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EU Policy Enforcement and Anti-Money Laundering Overhaul in the EU – A New Analytical Approach

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Abstract

This paper examines the revised enforcement system for anti-money laundering (AML) in the EU, focusing on the creation of a new EU agency – the Anti-Money Laundering Authority (AMLA). The paper asks how the reformed framework ensures a more consistent and efficient AML enforcement in the EU, compared with prior regimes. The literature primarily examines agencification in the EU through the dimensions of centralisation/decentralization and direct/indirect enforcement powers, however, this analytical lens is incomplete for the revised AML enforcement system. We therefore devise a third dimension for analysing enforcement that relies on operational and collaborative integration throughout the system. This third dimension highlights specific features, namely, how agencification in a common system enables a shared operational responsibility, steered by legal and institutional integration, common methodologies and practices. These features bind the various actors together, moving beyond a network model based on coordination towards a more harmonised and cooperative system of enforcement. The three-dimensional (3D) model serves as an analytical approach for studying the EU enforcement regime for AML, one that could also be used in other areas of EU policy enforcement.

Keywords

Agencification, anti-money laundering, AML Authority (AMLA), enforcement, supervision.

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I. Introduction

The creation of the new European Union (EU) agency – the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) – offers a unique opportunity to revisit and examine the approach to EU enforcement, in particular the long-standing

phenomenon of agencification.¹ At the first glance the establishment of AMLA appears to constitute (yet another) instance of ‘Europeanisation’ of enforcement in an EU policy area in which the enforcement regime previously relied primarily on national authorities and has proven to be ineffective. In its 2019 report, the European Commission identified several shortcomings and problem drivers stemming from the AML decentralised enforcement mechanism.² The report that underpinned the 2021 AML package³ was based on 10 case studies across eleven Member States between 2012 and 2018.⁴ A more intertwined approach between EU and national level had been missing despite its clear necessity and was considered too bold a move only a decade ago when EU legislators undertook the reform from AMLD4 to AMLD5 and in the context of the European Supervisory Authorities (ESAs) Review.⁵ We may wonder what is special about that new EU agency set up by the co-legislators, considering the current policymakers’ emphasis on the groundbreaking nature of the creation of AMLA, and compared to the ESAs.⁶ The novelty may be linked to the specific sector (AML) itself which requires the continuous sharing of intelligence and information, as well as the interdependence of actors in the system. The powers allocated to AMLA and the supervisory authorities in the system aim at ensuring ‘consistent high-quality application of the AML/CFT supervisory methodology and promot[ing] efficient cooperation between all relevant competent authorities.’⁷ In this regard, the co-legislators agreed, through AMLA Regulation, to constitute an ‘AML/CFT Supervisory System’⁸ designed with both AMLA and the AML/CFT supervisory authorities, which, we argue is contributing to further operational and collaborative integration.

¹ Mira Scholten, Marloes van Rijsbergen, (2014) The Limits of Agencification in the European Union, 15(7) German Law Journal, 1223-1255; see, also, David Levi-Faur, (2011) Regulatory networks and regulatory agencification: towards a Single European Regulatory Space, 18(6) Journal of European Public Policy, 810-829.

² European Commission, ‘Report from the Commission to the European Parliament and the Council on the Assessment of Recent Alleged Money Laundering Cases Involving EU Credit Institutions’ (2019) COM(2019) 373 final 23 <<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019DC0373>> accessed 3 June 2025; European Commission, ‘Communication from the Commission to the European Parliament and the Council, Towards Better Implementation of the EU’s Anti-Money Laundering and Countering the Financing of Terrorism Framework (COM(2019) 360 Final); European Commission, ‘Impact Assessment Accompanying the Anti-Money Laundering Package’ [2021] SWD(2021) 190 final 13–19.

³ Regulation (EU) 2024/1620 of the European Parliament and of the Council of 31 May 2024 establishing the Anti-Money Laundering and Counter-Terrorist Financing Authority (AMLA); 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 (AMLR); Directive (EU) 2024/1640 of the European Parliament and of the Council of 31 May 2024 on mechanisms to be implemented by Member States to prevent the use of the financial system for the purposes of money laundering or terrorist financing (AMLD 6).

⁴ The Commission’s 2019 report on regulatory and supervisory fragmentation in AML/CFT highlighted major divergences in the application of the prior AML/CFT regulatory and supervisor framework raised a structural problem exhibiting the incapacity of the Union to protect the integrity of its financial system. This constituted a strong inadequacy of the AML/CFT enforcement regime, particularly seen in the context of the Single Supervisory Mechanism in place for nearly a decade. See, European Commission, ‘Communication from the Commission to the European Parliament and the Council, Towards Better Implementation of the EU’s Anti-Money Laundering and Countering the Financing of Terrorism Framework (COM(2019) 360 Final)’.

⁵ The revision of the 4th AML Directive (Directive (EU) 2015/849) was initiated in 2013 with the 5th AML Directive (Directive (EU) 2018/843) adopted in 2018.

⁶ The Joint Statement and Common Approach on decentralised agencies is still a reference point. See Joint Statement and Common Approach of the European Parliament, the Council of the European Union and the European Commission of 19 July 2012 on decentralised agencies. See Recital 6 of AML Authority Regulation.

⁷ Recital 16, AMLA Regulation.

⁸ Section 2, AMLA Regulation.

Therefore, we consider that the novelty of the revised AML/CFT enforcement regime and its integrated system go beyond a simple further centralisation of AML/CFT supervision and direct enforcement, transcending a binary approach. Instead, the regime is illustrative of a more significant transformation which combines and integrates – within a 3D enforcement model that we put forward – the ‘binary’ approaches to centralisation and decentralisation, and to direct and indirect vectors of EU enforcement, together with a third dimension of operational and collaborative integration. Thereby, we offer an original way of examining EU enforcement building on scholarship on agencification and EU policy enforcement, and answer the main question: how does the reformed AML framework ensure more consistent and efficient enforcement in the EU? To this end, we examine the powers and tasks as attributed and shared within the AML enforcement system. This third dimension in EU enforcement also offers a useful analytical tool for legal scholars and policy-makers aiming to study EU enforcement regimes considering its potential replicability in other policy areas.

The third dimension embodies the essential contributions and roles of joint supervision teams and analyses, peer coordination, and shared intelligence across the AML system.⁹ This essential dimension is legally structured and institutionalised under the revised AML regime with a deterrence and punitive function, some disciplining device and common methodologies and supervisory approaches for the whole system. We conceptualise this third dimension as a component of a three-dimensional (3D) structure of the AML enforcement system in the EU – besides the (in)direct enforcement and the (de)centralisation dimensions.

As such, we argue that this additional dimension shows how agencification in a common system allows moving along from mere coordination to operational and collaborative integration. Such operational integration not only takes place at agency level but also within the system, because all actors are equally involved in common endeavours, with a shared responsibility, and steered by common methodologies. These ‘third dimensional’ features of the revised AML enforcement system create and sustain a connective tissue that ties together the different parts in the enforcement system. In this regard, the new AML integrated system goes way beyond a network-based enforcement model – which would have limited capacity to enforce decisions primarily due to its informality.¹⁰ The third dimension thus constitutes an organisational dimension aimed at fostering a harmonised and cooperative system of enforcement.

The paper is structured as follows. First, we offer (II) an overview of the agencification trend and the conceptualisation of EU enforcement in the literature. We then offer (III) a detailed examination of the powers and tasks under the reformed AML enforcement system. We suggest (IV) a new way to conceptualise enforcement in the EU as a 3D structure and highlight

⁹ Recitals 16 and 27, and Article 7, AMLA Regulation.

¹⁰ See discussions in section II.

the benefits of this analytical tool to better comprehend EU enforcement in a given EU policy area. The last section (V) concludes.

II. Conceptual approaches to EU enforcement

Scholarship on enforcement in EU Law has developed various approaches to describe and examine enforcement regimes. This section highlights the main types of EU enforcement models (1.) and discusses key vectors that help to analyse and better comprehend enforcement in the EU (2.).

1. The types of enforcement models in EU Law

This subsection gives a brief overview of the more recent literature on EU enforcement models. Scholten, and later Van Kreijl, distinguish between the three main modes or regimes of enforcement at the disposal of the EU.¹¹ The first and the most conventional or default regime, is that where the EU relies on the Member State's enforcement authorities to implement and enforce EU policies. As such, this regime is decentralised (no single authority but multiple authorities) and is also indirect, meaning that the EU enforcement authorities or institutions do not enforce EU policies directly against citizens or entities.¹² The second type of the enforcement regime is one centred around enforcement networks.¹³ These consist of national enforcement agencies, but nodes of these networks may, and often do, comprise the European Commission or specialised EU agencies - although with limited direct enforcement powers. The third type is the regime with enforcement responsibilities vested in an EU agency. This regime usually implies indirect and/or direct powers given to an EU agency (or institution), where the latter oversees and coordinates enforcement by Member State authorities, or directly enforces EU law against citizens or entities.¹⁴

Van Kreijl aptly notes, however, that the distinctions between the three enforcement regimes are often 'blurred in practice', and often the regimes coexist.¹⁵ For one, these regimes are not always limited to enforcement tasks alone, and include other functions, such as coordination, but also advisory or rulemaking functions. Additionally, in many cases regimes coexist within

¹¹ Miroslava Scholten, (2017) "Mind the trend! Enforcement of EU law has been moving to 'Brussels'", 24(9) *Journal of European Public Policy*, 1348-1366; Laurens Van Kreijl, (2019) "Towards a Comprehensive Framework for Understanding EU Enforcement Regimes", 10(3) *European Journal of Risk Regulation*, 439-457.

¹² Laurens Van Kreijl (n 11), 441.

¹³ Keith G Provan and Robin H Lemaire, 'Core Concepts and Key Ideas for Understanding Public Sector Organizational Networks: Using Research to Inform Scholarship and Practice' (2012) 72 *Public Administration Review* 638; Keith G Provan and Patrick Kenis, 'Modes of Network Governance: Structure, Management, and Effectiveness' (2008) 18 *Journal of Public Administration Research and Theory* 229; Paul Craig, *Shared Administration and Networks: Global and EU Perspectives* (Hart Publishing 2011) <<http://www.bloomsburycollections.com/book/values-in-global-administrative-law>> accessed 30 July 2018; Renaud Dehousse, 'Regulation by Networks in the European Community: The Role of European Agencies' (1997) 4 *Journal of European Public Policy* 246; Walter Powell, 'Neither Market nor Hierarchy: Network Forms of Organization' (1990) 12 *Research in Organizational Behavior* 295.

¹⁴ Laurens Van Kreijl (n 11), 441-442.

¹⁵ *Ibid*, 442.

one policy area without fully replacing or eradicating each other. Thirdly, often the EU authority and their tasks (e.g. by the European Commission) transcend multiple enforcement regimes.¹⁶

Scholten and Ottow distinguish between types of enforcement models based on the amount of tasks given from the national to the EU level. The authors distinguish between four models ranging from S (small), M (medium), L (large), and XL (extra-large) enforcement models.¹⁷ The particular characteristics of these models are institutional characteristics of cooperation (e.g. choices between a network and an EU agency) and functional characteristics (the degree of sharing and division of powers). These four sizes also demonstrate various 'degrees of Europeanisation', from the smaller to the higher degree.

Discrepancies in the practice of enforcement, but also in the enforcement chain and implementation, including sanctioning breaches, have been attributed to the 'fractured' system of hierarchical and institutional divisions, and divided competences.¹⁸ In this context, Vervaele discusses 'shared' enforcement based on a 'network-model', whereby national regulatory and enforcement agencies and the European Commission play the key role in ensuring transnational cooperation and coordination required for the effective enforcement of EU policies.¹⁹ Scholten, Luchtman and Schmidt also assert that no EU enforcement authority can under any legislative or institutional design replace national enforcement authorities in their entirety, thus emphasising the shared nature of EU policy enforcement.²⁰ Inherent challenges of shared enforcement in the EU include the need for creating common (or shared) terminology, but also shared enforcement practices and strategies.²¹ The prism of shared enforcement has thus been used to analyse the challenges stemming from the allocation of powers and tasks between different authorities in EU policy enforcement.²²

Finally, Hofmann and Türk describe the EU law and policy enforcement as an integrated model, which they define as 'the evolution of legal, political and administrative conditions of administering joint policies'.²³ The integrated model of enforcement reflects the functional need for further cooperation, moving away from mere coordination, to secure the uniform

¹⁶ Ibid.

¹⁷ Miroslava Scholten, Annetje Ottow, (2014) "Institutional Design of Enforcement in the EU: The Case of Financial Markets", 10(5) *Utrecht Law Review*, 80-91.

¹⁸ John A. E. Vervaele, Shared Governance and Enforcement of European Law: From Comitology to a Multi-level Agency Structure?, in Vervaele, J.A.E. *EU Committees: Social Regulation, Law and Politics*, Hart Publishing 1999, 130.

¹⁹ Ibid, 139; see, also, Laurens van Kreijl, (2022) Enforcing EU policies: why do EU legislators prefer new networks of national authorities and not existing EU agencies?, *Journal of European Public Policy*, 29:10, 1568-1589.

²⁰ Miroslava Scholten, Michiel Luchtman and Elmar Schmidt, "The proliferation of EU enforcement authorities: a new development in law enforcement in the EU", in Miroslava Scholten and Michiel Luchtman (eds), *Law Enforcement by EU Authorities* (Edward Elgar, 2017), 3.

²¹ Miroslava Scholten (n 11), 1360; also, in the context of EU criminal law, see Michiel Luchtman and John Vervaele, (2014) 'European agencies for criminal justice and shared enforcement (Eurojust and the European Public Prosecutor's Office)', 10(5) *Utrecht Law Review*, 132-50.

²² See, for instance, Miroslava Scholten, EU (shared) Law Enforcement: Who Does What and How?, in Stefano Montaldo, Francesco Costamagna, Alberto Miglio (eds.), *EU Law Enforcement* (Routledge 2021), 7 - 23.

²³ Herwig Hofmann and Alexander Türk, Introduction: towards a legal framework for Europe's integrated administration, in Herwig Hofmann and Alexander Türk, *Legal Challenges in EU Administrative Law: Towards an Integrated Administration* (Edward Elgar 2009), 1-6.

implementation of EU legislation. This conception frames EU enforcement not as a conventional multi-level or hierarchical system but rather as 'a system of integrated levels'.²⁴

2. Main features of EU enforcement

A set of features define enforcement models in the EU as examined by legal scholarship. The inquiry into EU policy enforcement can be framed around two main vectors: first, (a) the degree of centralisation, which depends on the necessity for more harmonisation and consistency of enforcement, better coordination and cooperation between enforcement authorities – which have been primarily conceptualised through 'Europeanisation' and 'agencification'. Second, (b) the existence of powers and tasks exerted by EU agencies, which represents a spectrum from indirect to direct enforcement.

a. EU enforcement regime trends: centralisation, Europeanisation and agencification

Europeanisation – or the process of shifting national supervisory powers and competences to the EU level – implies "an institutional evolution and functional transformation";²⁵ exhibiting a trend across many domains including finance. Scholten and Ottow describe it as a shift from networks of national enforcement agencies to a more centralised structure of agencies and institutions at EU level.²⁶ This shift in the institutional set-up would often be accompanied by the increase in legally binding and direct powers of EU agencies and EU institutions, including supervisory, regulatory and sanctioning powers.

The trend towards Europeanisation of supervision and enforcement, that is so visible in the EU's financial sector,²⁷ stems from the need for ever greater coordination and cooperation in enforcement. Van Kreijl underscores increased centralisation of EU policy enforcement due to the shift from Member State enforcement to growing reliance and broader responsibilities vested in EU enforcement networks and EU agencies.²⁸ In our understanding, however, network-based enforcement faces severe limits, considering its informality and functioning based on coordination, primarily, and faithful cooperation among stakeholders.²⁹ The degree

²⁴ Ibid, 2.

²⁵ Miroslava Scholten, Annetje Ottow (n 17), 86.

²⁶ Ibid.

²⁷ Silvia Allegrezza and Grazia Bruzzese, 'Supervision and Enforcement of EU's Anti-Money-Laundering and Countering the Financing of Terrorism', *EU Banking and Capital Markets Regulation* (Palgrave Macmillan, Cham 2025) <https://link.springer.com/chapter/10.1007/978-3-031-70529-8_14> accessed 9 September 2025. Sophie Vuarlot-Dignac and Eugenia Siracusa, 'The European System of Financial Supervision and in Particular the European Securities and Markets Authority' in Federico Fabbrini and Marco Ventoruzzo (eds), *Research Handbook on EU Economic Law* (Edward Elgar Publishing 2019); Gianni Lo Schiavo and Alexander Türk, 'The Institutional Architecture of EU Financial Regulation: The Case of the European Supervisory Authorities in the Aftermath of the European Crisis' in Leila Simona Talani (ed), *Europe in Crisis* (Palgrave Macmillan UK 2016) <https://link.springer.com/10.1057/978-1-137-57707-8_5> accessed 2 August 2018; Giulio Vesperini and Edoardo Chiti, *The Administrative Architecture of Financial Integration: Institutional Design, Legal Issues, Perspectives* (Società editrice Il Mulino 2015).

²⁸ Laurens Van Kreijl (2019), 441.

²⁹ L. Garicano and R.M. Lastra, 'Towards a New Architecture for Financial Stability: Seven Principles' (2010) 13 *Journal of International Economic Law* 597, 620.

of Europeanisation is most often sector-specific,³⁰ and depends therefore on the EU policy area, e.g. in competition law, data protection, energy.

Despite the need for sector-specific approaches, EU policy enforcement regimes showcase two main trends. First, the push towards further centralisation, including via agencification, addressed an increasing need to foster collaboration and coordination in enforcement, and accompanied a shift away from decentralised enforcement, and network-based enforcement, to EU supervisory authorities or agencies.³¹ Second, the centralisation trend is supported by an increase in direct enforcement. In this regard, the 'hub and spoke approach'³² is an EU-level enforcement model that relies on an agency and combines coordination and oversight of the work of national authorities, with direct powers to supervise some of the regulated entities, (see further in section IV below).

b. From indirect to direct enforcement powers and corresponding tasks

Indirect enforcement by an EU institution/agency consists in monitoring the performance of enforcement tasks and exercise of powers by national authorities. Direct enforcement, in contrast, primarily implies that an EU enforcement authority has powers to monitor compliance with legal rules and regulatory requirements by private actors, as well as to investigate and sanction violations of EU law by those private actors.³³

While decentralised enforcement model relies on direct enforcement powers vested in national enforcement authorities, shift of powers to the EU level can either maintain such a decentralised model with EU agencies and EU institutions merely assuming indirect powers, or be accompanied with the attribution of direct enforcement powers to the EU level.

Thus, a centralised enforcement model can imply either indirect or direct enforcement powers vested in the EU agency (or institution). In the former situation as said above, the EU agency only oversees and coordinates enforcement that is primarily ensured by national authorities, while in the latter, the agency directly enforces EU law against private. Such a model - considered an 'EU agency-led' model - has, in reality, a blend of indirect and indirect powers (see section IV).

Direct powers of an EU agency can span from monitoring to investigation and sanctioning.³⁴ Monitoring powers can thereby amount to the process of ongoing supervision of a specific

³⁰ Madeleine de Cock Buning, Annetje Ottow, John Vervaele, (2014) "Regulation and Enforcement in the EU: Regimes, Strategies and Styles", 10(5) *Utrecht Law Review*, 5.

³¹ See, for instance, Merijn Chamon, (2023). EU Agencies: Shifting Paradigms of EU Administration. EU Law Live , 4-8; also, David Levi-Faur, (2011).

³² EBA, 'Response by the EBA to the European Commission's Public Consultation on an AML/CFT Action Plan and the Establishment of an EU Level AML/CFT Supervisor' (2020) 13–14.

³³ Miroslava Scholten, Michiel Luchtman and Elmar Schmidt (n 23); see also H Hofmann, G Rowe and A Türk, *Administrative Law and Policy of the European Union* (OUP 2011).

³⁴ The rationales for agencification (and the scope of powers and functions transferred to an EU agency) can be political, institutional and functional rationales, and as such may constrain the types of enforcement regimes. These rationales for giving enforcement tasks to EU agencies (as opposed to Member States' authorities or EU

policy area, regardless of whether there is a suspicion of violation or non-compliance by the actor. Investigation powers, in turn, refer to the action authorities can take in case of suspected infringement of the rules. Finally, sanctioning powers refer to the formalized response by the enforcement authorities to an established violation and can be restorative or punitive in their nature,³⁵ and may have a deterrence and punitive function (see section III).

III. The reformed AML enforcement system

In this section, we examine the reformed enforcement regime in the AML integrated system, with AMLA at its core. To this end, we discuss the reformed AML enforcement regime in light of the objectives of the system (1), then we analyse the two pillars governance set-up and joint arrangements therein (2) and finally study the attribution of tasks (what?) and corresponding powers (how?) of the relevant authorities (3). This legal and institutional analysis supports the third dimension in the 3-D enforcement model put forward in section IV hereinafter.

1. Objectives of the AML integrated system

The analysis of shortcomings and problem drivers from the prior AML/CFT framework gives useful insights into the objectives of the reformed AML integrated system.³⁶ Supervisory divergence was underscored as one core issue, demonstrating inadequate and insufficient supervision at national level, in particular in relation to supervisory authorities,³⁷ following a threefold dimension.

First, the European Commission identified significant differences in the timeliness and effectiveness of supervisory actions at national level. Due to supervisory authorities' divergent prioritisation and allocation of resources, there was a discrepancy in the intrusiveness, intensity and frequency of AML/CFT supervision,³⁸ as well as in the methods to identify risks and the risk-based approach.³⁹ Second, the decentralised AML/CFT supervisory framework showed an overreliance of 'home' Member State authorities on the 'host' Member State's. This host country approach⁴⁰ meant that the monitoring of entities' compliance was based on

networks) have been extensively discussed in the literature. See Laurens Van Kreijl (n 11), 439-457; see, also, Miroslava Scholten (n 11), 1348; Laurens van Kreijl, (2022) "Enforcing EU policies: why do EU legislators prefer new networks of national authorities and not existing EU agencies?", 29(10) *Journal of European Public Policy*, 1568-1589; on political rationales, see Laurens van Kreijl, (2024) "How Have EU Legislators Established EU Agencies With Enforcement Tasks? Case Studies of the European Aviation Safety Agency and the European Medicines Agency", 63(2) *Journal of Common Market Studies*, 592; R. Daniel Kelemen, Andrew D. Tarrant, (2011) "The Political Foundations of the Eurocracy", 34(5) *West European Politics*, 922-947.

³⁵ Madeleine de Cock Buning, Annetje Ottow, John Vervaele (n 33), 5.

³⁶ European Commission, 'Report from the Commission to the European Parliament and the Council on the Assessment of Recent Alleged Money Laundering Cases Involving EU Credit Institutions' (n 3) 23; European Commission, 'Communication from the Commission to the European Parliament and the Council, Towards Better Implementation of the EU's Anti-Money Laundering and Countering the Financing of Terrorism Framework (COM(2019) 360 Final)' (n 3); European Commission, 'Impact Assessment Accompanying the Anti-Money Laundering Package' (n 3) 13-19.

³⁷ There were also specific findings related to credit institutions.

³⁸ European Commission, 'Report from the Commission to the European Parliament and the Council on the Assessment of Recent Alleged Money Laundering Cases Involving EU Credit Institutions' (n 3) 21.

³⁹ AML A Regulation proposal, memorandum of understanding

⁴⁰ European Commission, 'Report from the Commission to the European Parliament and the Council on the Assessment of Recent Alleged Money Laundering Cases Involving EU Credit Institutions' (n 3) 22.

national frameworks, disregarding the cross-border dimension and the group AML/CFT policies. Third, inefficiencies were identified in cooperation and information exchange at national level between AML authorities, prudential authorities, Financial Intelligence Units (FIUs) and law enforcement authorities. Those inefficiencies concretely meant lack of direct contacts, due to several reasons, *inter alia* a lack of resources, a complex institutional apparatus hampering coordination, and some legal impediments to information sharing.⁴¹ AML/CFT cooperation and information exchange with third countries' authorities proved even more difficult. Finally, the FIUs did not have a meaningful dialogue with obliged entities (without any common templates, FIUs breaching their obligations to exchange information with other FIUs, and FIU.net technical difficulties).⁴²

Those shortcomings hampered effective AML/CFT policies at all levels, and particularly nationally, considering the significance of national authorities in the implementation of the prior framework based on EU Directives implemented in national laws. Some sort of forbearance was observed in several instances, in particular with the breach of Union law mechanism which was barely used by the Commission and the European Banking Authority (EBA), and the influence of national interests over EBA governance, as reported by the European Court of Auditors in 2021.⁴³

The revamped AML regulatory and supervisory system pursues a general public policy goal, which is detailed into specific objectives.⁴⁴ As regards EU public policy, the AML/CFT package aims to 'strengthen the Union's AML/CFT framework'⁴⁵ and to adequately protect the economy and financial system and ensure public security.⁴⁶ Specific objectives are to strengthen AML/CFT rules, enhance their clarity, and ensure consistency with AML/CFT international standards and other EU policy areas; to improve the effectiveness and consistency of AML/CFT supervision; and to increase the level of cooperation and information exchange among FIUs.⁴⁷ All in all, these objectives reflect a combination of norm-setting and regulatory expansion objectives, as well as enforcement, institution-building and operational capacity in the new AML/CFT system.

2. Two pillars governance set-up and joint arrangements in enforcement

The revised enforcement regime in the AML integrated system aims to ensure consistent AML/CFT supervision within the Single Market (pillar 1), and sufficient coordination and information exchange among FIUs which are indispensable for enforcement (pillar 2). These

⁴¹ *ibid.*

⁴² European Commission, 'Communication from the Commission to the European Parliament and the Council, Towards Better Implementation of the EU's Anti-Money Laundering and Countering the Financing of Terrorism Framework (COM(2019) 360 Final)' (n 3) 4.

⁴³ ECA, 'EU Efforts to Fight Money Laundering in the Banking Sector Are Fragmented and Implementation Is Insufficient' (European Court of Auditors 2021) Special Report 13/2021 31–35.

⁴⁴ This relies on the explanatory memorandums attached to the legal acts from the AML package (AMLA Regulation, AML Regulation and AMLD), and the attached impact assessment.

⁴⁵ Recital 4, AMLA Regulation; Recital 3, AML Regulation; Recital 4, AMLD.

⁴⁶ European Commission, 'Impact Assessment Accompanying the Anti-Money Laundering Package' (n 3) 27.

⁴⁷ *ibid* 27–28.

two pillars are examined within the new governance set-up and joint arrangements in AML/CFT enforcement. This institutional and governance structure shows that AMLA is the central authority in the integrated AML/CFT supervisory system. We examine the first pillar, including the supervisory authorities, i.e. the national authorities with an AML/CFT supervisory mandate, before focusing on the second pillar. Overall, joint arrangements in enforcement relate to the Joint Supervisory Teams and (temporary) Joint Analyses Teams in AMLA governance.

The two pillars refer to two components of the AML enforcement system. First, AMLA exerts AML/CFT direct supervision over a limited number of high-risk *selected* financial sector obliged entities, and indirect supervision of financial and non-financial sector obliged entities with its oversight over national supervisory authorities in charge of such financial and non-financial sector obliged entities ('pillar 1' or EU-level AML/CFT supervision).⁴⁸ Second, AMLA serves as a coordination and support mechanism for FIUs, through common templates for reporting and information exchange, including supporting the carrying out of joint analyses of suspicious transaction and suspicious activity reports (STR/SARs) among FIUs,⁴⁹ and the ramp up of FIU.net platform ('pillar 2' or EU coordination and support mechanism for FIUs). Both components are under the same ambit of the new agency, AMLA, and give rise to the integrated supervisory system.⁵⁰

In the first pillar, AMLA is established by a secondary EU law act, the AMLA Regulation, and disposes of legal personality as a Union body, which is an agency and not an authority.⁵¹ As such, AMLA is 'responsible for the effective and consistent functioning of the AML/CFT supervisory system.'⁵² Among the policy options envisaged by the European Commission in its impact assessment work, the preferred option selected has been 'a combination of direct and indirect supervisory powers in an EU-level supervisory body in the form of a decentralised agency'.⁵³ AML/CFT supervisory authorities and AMLA – together the 'supervisory system' – are under a duty of cooperation in good faith, mutual trust, and a positive obligation to exchange information and data for AML/CFT purposes.⁵⁴

In the second pillar, AMLA is responsible for 'ensuring the effective and consistent cooperation' between FIUs, through a support and coordination mechanism (Article 39, AMLA Regulation). In this regard, AMLA is not a Financial Intelligence investigator itself but a facilitator and provides support for more efficient investigation of FIUs (with better integration of FIU.net, provide IT and AI-tools, and converging FIUs approaches see section 3. d.).

⁴⁸ For a focus on AMLA's supervisory powers, see Stanisław Tosza and Olivier Voordeckers, 'An Anti-Money Laundering Authority for the European Union: A New Center of Gravity in AML Enforcement' (2024) 25 ERA Forum 405, 415–22.

⁴⁹ Article 5(5)(d)-(f) AMLA Regulation.

⁵⁰ See Recitals 16 and 27, AMLA Regulation.

⁵¹ See Articles 1 and 3(1), AMLA Regulation.

⁵² Article 7, AMLA Regulation.

⁵³ This followed an assessment of different policy options, see impact assessment, pp. 33 and 45.

⁵⁴ Article 7(2) and Recital 16, AMLA Regulation.

In the supervisory system, Joint Supervisory Teams (JSTs) and on-site inspection teams reflect joint arrangements hosted by AMLA to directly supervise and inspect selected obliged entities.⁵⁵

While the EU-level AML/CFT supervision resembles the SSM in many instances, the support and coordination mechanism in the second pillar is new.⁵⁶ With the assistance of AMLA, FIUs must set up Joint Analysis Teams (JATs) to carry out operational analyses of STRs/SARs, within a limited time and delimited scope, and involving one or more FIUs at the origin of the JATs (see Article 32 AMLD6). A JAT can be set-up at the request of the FIUs concerned or AMLA.

3. Tasks and corresponding powers and tools in the AML enforcement system

This section focuses on the powers which support consistent enforcement by all authorities, and whether they are equipped with sufficient powers to investigate and supervise (both selected and non-selected) obliged entities, particularly with effective and dissuasive sanctioning powers. Therefore, this section does not review all the tasks in the AML enforcement system and corresponding powers and tools. In the revised supervisory system, the national authorities and FIUs will be now bound by what is adopted and agreed within AMLA, also in the domain of its oversight (and not only direct supervision *stricto sensu*). This evolution marks a step ahead towards more integrated and effective enforcement in the system.

a. AMLA's direct supervision and indirect oversight powers along a support and coordination mechanism

AMLA's tasks are manifold – from risk analysis and assessment, to being a data hub, facilitator in the system, and ensuring regulatory compliance and enforcement – with a rather 'standard' set of powers, which, if fully implemented, may prove very intrusive. This multifunctional role of AMLA is unprecedented in the specific field, despite being 'modelled' after the agencies created in the past 15 years. We begin the analysis with AMLA tasks vis-à-vis selected obliged entities; we then continue with highlighting the tasks relative to financial supervisors; and, finally, focus on the non-financial supervisors under AMLA's indirect oversight. We examine the tasks and corresponding powers, based on some key legal provisions.

Within the first pillar, AMLA is in charge of direct supervision of selected obliged entities and indirect oversight over national authorities. First, AMLA's direct supervision of selected obliged entities amounts to the task of ensuring their regulatory compliance with the AML/CFT framework and compliance with any legally binding acts that impose AML/CFT related obligations on them. Second, towards the national authorities (financial supervisors), AMLA is

⁵⁵ Selected obliged entities are credit institutions, or financial institutions, or a group of credit institutions or financial institutions at the highest level of consolidation in the Union in accordance with applicable accounting standards, which fall under direct supervision by AMLA. See, Recital 19 et seq, Article 2(1)(1), Articles 12 and 13, AMLA Regulation.

⁵⁶ Georgios Pavlidis, 'The Birth of the New Anti-Money Laundering Authority: Harnessing the Power of EU-Wide Supervision' (2024) 31 Journal of Financial Crime 322, 325.

tasked with ensuring they perform their own tasks adequately through periodic reviews.⁵⁷ Authorities' systematic failures will be investigated and potentially sanctioned (see section c. below). Finally, towards the other national authorities (non-financial supervisors and the authorities overseeing self-regulatory bodies), AMLA is tasked with the coordination of peer reviews of supervisory standards and practices in AML/CFT in the non-financial sector,⁵⁸ which can work as 'peer pressure' from the beginning of AMLA operations (see also section c.).

AMLA's powers are provided for in Article 6 of AMLA Regulation. These include supervisory and investigative powers, the power to impose pecuniary sanctions and periodic penalty payments, AML/CFT powers provided in Union law, e.g. in AMLD and AMLR. Regarding the latter, this cross-reference to Union law fully mirrors the scope of the powers and obligations of national authorities in the financial sector (see section b below). These powers are examined briefly hereinafter.

Supervisory powers include AMLA's powers to issue binding administrative decisions to the high risk selected obliged entities (at individual level),⁵⁹ to request supervisory authorities to provide with necessary information for the performance of its functions,⁶⁰ to request FIUs to provide with non-operational data and analyses, as well as collect information and statistic,⁶¹ to issue guidelines and recommendations under both pillars.⁶² AMLA also has a power of instruction.⁶³ Those supervisory powers are, in essence, standard in a supervisory system (if we compare with prudential supervision for instance).⁶⁴ Indeed, the regulatory power of AMLA corresponds to the responsibility for level 2 acts preparation and level 3 acts adoption within the AML Single Rulebook (as the EBA has done). In that respect, the co-legislators envisaged the full array of regulatory powers,⁶⁵ namely, the development of draft regulatory and implementing technical standards, the issuance of guidelines and recommendations, and the provision of opinions to the European Parliament, to the Council and to the Commission.⁶⁶

The AMLA's power of instructions together with requests to act addressed to supervisors and supervisory authorities is broad and can have a disciplining effect (see section c). Moreover, some essential elements to perform the tasks include independence and technical expertise,⁶⁷ a mediation role upon request, and dispute settlements within AML/CFT supervisory colleges,⁶⁸ with the transversal support of specific tools (see section d.).

⁵⁷ Article 5(4)(d), AMLA Regulation.

⁵⁸ Article 5(4)(b), AMLA Regulation. See also Article 35.

⁵⁹ Article 6(1) paragraph 4, AMLA Regulation.

⁶⁰ Article 6(2)(a), AMLA Regulation.

⁶¹ Article 6(3)(a), AMLA Regulation.

⁶² Article 6(2)(b) and Article 6(3)(d), AMLA Regulation.

⁶³ Article 6(1) and (2)(c), AMLA Regulation. See section c. below.

⁶⁴ Gianni Lo Schiavo, 'The Single Supervisory Mechanism (SSM) and the EU Anti-Money Laundering framework compared: governance, rules, challenges and opportunities' (2022) 23 J Banking Reg 91.

⁶⁵ See Article 6(4), AMLA Regulation.

⁶⁶ Those powers have each dedicated article. Articles 49, 53, 54 and 55, AMLA Regulation.

⁶⁷ Recital 6, AMLA Regulation.

⁶⁸ See Article 6(2)(d) and (e), AMLA Regulation.

Finally, AMLA has a duty of support towards FIUs which materialises in granting them access to databases and tools to support the efficiency of financial intelligence.⁶⁹ Furthermore, it can facilitate the conduct of FIUs' joint analyses or even initiate them with a request to launch them. AMLA is also tasked with conducting peer reviews of FIUs' activities that are 'aimed at strengthening their consistency and effectiveness and identifying best practices'.⁷⁰ Admittedly, the coordination and support mechanism within AMLA is meant to foster the efficiency of AML/CFT enforcement, with better cooperation and the avoidance of silos (see section d.).

b. AML national supervisors' powers and tasks and their interplay with AMLA

AML supervisors are national competent authorities, alongside FIUs and public authorities with investigative and AML/CFT combating functions.⁷¹ The powers of AML supervisors stem from AMLD which lists the powers and resources of national supervisors in the context of AML supervision.⁷² AML supervisors' tasks span across a set of functions they are entitled to perform under Union law and largely revolve around direct supervisory powers, which are now analysed.

Three core tools are granted to national supervisors to exercise their powers of direct supervision of obliged entities. These are, first, powers to verify the adequacy and implementation of the internal policies, procedures and controls of obliged entities;⁷³ second, to assess and monitor the AML/CFT risks as well as the risks of non-implementation and evasion of targeted financial sanctions the obliged entities are exposed to, including by monitoring obliged entities' compliance in relation to targeted financial sanctions;⁷⁴ and, thirdly, powers to conduct off-site investigations, on-site inspections and thematic checks.⁷⁵

These supervisory powers are supported by sanctioning powers, whereby AML supervisors can implement supervisory measures to address any breaches by the obliged entities identified in the process of supervisory assessments and monitor the implementation of such measures.⁷⁶ AML supervisors are vested with powers to impose administrative measures and periodic penalty payments in cases of non-compliance by the obliged entities. Administrative measures may thus be imposed for serious, repeated and systematic breaches of AMLR requirements, either as standalone measures or in combination with pecuniary sanctions, also for weaknesses in the internal policies, procedures and controls of the obliged entity.⁷⁷ The periodic penalty payments, in turn, shall be imposed in case of the failure to comply with administrative measures, and remain in place until the obliged entity or person concerned

⁶⁹ Recital 51, AMLA Regulation.

⁷⁰ Article 5(5)(h), AMLA Regulation.

⁷¹ Article 2(44)(b) and 2(46) AMLR.

⁷² Article 37 AMLD6.

⁷³ Article 37(5)(c) AMLD6.

⁷⁴ Article 37(5)(d) and (e) AMLD6.

⁷⁵ Article 37(5)(f) AMLD6; see also Art. 56 AMLD6.

⁷⁶ Article 37(5)(g) AMLD6.

⁷⁷ Article 56(1) AMLD6.

complies.⁷⁸ These powers represent a deterrence and punitive function in the AML enforcement system further discussed below (section c).

Furthermore, the revised framework aims at improving supervisory cooperation and FIUs' coordination both at intra- and inter-Member State levels, which is instrumental to strengthening cross-border cooperation and to integrate the AML supervisory system. Thus, AMLD regulates disclosures and provision of information by supervisors to FIUs.⁷⁹ Supervisory cooperation between national supervisors of different Member States (as home-host Member States) is governed by the general principles described in AMLD Article 44 – i.e. facilitating the conduct or conducting inquiries on behalf of other supervisors. Articles 45 to 47 set rules and requirements for supervisory information provision and sharing in case of cross-border and group supervision. Notably, AMLA has been granted mediation powers⁸⁰ that could be used in cases of refusal to provide information or to cooperate by a supervisor or in case of other disagreements between supervisors. This includes disagreements regarding objective reasons on identified breaches and pecuniary sanctions or on administrative measures for such breaches.

These constitutive elements that sustain and deepen supervisory cooperation and FIUs' support and coordination mechanism are essential in the integrated system (see section IV below).

c. Deterrence and punitive function

We discuss the deterrence and punitive function attached to some of the powers given to AMLA, which can support the efficiency of the enforcement regime.

Towards the selected obliged entities firstly, AMLA has powers to apply administrative measures,⁸¹ and to impose pecuniary sanctions and periodic penalty payments⁸² (sometimes simplified as sanctioning powers).⁸³ Administrative measures are aimed at requiring selected obliged entities to take the necessary measures to reestablish compliance with EU law and applicable national legislation.⁸⁴ The means at AMLA's disposal are intrusive in requiring information, increasing reporting requirements, reinforcing internal governance, AML/CFT specific policy or implementation of measures to decrease risks, and even ban managers or natural persons held responsible for the AML/CFT breach.⁸⁵ Secondly, AMLA's pecuniary sanctions are adopted to sanction selected obliged entities' intentional or negligent breaches of AML/CFT regulatory requirements and/or AMLA supervisory decisions (individually

⁷⁸ Article 57(2) AMLD6.

⁷⁹ Articles 42 and 43 AMLD6.

⁸⁰ Articles 46(5) and 47(3) AMLD.

⁸¹ Article 21 AMLA Regulation.

⁸² Article 6(1) AMLA Regulation.

⁸³ Placeholder for EBA Draft RTS published end of October 2025.

⁸⁴ Article 21(1)(a) AMLA Regulation.

⁸⁵ See letters (a) to (e) of Article 21(3) AMLA Regulation.

addressed to them).⁸⁶ Thirdly, periodic penalty payments are adopted to compel the obliged entity to put an end to a breach after a failure to comply with prior administrative measures, or to compel natural person to provide further information, data, procedures or other material in the context of an invitation.⁸⁷

If compared with pecuniary sanctions and administrative measures in the legal framework⁸⁸ there is no express dissuasive component as those periodic penalty payments are already having a punitive function on the obliged entities. However, the peculiarity of those penalties is their potential retroactive effect 'up to the date of application of the administrative measure'.⁸⁹ This option, left open to AMLA,⁹⁰ may be consequential for the obliged entity concerned by those penalties and actually adds, by this legal feature, a deterrence function next to the punitive effect of those measures. Furthermore, penalties are also envisaged in the case of breaches of beneficial ownership transparency requirements,⁹¹ with an obligation for Member States to adopt the rules applicable to such breaches and ensure their implementation.⁹²

In AMLA's interactions with the financial supervisors, its power to issue requests to act and instructions⁹³ to ensure AML/CFT regulatory compliance, and to request information,⁹⁴ is wide-ranging and constitutes an important disciplining device within the system. Furthermore, in its indirect oversight, AMLA has a power to request supervisors and supervisory authorities to act and can instruct them to take measures in relation to non-selected obliged entities.⁹⁵ In cases where the requests to act are not complied with or relevant information about the same are not provided within 10 working days, AMLA may 'take over' the supervision of those non-selected obliged entities – after obtaining the permission from the European Commission.⁹⁶ Such change in the tasks and powers assumed by AMLA, *in lieu* of the financial supervisory authority, will be temporary.

Furthermore, AMLA will investigate systematic supervisory failures, non-application or incorrect application of EU Law.⁹⁷ The systematic failures may lead to Commission's infringement procedures, and issuance of an opinion to compel the supervisor to comply with AMLA's recommendation.⁹⁸ The powers attached to the investigation in case of systematic

⁸⁶ Articles 22 and 6(1) AMLA Regulation.

⁸⁷ See Article 23(1) AMLA Regulation.

⁸⁸ See Articles 21, 22 AMLA Regulation.

⁸⁹ Article 23(5) AMLA Regulation.

⁹⁰ Indeed, AMLA's decision to impose a periodic penalty payment 'may be taken at a later stage with retroactive effect...' (emphasis added), as per Article 23(5) AMLA Regulation.

⁹¹ Set out in Chapter IV, AML Regulation.

⁹² Article 68(1) AML Regulation.

⁹³ Art.6(2)(c) AMLA Regulation.

⁹⁴ E.g. very detailed provision on the request for statistical information and internal processes or arrangements of authorities, through structured questionnaires and online/offline tools, see Article 6(2)(a) AMLA Regulation.

⁹⁵ Article 6(2)(c) AMLA Regulation.

⁹⁶ Article 32(5) AMLA Regulation. Regarding the process, see paragraphs (6) to (9).

⁹⁷ Article 34, see also Recitals 9 and 35 AMLA Regulation.

⁹⁸ Article 34(6) and (7) AMLA Regulation.

failures of supervision⁹⁹ are essential to guarantee the effectiveness of the AML/CFT supervisory system.

In the interactions with the non-financial supervisors third,¹⁰⁰ AMLA have some powers to address the failures committed by authorities breaching Union law. Following the investigation of authorities' potential breaches or non-application of Union law, AMLA can issue some recommendations with remedial actions,¹⁰¹ and some warnings, in case of non-compliance with the prior recommendations including the measures that must be implemented to mitigate the effects of the breaches.¹⁰² Actually, another forceful disciplining device can be found in the publication of peer reviews reports, both at EU and international level, unveiling the shortcomings along good practices.¹⁰³ As AMLA is tasked with the coordination of peer reviews of supervisory standards and practices in AML/CFT in the non-financial sector,¹⁰⁴ this peer pressure will begin from the start of AMLA's operations, and contributes to supervisory convergence (see section d.).

All these instruments strengthen the deterrence and punitive function of the EU AML/CFT enforcement regime, enhancing its effect across Member States and supporting supervisory convergence. Overall, the *publication* of pecuniary sanctions, the application of administrative measures in relation to breaches,¹⁰⁵ and periodic penalty payments¹⁰⁶ contributes to the deterrence function considering the anticipation of its potential impact on the reputation and credibility of the obliged entities. Moreover, the systematic publication of national and supranational risk assessments¹⁰⁷ exerts a reputational form of deterrence, which can prompt both public authorities and private actors to proactively address and effectively mitigate ML/TF risks. Lastly, an additional layer of deterrence in the AML enforcement architecture resides in the potential infringement proceedings by the European Commission.¹⁰⁸ This supranational oversight – upholding the integrity of the AML regime – will contribute to a more uniform application and enforcement of EU AML/CFT rules.

d. Legal and policy tools to support efficiency in enforcement

The framework provides for several legal and policy tools to support efficiency in AML/CFT enforcement: starting from data sharing enhanced arrangements, including unified methodologies and common approaches, as well as a duty of mutual assistance.

⁹⁹ See paragraphs 2 to 4 of Article 34 AMLA Regulation.

¹⁰⁰ Here this includes both non-financial supervisors and the public authorities that oversee self-regulatory bodies.

¹⁰¹ It is also within six months from initiating the investigation, see Article 37(3) AMLA Regulation.

¹⁰² Article 5(4)(c) and Article 37(4) AMLA Regulation.

¹⁰³ Recital 39,

¹⁰⁴ Article 5(4)(b) AMLA Regulation.

¹⁰⁵ It is important to signal the co-legislators' approach to the 'punitive and educational goal of publications' where preventive administrative measures (before any breaches) are not published, and therefore, only the decisions addressing AML/CFT requirements breaches with administrative measures. See Recital 105 AMLD6.

¹⁰⁶ Article 58 AMLD6, Article 25 AMLA Regulation.

¹⁰⁷ See Recitals 14 and 19 and Articles 7 and 8 AMLD6.

¹⁰⁸ Article 78 AMLD6 provides a general transposition date by 10 July 2027, with a few derogations for dedicated provisions with two earlier date and one later. See the overview of national transposition on Eur-Lex <https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=CELEX:32024L1640> as of 23 June 2025.

The data and information sharing arrangements are fundamental to enable AMLA, supervisory authorities and FIUs to carry out their responsibilities efficiently, contributing to better and faster data analysis.¹⁰⁹ For instance, Article 75 AML Regulation is particularly relevant as it concerns the exchange of information in the framework of partnerships for information sharing. Overall, the rationale behind this provision is to break silos, and to avoid having intelligence ‘trapped’ in between actors. The legal arrangements in this provision should foster data and information sharing in practice so that AML/CFT stakeholders conduct intelligence sharing both at operational and strategic level. Moreover, this information flowing among partners facilitates the use of shared risk analysis, which also contributes to breaking silos.

Furthermore, AMLA is responsible, in collaboration with national authorities, to ensure the convergence of supervisory practices and the promotion of high supervisory standards,¹¹⁰ which is primarily done through the adoption of system-wide methodologies and common approaches. AMLA will be responsible for developing a consistent, system-wide supervisory methodology, in cooperation with supervisory authorities. In particular, the whole AML system will maintain an ‘up-to-date and harmonised AML/CFT supervisory methodology’,¹¹¹ which will detail the risk-based approach to the supervision of obliged entities. The legal tools supporting the common methodology correspond to the now standard approach to the Single Rulebook legal instruments, that is a combination of level 2 and level 3 acts (e.g., regulatory and implementing technical standards, guidelines, recommendations, opinions and other measures and instruments as appropriate).¹¹² However, the level of details as to the elements which must be contained in the supervisory methodology, and the means to reach that outcome, are quite unprecedented within a level 1 act in the Single Rulebook, i.e. here the AMLA Regulation.¹¹³ This prescription from the legislators is an effective support for the whole AML/CFT enforcement system, considering its legally binding nature.

Some elements of this supervisory methodology are already being crafted before AMLA’s full operation in 2028.¹¹⁴ In this regard, the co-legislators envisaged that the system relies on some work carried out by the EBA, as outlined in the introduction, including for the development of a ‘refined and detailed harmonised methodology’¹¹⁵ that will allow to assess residual risk comparably (‘residual risk methodology’). Such a methodology is essential in the identification

¹⁰⁹ All subject to the provisions of AMLD6 and AML R related to data protection, see in particular Article 70 AMLD6, and Article 75 AML Regulation.

¹¹⁰ Article 5(3)(e), AMLA Regulation. See also Article 5(4)(e) as regards tasks with respect to non-financial supervisors.

¹¹¹ Article 8(1), AMLA Regulation.

¹¹² Ibid. See also Recital 10, AMLA Regulation.

¹¹³ Article 8(2) letters (a) to (d) list the elements to be included within the risk-based supervisory methodology. Article 6(3) gives an overview of some practical tools for data collection and analysis.

¹¹⁴ Common approaches started to be discussed, during the transition period before AMLA creation, through regular meetings of national authorities in a Forum of EU AML/CFT supervisors, every 6 weeks as of June 2024, which is being phased out as AMLA takes over with its own governance set up. See EBA, ‘Getting ready for AMLA : the EBA’s contribution to the new AML/CFT regime’, 26 June 2024. <https://www.eba.europa.eu/sites/default/files/2024-06/9dc69374-bd6b-4d2d-8f58-8f36c8e6c6e7/Getting%20ready%20for%20AML%20factsheet%20FINAL.pdf>

¹¹⁵ Recital 22, AMLA Regulation.

of the selected obliged entities and should strive to ‘harmonise’ the different national approaches.¹¹⁶ The two EBA draft Regulatory Technical Standards related to methodology¹¹⁷ will have an impact on the AML system by determining the scope of AMLA’s direct supervision and the work of supervisory authorities towards obliged entities in assessing and classifying their inherent and residual ML/TF risk profiles.¹¹⁸

Finally, the authorities have a duty of mutual assistance.¹¹⁹ The supervisory cooperation in the system mandates national supervisory authorities to provide wide-ranging information to AMLA on the obliged entities that they directly supervise and are under a duty of assistance in situation involving the application of national laws.¹²⁰ This duty relies primarily on thematic reviews,¹²¹ training, staff exchanges and secondments of personnel, sharing best practices, the use of IT tools (e.g. ‘Next Generation’ FIU.net, IT and AI services).¹²²

In the context of FIUs, there is a specific objective of capacity building, knowledge-sharing and good practices, due to the softer nature of the support and coordination mechanism provided by AMLA. Interestingly, for both supervisory authorities and FIUs, they may introduce requests to ‘trigger’ such mutual assistance (e.g. for practical tools and methods,¹²³ or more generally, among FIUs or FIU-AML¹²⁴). On the other side of the coin, they are bound by obligations of information and data sharing. The co-legislators also resorted to a voluntary dimension in such mutual assistance, in which AMLA may ensure that other supervisory authorities mobilise its resources or FIUs provide assistance on a voluntary basis.¹²⁵ This soft element must be read together with the principle of sincere cooperation and mutual trust.

IV. The 3-D enforcement model and agencification in the new AML integrated system

We argue that the novelty of the revised AML/CFT enforcement regime and its integrated system go beyond a simple further centralisation of AML/CFT supervision and enforcement (1). Instead, the regime is illustrative of a more significant transformation which combines and integrates – within a 3D enforcement model – the ‘binary’ approaches to centralisation/decentralisation, and to direct/indirect EU enforcement powers, together with

¹¹⁶ Recital 22, AMLA Regulation. However, the EBA will cease to have tasks and powers related to AML/CFT once the AMLA Regulation is fully applicable, including with a transfer of resources, see Recital 84. Furthermore, AMLA will also be able to rely on the EuReCa database (AML/CFT database) operated by the EBA until no later than 30 June 2027. See Article 106 AMLA Regulation.

¹¹⁷ Placeholder for the EBA Draft RTS to be published in October 2025.

¹¹⁸ Public consultation was open until 6 June 2025, <https://www.eba.europa.eu/publications-and-media/press-releases/eba-consults-new-rules-related-anti-money-laundering-and-counteracting-financing-terrorism-package>

¹¹⁹ Article 10, Article 45 and Recitals 16, 51 AMLA Regulation. The Commission can also provide technical support to Member States.

¹²⁰ Article 7(3) and (4), AMLA Regulation; see, also, Andrea Minto and Thomaz De Arruda, ‘The New EU Anti-Money Laundering Authority (AMLA) and the Standard for the Application of National Laws - “What’s Past Is Prologue”?’ Forthcoming EBOR.

¹²¹ Article 9(5) AMLA Regulation. All supervisory authorities are required to provide upfront information on which thematic annual reviews they envisage to conduct during the following year or supervisory term, on a yearly basis.

¹²² Recital 9, AMLA Regulation.

¹²³ Respectively, Art. 10(1)(b), 10(3) AMLA Regulation.

¹²⁴ Art. 45(2) AMLA Regulation.

¹²⁵ Art. 10(5) and Art. 45(3) AMLA Regulation

a third dimension of operational and collaborative integration moving away from mere coordination (2).

1. The revised AML/CFT enforcement regime: a third dimension

The new AMLA agency-centred and integrated system embodies a qualitatively new dimension to the understanding of EU policy enforcement, which is one that transcends the traditional narrative of a major shift of direct enforcement powers from national to EU level and further centralisation. We argue that the centrepiece of the revised AML/CFT regime is the dimension of operational and collaborative integration – moving beyond mere coordination (**figure 1** below). This dimension is, for the first time, legally structured to this extent in EU secondary law and institutionalised under the AML/CFT enforcement regime. It embodies the essential contributions and roles of joint supervision and analyses, peer coordination and pressure, shared information and intelligence across authorities and actors across the AML integrated system, as examined above.

First, the trend towards greater Europeanisation of enforcement in the EU is confirmed with AMLA adding a further degree of centralisation and assuming greater direct enforcement powers at EU level – although it remains a ‘decentralised’ agency (see subsection 2 below). The direct supervision of selected obliged entities and powers vis-à-vis national competent authorities (pillar 1) constitute the main illustrations of this trend.¹²⁶

Second, and more intriguingly, the revamped AML multi-actor enforcement system exhibits a third dimension in the features shaping enforcement, which builds on the two traditional vectors of centralisation/decentralisation and direct/indirect powers. Notably, we observe a more integrated enforcement system fostered by a number of elements examined above: AMLA’s tasks and powers, all AML/CFT system actors’ duties in information and knowledge sharing aimed at breaking existing silos, the new mechanisms for mutual assistance and capacity building, as well as AMLA’s powers to exercise peer pressure and mediate disputes.¹²⁷ Moreover, AMLA supervisory oversight under the new system rests on a deterrence and punitive function, including important disciplining device.¹²⁸

As such, we argue that this additional dimension or ‘third dimension’ shows how agencification in a common system allows moving along from mere coordination to operational and collaborative integration. Such operational integration not only takes place at agency level but also within the system, because all actors are equally involved in common endeavours, with a shared responsibility, and steered by common methodologies (see section III above). These ‘third dimensional’ features of the revised AML enforcement system create and sustain a connective tissue that ties together the different parts in the enforcement system. Indeed, the

¹²⁶ See, Section III [a].

See, Section III [a] [b] and [d].

¹²⁸ See, Section III [c].

new AML integrated system also goes beyond a network-based enforcement model – which would have limited capacity to enforce decisions due to primarily informality.¹²⁹ The third dimension thus constitutes an organisational dimension aimed at fostering a harmonised and cooperative system of enforcement. It is also in this third dimension that we find main novelties aimed at addressing the AML system's earlier shortcomings, including 'home'-'host' coordination issues, and inefficiencies in cooperation and information exchange. They appear to rest on the principles of sincere cooperation and mutual trust.

2. The 3D enforcement model

Our three-dimensional approach to EU enforcement aims at representing better the two traditional vectors of centralisation/decentralisation and direct/indirect enforcement powers, and their interplay with operational and collaborative integration. We examine this in the context of the revised AML/CFT enforcement regime.

We propose a conceptual framework to visualise the revised AML enforcement system in the EU through a three-dimensional model (**Figure 1** below). This model transcends a binary approach and illustrates the interdependence of actors in the EU's AML/CFT enforcement system. This 3D structure, represented in the shape of a cube, captures the dynamic interaction between three vectors: Decentralisation – Centralisation; Indirect – Direct Enforcement; Coordination – Operational and Collaborative Integration (numbered 1 to 3 below). The three-axis diagram includes the degree of centralisation versus decentralisation (X-axis), enforcement powers ranging from indirect to direct (Y-axis), and the extent of coordination, operational and collaborative integration among actors (Z-axis). Those dimensions are interrelated and embedded in the legal and institutional framework above examined and will be further shaped by practice within the system.

The first axis (X) captures the distribution of supervisory powers across the AML/CFT system, from decentralised national actors to centralised EU authority (agency or institution). On the left end of the spectrum (A) lie national authorities, including those overseeing self-regulated entities such as Bar Associations in some Member States. At the opposite end stands a hypothetical fully centralised entity at EU level in a situation in which national authorities would no longer exist. In the revised regime, the EU's Authority, AMLA, should be positioned tilted towards centralisation¹³⁰ considering its direct supervisory responsibilities over selected obliged entities, that coexist with some shared responsibilities with the national authorities responsible for the lions' share of non-selected obliged entities, and FIUs. AMLA is also responsible for the oversight over national authorities, and in this context, it can adopt binding instructions, launch inquiries, and take over the supervision of non-selected obliged entities. Yet, the national authorities and FIUs still have an essential role. Ultimately, the adopted AMLA

¹²⁹ See discussions in section II.

¹³⁰ We inserted a vertical mark on the X-axis, in a qualitative way, therefore, there is no proportional representation to observe here.

legal and institutional framework contains direct and indirect supervisory powers combined in a decentralised EU agency.¹³¹

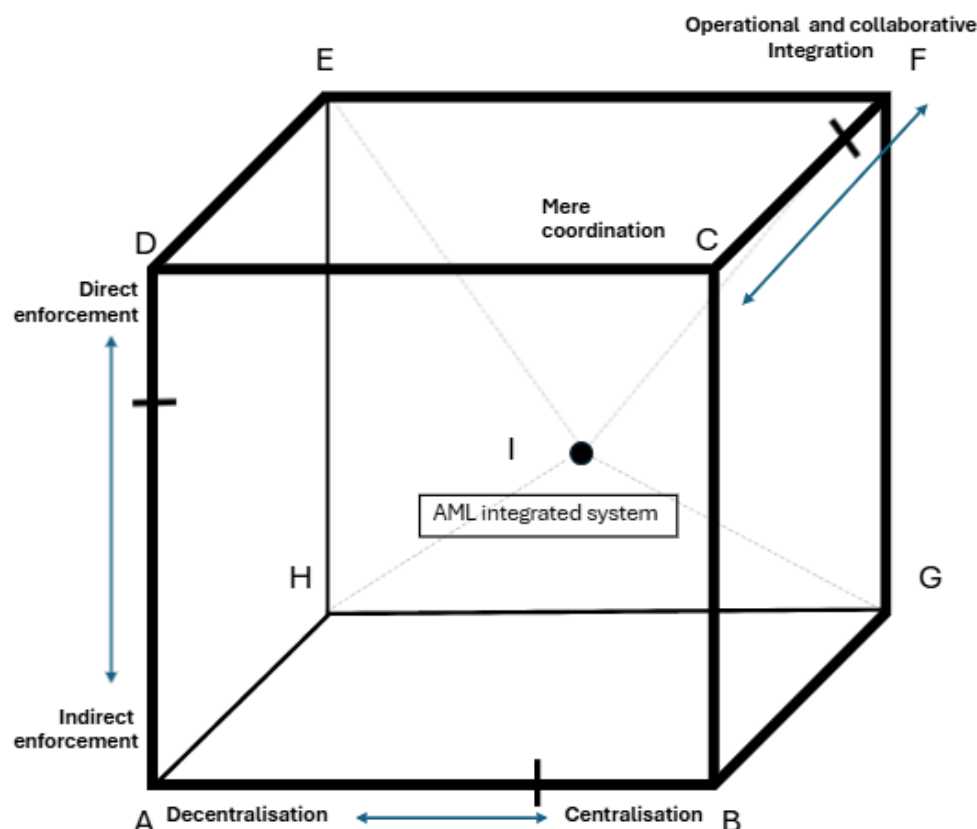
The second Y-axis reflects the enforcement powers along a spectrum from indirect to direct enforcement powers. At the bottom of this axis lie indirect enforcement tools, such as non-binding guidance and informal coordination mechanisms, which represent earlier stages of EU AML policy (before the EBA having more powers through the 2019 ESAs Review). If we go up the axis, we find shared instruments, such as the development of common methodologies and the conduct of peer reviews, which blur the distinction between soft coordination and more formal oversight. In this regard, AMLA has been given by the EU legislators the responsibility for common methodologies and quite intrusive tools in its oversight over the system (e.g. instructions to national supervisors). Moreover, intrusive tools exist among supervisors (e.g. inquiries to each other) which demonstrates a somehow shared coercive dimension, which can exist thanks to the deterrence and punitive function in the overall system. Towards the top, the model captures direct enforcement powers, such as AMLA's ability to impose binding supervisory decisions, or issue sanctions against selected obliged entities. When these tools reach the highest point in the cube, they reflect a qualitative difference: the imposition of legal obligations and a coercive effect that builds upon the deterrence and punitive function (see section III). Importantly, the AML/CFT enforcement regime represents a layering of several instruments across the system, with direct and indirect enforcement tools within a common institutional and legal framework. This will lead to implement AML/CFT policy, through intrusive tools when critical (for both selected and non-selected obliged entities) while preserving supportive or coordinating functions in the system, including in the coordination and support mechanism for FIUs.

The third Z-axis introduces the novel third dimension, directed into the depth of the cube, which reflects the degree of coordination, and further operational and collaborative integration among AML actors in the system. At the front of the cube (point C), the system exhibits low level of integration, with minimal and informal coordination between national authorities and the EU, e.g. through networks, where enforcement largely occurs in parallel, with inefficiencies and loopholes that we observed. As we move deeper into the cube, the model represents the increasing level of integration which we discussed above regarding joint supervisory teams and joint analysis teams, shared statistical platforms, centralised databases, and harmonised risk assessments, among others. These developments represent operational and collaborative integration (see point I) not through hierarchical relationship in a simplified binary fashion, but through blending hard and soft enforcement tools, which are, once again embedded legally and institutionally in the revised AML/CFT enforcement regime. At the top-right corner (point F) lies a hypothetical situation of a fully centralised and operationally integrated regime — not (yet) realised. No distinction would remain between EU-

¹³¹ See impact assessment, pp. 33 and 45.

level and national enforcement actors; the EU agency would have strategic oversight and entire operational execution. This third axis thus completes the 3D model by highlighting how operational and collaborative integration dynamics reinforce the formal allocation of powers and attribution of competences in the EU AML enforcement regime.

Figure 1: The 3D Structure of the AML Enforcement System in the EU



Source: Authors' elaboration

This model, on one hand, illustrates more precisely and adequately a deepening of agencification as a mode of governance in financial regulation. On the other, it showcases how the co-legislators' choice, on a spectrum between mere coordination and further operational and collaborative integration, accompanies the general trend for further direct enforcement powers. This policy choice does not necessarily mean that there is full centralisation. On the contrary, this shows the importance of the whole system tied together to implement the EU policy area for which the co-legislators chose a common system of enforcement (where uniformity, consistency and convergence are fundamental).

V. Conclusion

The main contribution of this paper, based on the analysis of the powers and tasks under the revised AML enforcement system, is a new analytical framework of enforcement structure in

the EU, that rests on a three-dimensional (3D) model (see **figure 1** above). The model, applied in the case of the revised AML/CFT enforcement regime, combines several ‘soft’ instruments and tools for operational and collaborative integration,¹³² and underscores the deterrent and punitive function¹³³ of the system with binding tools and powers, disciplining device,¹³⁴ combined with a shared expertise and common methodologies and approaches. This contributes to reducing fragmentation and to ensuring greater consistency and convergence of supervisory practices and the promotion of supervisory standards across the system.

In other words, the revised enforcement system, with AMLA at its core with national authorities and FIUs, showed that the prism of ‘Europeanisation’ and that of ‘centralisation’ of enforcement, or the focus on ‘direct’ enforcement powers, do not give a sufficiently robust analysis of powers, tasks, and key mechanisms underpinning the revised regime.

The third dimension is complementary to the more traditional and binary approach to ‘Europeanisation’ and ‘agencification’ of EU enforcement – i.e., the decentralization/centralisation and direct/indirect enforcement vectors. As such, the 3D model enables a more robust analysis, one that illuminates the elements of coordination (often characterized by informality and lack of intrusiveness as in a network-based enforcement) and of deeper operational and collaborative integration, including through the joint conduct, reporting and transmission of analyses, as well as capacity building initiatives, or a harmonised AML/CFT supervisory methodology for the whole system. Moreover, it can prove useful in identifying and studying the challenges and potential weaknesses of an integrated, agency-centred system, such as the new AML/CFT enforcement regime.

The paper builds on the literature on EU enforcement and the analysis of the new AML enforcement system. Overall, the revised AML/CFT enforcement regime can be characterised as an extra-large enforcement model and exhibits a deep integration of EU law and policy¹³⁵ through the latest review of its legal and institutional framework. The EBA held a public consultation regarding four draft Regulatory Technical Standards (RTS) in spring 2025, following the European Commission’s call for advice. While the results are yet to be published,¹³⁶ these RTS, as level 2 instruments in the AML Single Rulebook, form part of the AML/CFT enforcement regime. Their impact will be wide-ranging as they focus on the sanction regime, customer due diligence, the methodology to assess and classify obliged entities’ inherent and residual risks, and the methodology to determine the selected obliged entities based on risk assessment. Furthermore, AMLA will issue an opinion addressed to the

¹³² E.g. the voluntary dimension in mutual assistance, in which AMLA may ensure that other supervisory authorities mobilise its resources or FIUs provide assistance on a voluntary basis.

¹³³ See above section III.3.c.

¹³⁴ In that respect, any failure to comply could lead to AMLA’s recommendations and warnings, or even, to the ‘take-over’ of (the direct supervision of) non-selected obliged entities. See Article 32(5), AMLA Regulation.

¹³⁵ See section II. In particular: Miroslava Scholten, Annetje Ottow, (2014) “Institutional Design of Enforcement in the EU: The Case of Financial Markets”, 10(5) *Utrecht Law Review*, 80-91. Herwig Hofmann and Alexander Türk, Introduction: towards a legal framework for Europe’s integrated administration, in Herwig Hofmann and Alexander Türk, *Legal Challenges in EU Administrative Law: Towards an Integrated Administration* (Edward Elgar 2009), 1-6.

¹³⁶ Expected 31st October 2025.

European Commission on the ML/TF risks affecting the Union every two years from 2030 onwards.¹³⁷ The findings of this paper, in particular the delineation of the third dimension in operational and collaborative integration also points at new directions for further research that could address the challenges faced by enforcement systems, or explore new avenues for reviewing EU enforcement regimes in other policy areas.

¹³⁷ Article 7(5) AMLD6. AMLA can decide to do it more frequently.



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