteria by specifying how they should be assessed and applied in practice. It also includes a notification and escalation process for supervisors to ensure compliance with the identification of the parent undertaking in the Union in this situation.

Furthermore, the draft RTS establish the conditions under which certain obliged entities organised in structures other than groups, such as networks, partnerships or franchises, and having common ownership, management or compliance controls, shall adopt, implement and apply group-equivalent requirements. The draft RTS also provide the criteria for the identification of the parent undertaking in the Union in those cases, by including minimum circumstances that would provide clarity on such identification. In addition, it introduces a notification and escalation process for supervisory authorities to ensure compliance with the identification of the parent undertaking in the Union for these structures.

C. Baseline scenario

Under the baseline scenario, obliged entities would apply group-wide requirements solely under articles 9, 10 and 16 of Regulation (EU) 2024/1624, without any additional provisions on the group-wide requirements. In particular, no additional provisions would clarify the type of information to be shared within a group, the identification of the parent undertaking in the Union in the case of article 2(1)(42)(b) of Regulation (EU) 2024/1624, or the application of the group-wide requirements to structures other than groups, which share common ownership, management or compliance control, including networks or partnerships or franchisees, as well as the criteria for identifying the parent undertaking in the Union.

The lack of regulatory provisions in this context might lead to divergent design and implementation of group-wide requirements across sectors and member states. It may also create uncertainty on the type of information to be shared with a group, the identification of the parent undertaking in the Union in the situation covered by article 2(1)(42)(b) of Regulation (EU) 2024/1624, and the application of equivalent group-wide standards for structures other than groups. All these aspects would ultimately undermine

the consistent application of group-wide requirements and create loopholes for regulatory arbitrage, as criminals might exploit jurisdictions with more permissive interpretations.

In addition, obliged entities would be required to apply minimum actions and additional measures to ensure that their branches and subsidiaries located in third countries where local law does not permit compliance with Regulation (EU) 2024/1624 effectively manage ML/TF risks, solely on the basis of article 17 of Regulation (EU) 2024/1624, without any further specification of the types of additional measures and minimum actions to be taken. This might lead parent undertakings or obliged entities to take divergent approaches across different sectors and jurisdictions, thereby undermining the harmonisation objective pursued by the Union's AML/CFT framework.

Similarly, competent authorities would assess the adequacy of the measures implemented by obliged entities and decide on the application of additional supervisory actions exclusively on the basis of article 17 of Regulation (EU) 2024/1624 and the provisions of Directive (EU) 2024/1640 as transposed into national law. However, no further harmonised Union-level framework would exist to define common supervisory actions. This might undermine supervisory convergence and create potential supervisory gaps that might be exploited for ML/TF purposes.

D. Options considered, cost-benefit analysis, and preferred option

This section describes the main policy options considered and the decisions taken as part of the development of the draft RTS under articles 16(4) and 17(3) of Regulation (EU) 2024/1624.

This section starts by outlining the overarching principles guiding the policy decisions. Then, it presents the main policy options considered for each policy issue addressed by the draft RTS, followed by a qualitative analysis of the potential costs and benefits of each option, and concludes by identifying the preferred option resulting from the analysis.

Overarching principles.

In developing the draft RTS, AMLA applied a **risk-based approach** focused on achieving effective and workable outcomes that contribute to effective group-wide AML/CFT governance and risk-based AML/CFT supervision.

In addition, AMLA placed a particular focus on **simplification**, by incorporating principle-based provisions that ensure **flexibility** for obliged entities and avoiding adding further requirements beyond those set out in Regulation (EU) 2024/1624. This approach aims to limit unnecessary complexity, reduce compliance and implementation costs, and ensure that the draft RTS remain within the scope of the mandates under articles 16(4) and 17(3) of Regulation (EU) 2024/1624, while still providing sufficient clarity to ensure **harmonisation** across Member States and sectors.

Moreover, AMLA strived to be **comprehensive and balanced**, taking into account the diverse range of the affected obliged entities, across both the financial and non-financial sector, including entities newly brought within the scope of EU AML/CFT framework, as well as supervisory authorities and customers.

Furthermore, AMLA sought to ensure an **unbiased assessment**, by considering the perspectives of the different actors concerned and by giving equal importance to the interests and needs of the parties that are impacted at the same level. This approach supports neutral conditions of competition and helps prevent unintended distortions or regulatory arbitrage.

Finally, all policy choices reflected in draft RTS adhere to the principle of **proportionality**. The requirements introduced are suitable and necessary to achieve the objectives pursued and are

designed so as not to impose disproportionate burdens on the affected stakeholders, in relation to those objectives.

Policy Issue 1: Level of granularity of minimum requirements for group-wide policies, procedures and controls

Article 16(4) of Regulation (EU) 2024/1624 requires AMLA to specify minimum group-wide requirements. article 16(1), (2) and (3) of Regulation (EU) 2024/1624 already provide general requirements for the group-wide policies, procedures and controls.

In specifying the scope of the granularity of requirements for group-wide policies, procedures and controls, AMLA considered the following options:

A. Adopting **detailed minimum requirements** for group-wide policies, procedures and controls.

B. Adopting **principle-based minimum requirements** for group-wide policies, procedures and controls.

Option A

Under **Option A**, the draft RTS would specify minimum requirements for group-wide policies, procedures and controls at a highly detailed level. The draft RTS would prescribe in a granular manner the elements to be included in group-wide policies, procedures and controls, including detailed governance arrangements, internal roles and reporting requirements. Such approach would aim to minimise interpretative differences by setting out comprehensive and prescriptive expectations applicable across all groups.

This option would contribute to a high degree of harmonisation and supervisory clarity, as obliged entities and competent authorities would rely on a common and detailed set of requirements. It could strengthen consistency of group-wide frameworks, particularly in complex cross-border groups, and facilitate supervisory assessments by reducing discretion in implementation.

However, this option would entail higher compliance and implementation costs, especially for smaller or less complex groups and for other arrangements, such as networks, partnerships or franchises. Moreover, a highly granular approach would reduce flexibility to adapt group-wide arrangements to different organisational structures, business models and risk profiles, and could risk exceeding the scope of the mandate under article 16(4) of Regulation (EU) 2024/1624.

Option B

Under **Option B**, the draft RTS would define minimum requirements for group-wide policies, procedures and controls at a more principle-based level, focusing on essential elements necessary to ensure effective group-wide AML/CFT risk management. The draft RTS would set out the objectives and main components to be covered by group-wide frameworks, while leaving obliged entities sufficient flexibility to determine the level of detail and operational arrangements in light of their size, internal organisation, and risk exposure, subject to supervisory oversight.

This option would be aligned with the mandate under article 16(4) of Regulation (EU) 2024/1624 and would enhance legal certainty, while avoiding regulation of aspects already addressed by the Regulation (EU) 2024/1624. It would allow group-wide requirements to be implemented in a proportionate manner across different types of groups and group-equivalent structures, thereby limiting unnecessary compliance burden. By limiting prescriptiveness, this approach would also accommodate the diversity of groups and structures across sectors. Feedback received from supervisors during the drafting

process confirmed that a reduction in the scope and level of detail of certain provisions would be appropriate to meet the objectives of the draft RTS.

The main drawback associated with this option is that a lower level of granularity may result in some variation of implementation practices across obliged entities. Sectoral variations may also entail additional supervisory costs, as they would require increased reliance on supervisory judgment and coordination to ensure consistent outcomes. However, such sectoral variations would be considered acceptable, considering the need to allow for a certain degree of flexibility to the wide range of obliged entities under AMLA's remit.

Preferred option

Based on the considerations outlined above, **Option B** has been chosen as preferred option, as it provides for a **sufficient level of harmonisation of minimum requirements for group-wide policies, procedures and controls**, thus ensuring a consistent application of the essential elements of those requirements for obliged entities across all sectors, while avoiding undue regulatory burden.

Policy issue 2: The scope of information-sharing within a group

Article 16(4) of Regulation (EU) 2024/1624 requires AMLA to specify minimum standards for information sharing within a group. The policy issue concerns how broadly the obligation to share information within groups and group-equivalent structures should apply, in particular with regard to the type of information covered, the entities involved, and the legal and practical limits to information sharing, including data protection and legal privilege.

For the specification of the scope of information that shall be shared, AMLA considered the following options:

A. A **restrictive approach**, defining a limited and exhaustive list of information eligible for sharing, accompanied by strict limitations on information sharing.

B. A **broader approach**, establishing a minimum list of information that can be shared, complemented by specific safeguards for such sharing.

Option A

Under **Option A**, the draft RTS would define the scope of information sharing within a group through a closed and exhaustive list of information that obliged entities are permitted to share within a group or group-equivalent structures. It would also introduce limitations on the sharing of information, such as sharing information only through the parent undertaking or setting out strict rules on the situations in which information can be shared, such as only when the information relates to common customers. The underlying logic of this approach would be to enhance legal certainty and uniformity by precisely delineating the information flows allowed for AML/CFT purposes, thereby limiting discretion at group level and reducing the risk of unlawful data processing.

The main benefit of this option is legal certainty. It would reduce instances of inconsistent interpretation and litigation, particularly in sensitive areas such as data protection.

However, this approach would introduce significant limitations to information sharing within groups. An exhaustive list would be inherently rigid and misaligned to the evolving nature of ML/TF risks, limiting the ability of groups and structures to respond effectively to emerging threats, new typologies or specific group-level risk exposures. The draft RTS would need to be regularly amended to reflect emerging risks, but this would reduce regulatory agility. Moreover, information that is materially relevant for AML/CFT

purposes could fall outside the predefined scope, thereby weakening risk identification and mitigation. For instance, it could expose entities within the groups to the risk of reopening relationships or not being aware of suspicious alerts due to lack of information.

Option B

Under **Option B**, the draft RTS would establish a minimum, non-exhaustive list of information to be shared within groups, while allowing for additional information sharing where it is relevant and necessary for customer due diligence (CDD) and ML/TF risk management purposes. This approach would be complemented by explicit safeguards, including compliance with data protection rules, confidentiality and the application of a need-to-know principle, while leaving the operational implementation of information sharing policies, procedures and controls to obliged entities. The overall objective of this approach would be to facilitate the timely and broad flow of information within groups, with the aim of supporting the effective mitigation of ML/TF risk.

The benefits of Option B are twofold. First, it would support effective and timely group-wide risk identification and mitigation by ensuring that relevant information can be shared within the group if needed, without the constraints of an overly rigid framework. More specifically, obliged entities belonging to the group or structures other than groups would be allowed to share information among them, without limiting the sharing of information only via the parent undertaking in the Union. Second, by embedding clear safeguards and relevance criteria, this approach would provide legal certainty and mitigate the risk of unlawful data sharing.

While this option may result in some variation in information sharing practices across groups or structures in different sectors, it would ensure that at least the essential scope of information can be shared within groups and group-equivalent structures of obliged entities across all sectors. Moreover, a certain degree of flexibility is needed to ensure that obliged entities can adapt the application of regulatory provisions to their specific business models, as well as situational needs. The draft RTS capture this need for flexibility by specifying a non-exhaustive list of information.

Preferred option

This analysis recognises that both options might entail financial and administrative costs for groups of obliged entities to ensure compliance with the new provisions of the draft RTS. In both cases, groups of obliged entities would need to set up policies and procedures for information sharing within the group and the structure, build appropriate safeguards, possibly modify their information-sharing infrastructure, and potentially adapt their compliance and governance functions to the new provisions. The exact costs would depend on the actual size and organizational structure of each obliged entity.

Considering the costs and benefits described above, policy **Option B** was selected as preferred option. This option provides a **sufficiently structured baseline to support harmonisation and ensure effective information sharing**, while remaining **flexible to reflect the size, complexity, and risk profile of individual groups and structures** in line with the risk-based approach. Overall, this approach better aligns with the objectives of Regulation (EU) 2024/1624 by balancing effectiveness, proportionality, and legal certainty.

Policy issue 3: Degree of prescriptiveness of minimum actions, additional measures and supervisory actions

In line with the mandate under article 17(3) of Regulation (EU) 2024/1624, the draft RTS should define a Union-level response to legal impediments in third countries, including the definition of minimum actions and additional measures to be applied by the parent undertaking or obliged entities, as well as the additional supervisory actions to be applied by the supervisors of the home Member State where

those additional measures prove insufficient to effectively manage ML/TF risks of subsidiaries and branches in third countries.

In designing these elements, particular attention was given to how prescriptive the draft RTS should be in defining the combination of additional measures and supervisory actions. Two policy options were considered.

A. Defining a **prescriptive set of minimum actions**, additional measures and supervisory actions.

B. Defining **baseline minimum actions** and a set of additional measures and supervisory actions to be applied proportionately.

Option A

Under **Option A**, the draft RTS would define a prescriptive set of minimum actions and additional measures to be implemented by parent undertakings and obliged entities in the presence of legal impediments in third countries for their subsidiaries and branches, accompanied by a prescriptive list of supervisory actions to be applied by supervisors once the additional measures are determined insufficient.

The main benefit of this approach would be stronger harmonisation and enhanced supervisory convergence. A prescriptive set of minimum actions and additional measures would ensure harmonisation of regulatory expectations across Member States and reduce the risk of regulatory arbitrage, by ensuring that obliged entities facing similar legal impediments apply the same mitigating measures. Similarly, prescriptive supervisory actions would promote consistency in supervisory escalation and create a predictable supervisory response across the Union.

This approach would also reduce interpretative uncertainty for obliged entities at the implementation stage and facilitate compliance planning and internal governance decisions when operating in third countries where legal impediments affect the implementation of group-wide AML/CFT policies.

However, these benefits would come with notable costs. First, legal impediments vary significantly across third countries. Restrictions may concern sharing and processing of customer data within the group, suspicious transaction reporting information, or supervisory access to data. Because these impediments differ in scope and severity, applying the same prescribed set of additional measures across all situations would not always be justified or proportionate.

Second, a rigid set of measures could impose disproportionate compliance costs on parent undertakings or obliged entities whose risk profile or operational footprint in the affected jurisdiction is limited. A prescriptive approach could therefore lead to inefficient allocation of compliance resources and undermine the risk-based approach underpinning the AML/CFT framework.

Third, prescriptive rules risk encouraging “checklist behaviour”, where parent undertakings or obliged entities focus on formally implementing required measures rather than selecting those that most effectively mitigate the risks associated with a specific legal impediment.

Fourth, rigid prescriptions may also be impractical in situations where certain measures cannot legally be implemented in the third country concerned. This could lead to situations where obliged entities are formally required to apply measures that are themselves restricted by local law. In practice, this could encourage conservative business decisions such as de-risking or withdrawal from certain markets, even where risks could effectively be managed through alternative additional measures. Finally, prescriptive supervisory actions could unduly constrain supervisory judgement, potentially leading to rule-based, rather than risk-based, supervisory outcomes.

Option B

Under **Option B**, the draft RTS would establish a harmonised baseline of mandatory minimum actions, such as timely notification to the supervisor of the home Member State, exploring whether customers' or beneficial owners' consent can lawfully overcome constraints, and then applying additional measures whose extent is determined on a risk-sensitive basis and demonstrable to supervisors.

The main benefit of Option B is that harmonisation of regulatory expectations and convergence in supervisory practices would be achieved through a common set of additional measures and supervisory actions, which can be applied proportionately and in a manner that remains workable across diverse third-country legal impediments and different group operating models.

This flexibility would avoid unnecessary compliance costs in lower-risk situations and align to the principle of proportionality embedded in the Union's AML/CFT framework. It would also reduce the likelihood that parent undertakings or obliged entities respond to legal impediments by withdrawing entirely from certain jurisdictions where ML/TF risks could otherwise be effectively managed through alternative mitigating measures.

From a supervisory perspective, this approach would preserve supervisory discretion, while ensuring a consistent escalation logic across supervisors in the home Member States, where supervisors can apply progressively stronger supervisory actions within a harmonised structure until the risks are adequately addressed.

The main costs of Option B would arise from the potential risk of divergent application of group-wide requirements, as parent undertakings or obliged entities may select different combinations of additional measures in similar situations. This may also result in higher supervisory effort, as supervisors would need to assess whether the measures selected are sufficient to effectively mitigate the identified ML/TF risks.

However, this supervisory effort would be partially mitigated by the design of the RTS itself, as the list of additional measures and the requirement to demonstrate to the supervisors of home Member States that the extent of the additional measures is appropriate would provide a structured reference point for supervisory assessment.

In addition, the supervisory actions would provide safeguards against ineffective risk mitigation by parent undertakings or obliged entities, by ensuring that supervisors can require the implementation of corrective supervisory actions, restrict business activities, or require the closure of operations where ML/TF risks cannot be adequately managed.

Preferred option

On balance, **Option B** is preferred because it best reconciles the objectives of **harmonisation and supervisory convergence with the principles of proportionality, risk-based approach and operational feasibility** across different third-country impediment scenarios. It preserves the flexibility necessary for parent undertakings, obliged entities and supervisors, to address the specific characteristics of different legal impediments in a proportionate and risk-based manner.

Policy issue 4: Timing of the notification to supervisors

Under the mandate in article 17(3) of Regulation (EU) 2024/1624, one of the policy issues concerned the appropriate reporting obligation referred to in article 17(2) of that Regulation when a parent

undertaking or obliged entity identifies that the law of a third country prevents or restricts the application of group-wide AML/CFT policies, procedures and controls.

In particular, the question arose whether the draft RTS should maintain the existing approach requiring notification to the supervisor within a fixed timeframe of 28 calendar days after identifying the impediment, or whether it should introduce a more flexible or staged reporting model, recognising that the legal analysis of third-country impediments may require additional investigation.

This issue was particularly relevant given that the existing framework established under Commission Delegated Regulation (EU) 2019/758 already requires obliged entities to notify their competent authority within 28 calendar days when they identify an impediment to the application of group-wide policies.

Maintaining or adapting this approach therefore required careful consideration of both supervisory effectiveness and regulatory continuity and applying the same timeline for other parts of the RTS (information sharing with other entities in the group and supervisors in the Union; identification of the parent undertaking in cases of two or more obliged entities in the Union belonging to the same head office in a third country; notification for the determination of a parent undertaking in the case of structures other than groups subject to group-wide equivalent requirements).

Two policy options were considered.

A. Maintaining the fixed 28-calendar-day notification requirement foreseen under Commission Delegated Regulation (EU) 2019/758 and applied also in other parts of the RTS.

B. Introducing a flexible or staged reporting framework.

Option A

Under Option A, the draft RTS would maintain the notification requirement established under Commission Delegated Regulation (EU) 2019/758, which requires parent undertakings or obliged entities to notify the supervisor of the home Member State without undue delay and in any case no later than 28 calendar days after identifying a legal impediment in a third country.

This approach preserves the existing reporting framework, which is already familiar to both obliged entities and supervisors.

The main benefits of this option lie in its predictability and timely supervisory visibility. Establishing clear reporting deadlines would ensure that supervisors are promptly informed when legal impediments arise, enabling early supervisory engagement and effective monitoring of the mitigating measures implemented by parent undertakings or obliged entities. It would also promote supervisory convergence across Member States by establishing a common reporting standard.

Maintaining the existing approach would also reduce implementation complexity for obliged entities by building on established compliance processes and avoiding the introduction of new reporting requirements.

However, a fixed deadline may be perceived as rigid in situations where identifying and characterising a legal impediment requires complex legal analysis. In such cases, obliged entities may face difficulties in submitting a fully substantiated notification within the 28-day timeframe. This limitation can be mitigated by allowing supervisors to request follow-up information as part of their ongoing supervisory activities, thereby reducing the need to introduce a formal second reporting stage within the draft RTS.

Option B

Under **Option B**, the draft RTS would introduce a more flexible reporting framework, for example by establishing a two-step reporting process consisting of an initial notification followed by a more detailed update once the legal impediment has been fully analysed.

The main benefit of this approach would be an improvement in the quality and completeness of the information provided to supervisors. Allowing additional time for internal analysis could enable parent undertakings or obliged entities to submit more comprehensive and substantiated notifications. This could reduce the number of incomplete or preliminary submissions and limit the need for subsequent corrections or withdrawals. A staged reporting approach could also better accommodate situations where the identification and assessment of third-country legal impediments require complex legal analysis or internal escalation within the group.

However, this approach would also entail certain drawbacks. A more flexible reporting framework could delay supervisory awareness of emerging legal impediments and limit the ability of competent authorities to respond promptly to potential risks affecting the effective implementation of group-wide AML/CFT policies and controls. It could also lead to inconsistencies in reporting practices across sectors and Member States if the timing of notifications becomes more open to interpretation.

Furthermore, introducing a staged reporting process could create uncertainty regarding the appropriate timing of notifications and potentially lead to delayed reporting. This could weaken the clarity, predictability, and enforceability of the reporting obligation compared with the current framework, which establishes a clear and uniform notification deadline.

Preferred option

Option A was identified as the preferred option. Maintaining the fixed 28-calendar-day notification requirement ensures **continuity** with the framework established under Commission Delegated Regulation (EU) 2019/758 and **preserves a clear and predictable reporting obligations**. It also ensures timely **supervisory awareness** of legal impediments, enabling early engagement by competent authorities and effective monitoring of mitigating measures. Further, it promotes **supervisory convergence** across Member States through a common reporting standard, while allowing supervisors to request additional information where necessary and is aligned with the timeline introduced in other parts of the RTS.

Policy issue 5: Identification of the parent undertaking in the Union under article 2(1)(42)(b) of Regulation (EU) 2024/1624

Article 16(4) of Regulation (EU) 2024/1624 requires AMLA to specify the criteria for identifying the parent undertaking in the Union in the cases covered by article 2(1), point (42)(b) of that Regulation. To do so, AMLA shall determine what is the meaning of sufficient prominence of one entity in the group, sufficient understanding of operations of the entity in the group and which one is the entity in charge of implementing the group-wide requirements in this situation.

Regarding the criteria for the identification of the parent undertaking under article 2(1)(42)(b) of Regulation (EU) 2024/1624, AMLA considered the following two options.

A. Adopting **principle-based criteria** for the identification of the parent undertaking.

B. Specifying **structured criteria** for the identification of the parent undertaking, including a notification process to the supervisory authority.

Option A

Under **Option A**, the draft RTS would only provide principle-based criteria for the identification of the parent undertaking in the situation of article 2(1)(42)(b) of Regulation (EU) 2024/1624.

The main benefit of this option lies in its flexibility for groups to self-assess their structure and designate the parent undertaking based on their internal governance arrangements.

However, this option would lead to the risk that obliged entities in comparable situations could reach divergent conclusions regarding which entity qualifies as the parent undertaking. Moreover, the lack of structured criteria would limit supervisory authorities' ability to assess, challenge, or validate the designation of the parent undertaking, thereby weakening supervisory convergence and increasing the risk of regulatory arbitrage.

Option B

Under **Option B**, the draft RTS would set out clear, structured and interrelated criteria for the identification of the parent undertaking under article 2(1)(42)(b) of Regulation (EU) 2024/1624, ensuring that the concepts of sufficient prominence, sufficient understanding of operations, and responsibility for obliged entities to implement group-wide requirements are assessed in a coherent and sequential manner. Those criteria would be based on qualitative and quantitative elements, already available to obliged entities. In addition, this option would introduce a notification and escalation procedure for supervisors.

This option would enhance legal certainty, supervisory clarity, and operational effectiveness. In addition, the notification and escalation procedure would ensure supervisory awareness of the designation, enable timely supervisory engagement, and provide a clear framework for addressing disagreements or uncertainties regarding the identification of the parent undertaking. It would facilitate consistent identification of the parent undertaking across Member States, strengthen group-wide AML/CFT governance, and support effective supervision.

This option would entail some additional costs. It would require obliged entities to perform a structured assessment to identify the parent undertaking in the Union in the situation of article 2(1)(42)(b) of Regulation (EU) 2024/1624 and comply with a notification obligation vis-à-vis the supervisory authority. However, these costs would be limited and proportionate, as they would rely on information already available to obliged entities and would be offset by the increased legal certainty. Furthermore, costs would be reduced by clarifications on the identification of a parent undertaking supervised by a lead supervisor in the Union and allow for a proper identification of obliged entities that have the head office in a third country.

Preferred option

Based on the considerations above, **Option B** was preferred. By defining structured, sequential and interrelated criteria for identifying the parent undertaking and embedding supervisory notification processes, Option B **enhances legal certainty supervisory convergence, and ensures that the identified parent undertaking is both prominent and operationally capable of implementing group-wide AML/CFT requirements**. In addition, this approach remains proportionate and sufficiently flexible to accommodate different group structures. Although some additional costs are expected, those would be justified by the objective pursued and by the additional legal certainty provided.

Policy issue 6: Extent to which conditions for the application of the group-wide equivalent requirements to structures other than groups that share common ownership, management or compliance controls should be specified

Article 16(4) of Regulation (EU) 2024/1624 requires AMLA to specify the conditions under which group-wide requirements apply to structures that share common ownership, management or compliance controls and do not fall under the definition of the group under article 2(1)(41) of Regulation (EU) 2024/1624.

In specifying the extent of conditions, AMLA considered the following two options:

A. Introducing **high-level conditions** for the application of group-wide equivalent requirements;

B. Introducing more **specific alternative minimum conditions** for the application of group-wide equivalent requirements.

Option A

Under **Option A**, the draft RTS would only introduce high-level conditions for the application of group-wide equivalent requirements to structures that share common ownership, management or compliance controls but do not meet the definition of a group under article 2(1)(41) of Regulation (EU) 2024/1624. The conditions would focus solely on core elements, such as common ownership, management and common compliance controls without specifying further elements. As a result, this option could lead to a more limited extension of group-wide level requirements to structures other than groups.

In terms of benefits, this option would provide flexibility to obliged entities, allowing them to take into the account the specific features, complexity and risk profile of the structures concerned. It would also limit implementation and compliance costs, as it would avoid the need to put in place extensive formalised governance or documentation solely to meet regulatory specifications.

However, the high-level nature of the conditions could result in divergent interpretations and supervisory practices across Member States. This may lead to legal uncertainty for obliged entities uneven application of group-wide equivalent requirements, and potential gaps in AML/CFT coverage where structures are assessed inconsistently, especially in cross-sectorial situations. Significant variations in the application of group-wide level requirements might result in uneven levels of safeguards against ML/TF risks, potentially creating incentives for regulatory arbitrage.

Option B

Option B would provide a more structured range of alternative minimum conditions determining the application of group-wide equivalent requirements. It would also enhance legal certainty and promote a more consistent application of the requirements across Member States, thereby reducing the risk of regulatory arbitrage and supervisory fragmentation. Clear and detailed conditions would also support competent authorities in their supervisory activities and strengthen the effectiveness of group-wide AML/CFT controls for structures sharing common ownership, management or compliance controls such as partnerships, networks or franchises that do not fall under the definition of group provided in Regulation (EU) 2024/1624.

This option would entail higher implementation and compliance costs for obliged entities, particularly where existing arrangements would need to be adapted to enable the application of group-wide equivalent requirements. However, many of these costs stem directly from Regulation (EU) 2024/1624. In addition, a notification and escalation procedure are included to ensure that determinations of the parent undertaking in the Union in structures other than groups are subject to appropriate supervisory scrutiny.

Preferred option

While policy **Option B** entails higher compliance and implementation costs, these are outweighed by the benefits of **enhanced legal certainty, supervisory convergence and a more consistent and effective application of group-wide equivalent requirements** across the Union. For these reasons, policy option B is the preferred option.

Methodology

For all policy options, the analysis drew primarily on targeted exchanges with national competent authorities responsible for supervising OEs in both the financial and non-financial sectors, as well as on comparative legal analysis. Regarding the minimum standards for information sharing within groups, AMLA also took into account the technical advice provided by the EBA as part of its response to the European Commission's Call for Advice.

Limitations

The analysis is largely qualitative and based on supervisory experience and expert judgment. While this assessment provides valuable insights into the practical applicability of the proposed provisions, it may not fully capture all sector-specific impacts, particularly for newly designated OEs. These limitations are mitigated by favoring incremental and targeted changes, allowing further clarification to be provided through interpretative tools where necessary.

Further assessments

During the public consultation, respondents will have the opportunity to provide supporting data, evidence, or concrete examples to substantiate any proposals or suggested amendments to the draft RTS. In particular, stakeholders will be invited to submit quantitative data and information illustrating sector-specific risks, operational constraints, compliance costs, or supervisory impacts, where relevant.

This evidence-based input will support AMLA in re-assessing, where justified, whether proposed changes are proportionate, justified, and consistent with the risk-based approach underpinning the draft RTS, and in determining whether any further clarification or targeted adjustments are warranted.

1. Overview of questions for consultation

Section 1 - General provisions (articles 1 - 2)

Question 1

Do you have any observations concerning the definitions laid out in article 2?

Section 2 - Minimum group-wide requirements (article 3)

Question 2

Do you find the minimum requirements listed in article 3 of the draft RTS related to internal policies, procedures and controls sufficient and clear? If not, could you please indicate which other requirements, or further clarification, you think should be added and/or revised?

Section 3 - Information sharing (articles 4 - 9)

Question 3

Do you foresee any operational or legal challenges, including challenges related to legal privilege, in implementing the provisions related to information sharing within entities of a group? If so, could you please indicate which ones? Do you foresee any operational or legal challenges in ensuring that information sharing from third countries and to third countries within entities of a group is adequate to regulatory standards in the Union? Do you have any suggestion that would make it better suited operationally or legally?

Section 4 - Additional measures for branches or subsidiaries in third countries of obliged entities and parent undertakings in the Union (articles 10 - 16)

Question 4

Do you foresee any operational or legal challenges in implementing the minimum actions and additional measures required under section 4 of the draft RTS where third-country law restricts the application of group-wide AML/CFT policies, procedures and controls? If so, please describe the challenges and provide practical examples.

Question 5

Do you foresee any challenges in applying the provisions relating to information sharing within the group where third-country law restricts the ability to access, process or exchange information for AML/CFT purposes (articles 12 and 13 of the draft RTS)? If so, please explain.

Question 6

Do you consider the proposed framework for additional supervisory actions (article 16 of the draft RTS) appropriate and workable in practice, including the addressee of supervisory decisions and the feasibility of applying restrictions or closure measures in cross-border structures? If not, please explain.

Section 5 - Criteria for identifying the parent undertaking in the Union in cases of two or more obliged entities whose head office is located outside of the Union (articles 17 - 20)

Question 7

Do you find the criteria provided in section 5 effective to identify the parent undertaking in the Union in cases where two or more obliged entities not in a parent-subsidiary relationship whose head office is located outside of the Union? Do you find the criterion of annual turnover applicable in your specific sector?

Section 6 - Conditions for the application of group-wide requirements to structures sharing common ownership, management or compliance control (articles 21 - 24)

Question 8

Do you find the conditions listed in article 21 sufficiently clear and effective to identify the structures that shall apply requirements similar to groups? If not, please explain.

Question 9

Do you foresee any legal or operational challenges in implementing the provisions listed in this RTS and in particular by article 21 for the above-mentioned structures? If so, please describe the challenges and provide practical examples.

Question 10

Do you find the criteria listed in article 22 effective to identify the parent undertaking in the Union in cases where two or more obliged entities are part of the above-mentioned structures? If not, please explain and provide practical examples