



7 PRINCIPLES FOR AML REGULATORY TECHNICAL STANDARDS DEVELOPMENT

Recommendations from the accountancy profession

Position paper

IDEAS.

**ANTI- MONEY LAUNDERING
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HIGHLIGHTS

This paper sets out key principles and recommendations from the accountancy profession for the EU Anti-Money Laundering Authority (AMLA) and the European Commission (EC) to consider when designing the Regulatory Technical Standards (RTS) under the new EU AML/CFT framework.

These recommendations aim to help implement proportionate and effective AML/CFT rules while avoiding unintended consequences and administrative burdens. Our recommendations are sector-specific, risk-informed, and grounded in practice – reflecting how accountants and auditors operate, and the realities they face. These include:

- a risk-based and proportionate approach: RTS should align obligations with the specific risk profiles and roles of each obliged entity category
- a sector-specific design: RTS should reflect the distinct functions of non-financial professionals rather than copying financial sector regulations. They must be workable for all obliged entities, not just financial institutions
- early and structured engagement with the non-financial sector is critical throughout the RTS development process

INTRODUCTION

Accountancy Europe fully supports the EU's objectives to strengthen the overall effectiveness of the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework, enhance legal clarity, and ensure consistency across Member States. To this end, the development of Regulatory Technical Standards (RTS) is a crucial step in operationalising AML/CFT legislation.

Accountancy Europe represents accountants, auditors, and (tax) advisers – key players in safeguarding the financial system. They bring wide-ranging operational experience from both financial and non-financial sectors.

This paper is addressed to the European Commission (EC), Anti-Money Laundering Authority (AMLA), and national authorities involved in drafting and implementing RTS. It sets out **7 key principles and recommendations from the accountancy profession** to support practical, risk-based, and effective implementation, while avoiding unintended consequences and undue administrative burden.

RTS' CRUCIAL ROLE IN AML/CFT COMPLIANCE

AMLA will play a central role in implementing the new EU AML/CFT regime, notably through drafting RTS and issuing guidance for both financial and non-financial obliged entities. RTS play a pivotal role in shaping compliance and must reflect the operational realities of all obliged entities, including those in the non-financial sector. This requires rules that are tailored, proportionate and workable across all sectors and entity sizes, from large institutions to smaller companies.

However, AML/CFT rules are often designed with the banking sector in mind, where large transactions volumes, high levels of automation, and financial products define day-to-day operations. By contrast, obliged entities in non-financial sectors like accountants, auditors and tax advisers do not typically handle large volumes of transactions or manage client funds in the same way. As a result, the language and assumptions underlying AML/CFT regulations are often difficult to interpret and apply effectively in our sector. This is likely to be the case for other non-financial sector obliged entities as well.

We urge AMLA and the EC to approach RTS development as a strategic opportunity to build a robust, fit-for-purpose, and future-proof AML/CFT regime that reflects the full spectrum of actors and risks across the EU and not as a mere technical exercise.

The development of RTS must be grounded in a clear understanding of how each sector operates in practice. They should explicitly recognise differences between sectors to ensure compliance is both feasible and effective. The RTS development process should be structured, transparent, and inclusive, with meaningful early-stage engagement from a wide range of stakeholders, including those beyond the financial sector.

7 PRINCIPLES FOR EFFECTIVE IMPLEMENTATION OF AML/CFT RULES

We propose 7 guiding principles to assist AMLA, the Commission, and national authorities in developing tailored, risk-based, and sector-sensitive RTS, guidance, and other supportive or interpretative documents that facilitate the implementation and enforcement of the new AML/CFT rules. Under each principle, we provide relevant examples notably from the [European Banking Authority's \(EBA\) draft RTS](#) to highlight potential challenges, and propose recommendations for possible solutions.

1. PRIORITISE AND ENABLE EFFECTIVE RISK-BASED APPROACHES

We support the AML Regulation's objective to harmonise EU AML/CFT rules and close compliance gaps, provided that additional unnecessary prescriptive requirements in the RTS are avoided where these are not mandated in level 1 legislation. Suitable flexibility must be preserved wherever possible, thus enabling

effective, risk-based approaches. Overly rigid standards risk limiting obliged entities' ability to exercise professional judgment and adapt measures to their specific risks.

For instance, experience in our sector shows that excessive prescription often results in mechanical compliance and a "tick-the-box" mentality. This is particularly problematic where risks are low or vary significantly. Such an approach can also be disproportionate, undermining both the efficiency and the effectiveness of AML/CFT controls. Therefore, the RTS should reinforce, not constrain, sector-specific, risk-based decision-making.

A too prescriptive approach can also discourage innovation. Accountancy services differ widely in nature and risk, from statutory audits to tax advisory and compliance services, making flexibility essential for proportionate due diligence. Accountants are trained to apply professional scepticism and judgment, and innovation in digital onboarding or AI-driven risk scoring is best supported by adaptable, risk-sensitive standards.

The case for a risk-based approach

Example 1: Article 6 of the EBA's draft RTS requires firms to rely on electronic identification methods or automated remote solutions when verifying customers in a non-face-to-face context. This may be feasible for large financial institutions with the necessary technology and resources. However, it can impose disproportionate costs and complexity on many Designated Non-Financial Businesses and Professions (DNFBPs), particularly smaller practices and firms, without materially improving risk mitigation.

Smaller firms should be allowed to use equally reliable alternatives, such as apostilled documents or documents certified by another obliged entity (e.g., a financial institution), with clear guidance on how to confirm the certification is sufficient and reliable. Imposing automation obligations irrespective of size, client base, or type of services risks creating burdens without commensurate benefits to AML/CFT outcomes.

Example 2: Article 3 of the EBA's draft RTS requires the city of birth in all cases. Many official identity documents do not include this information, which can cause unnecessary delays or data gaps. From a risk-based perspective, such information should be required only where it is genuinely relevant, such as in high-population jurisdictions where name matches are frequent in screening tools.

While the city of birth can help distinguish individuals with common names in certain jurisdictions, its generalised collection risks adding administrative burden without clear AML/CFT benefit. A proportionate and risk-based approach could limit this requirement to higher-risk clients or cases where confusion over identity is likely, ensuring both efficiency and effectiveness.

2. APPLY PROPORTIONALITY TO REDUCE BURDEN WHILE ACHIEVING OBJECTIVES

Rules should reflect the size, structure, and capacity of different obliged entities. What is feasible for large financial institutions may be unworkable for small accountancy firms.

Less-resourced entities are an integral part of the AML/CFT chain. RTS must therefore be effective without being administratively overwhelming, and follow a consistent approach with previous European RTS, guidelines and similar material.

Balancing compliance obligations with AML/CFT risks

Example: Complex reporting systems or onerous documentation obligations may exceed the staffing capacity of small firms without meaningfully improving risk mitigation.

Article 10(1(b)) of the EBA's draft RTS requires obliged entities to obtain detailed information on every legal entity or legal arrangement within the intermediary connections of a client's ownership structure. This level of detail would be required even for entities that are merely part of the ownership chain and do not exercise control over the client and have no operational relationship with them.

For accountants working with multinational clients, this could mean gathering and verifying documentation on potentially dozens of intermediate entities that pose minimal ML/TF risk. In many cases, such entities are irrelevant for determining beneficial ownership or assessing exposure to financial sanctions. When co-investors with minority stakes are involved, obtaining this information can be particularly difficult – or even impossible – because the client or the ultimate beneficial owner (UBO) may not have access to these details themselves. The practical effect would be significant additional time and resource burdens without commensurate benefits to AML/CFT risk mitigation, diverting compliance efforts away from areas of genuine risk.

3. AVOID A ONE-SIZE-FITS-ALL APPROACH

In drafting the RTS, AMLA should recognise and reflect the operational realities of different sectors. The role that for example accountants play in client engagement, risk assessment, monitoring, and reporting differs significantly from that of financial institutions. RTS must therefore be practical and relevant not only for banks and insurers, but also for non-financial obliged entities such as accountants, auditors, and tax advisers.

Compliance in financial institutions, particularly in banking and insurance, is typically transaction-centred, focusing on specific financial movements and indicators. By contrast, accountancy professionals generally take a more holistic view of their clients, informed by an in-depth understanding of business models, activities, and sector contexts. This enables them to detect inconsistencies or red flags that transactional analysis alone may miss.

Risk indicators developed for financial institutions often reflect patterns and behaviours specific to that sector and may not translate directly to the realities DNFBPs. While some indicators may be irrelevant in a DNFBP context, others could be valuable if adapted to reflect how these professionals operate. Conversely, important DNFBPs-specific risk factors are often overlooked. Therefore, and where allowed by level 1 legislation, RTS should address both sector-specific and jurisdiction-specific risks in a way that is meaningful and operationally workable.

Recognising these distinctions ensures RTS are proportionate and fit-for-purpose while leveraging the unique insights and risk-detection capabilities that different professional sectors bring to AML/CFT efforts.

Moreover, there is significant diversity even within each DNFBP sector, including within the accountancy profession. There is a number of large international networks that operate across multiple Member States, but most accountancy firms are in fact small or micro-enterprises, including sole practitioners.

These smaller firms often lack the financial, technical, and human resources available to their larger counterparts or financial institutions. Applying standards designed for large financial entities without adjustment creates disproportionate burdens and risks undermining effective compliance.

A one-size-fits-all approach, whether across different obliged entity sectors or all entity sizes and types within these sectors, fails to reflect crucial differences. Where possible and allowed by level 1, RTS should be designed with both inter- and intra-sectoral variation in mind to ensure realistic, proportionate, fit-for-purpose, and effective implementation.

Calibrating RTS to sector-specific realities

Imposing uniform, high-verification standards across all sectors could result in disproportionate obligations and administrative burdens on non-financial professionals without necessarily improving AML outcomes (see Article 5 of the EBA's draft RTS). A risk-based approach would allow obliged entities to calibrate their identity verification processes to the nature of their services, client relationships, and actual risk exposure. Ultimately, the real challenge is not simply to collect identity documents, but to genuinely understand who the client is, based on the context of the professional relationship and the services being provided.

Example: Article 5 of the EBA's draft RTS does not clarify what "reasonable steps" obliged entities are expected to take to ensure that identity documents are authentic and have not been forged or altered. This requirement may be better suited for sectors such as banking, where direct engagement with clients is often limited and the inherent risk of forged documents is higher.

For other obliged entities, such as accountants and tax advisers, particularly those in small or local practices, the risk of encountering forged identity documents is generally lower. This is often because they operate in close contact, and maintain long-standing, face-to-face relationships with clients. These firms also typically lack the specialist tools, expertise, and resources required to conduct forensic-level document verification. Applying the same level of scrutiny expected of financial institutions would therefore be both disproportionate and impractical. Instead, separate and tailored guidance should be developed for such non-financial sector obliged entities.

4. PROVIDE TAILORED GUIDANCE FOR DNFBP SECTORS

The distinct features, roles and realities of different DNFBP sectors such as accountants varies significantly and warrants sector-specific guidance for AML/CFT. Such guidance should be:

- relevant to the types of services provided
- calibrated to sector risk profiles
- practical for small and medium sized practitioners (SMPs)

AMLA should work closely with relevant sectoral professional bodies to ensure that any guidance reflects operational realities.

The Importance of sector-specific interpretation of requirements

Example 1: Source and destination of funds requirements make sense for banks, where client transactions are frequent, high-value, and potentially opaque. In contrast, such checks are often less relevant in accountancy or tax compliance work because funds flow is direct, transparent and typically known, such as payments to or from tax authorities.

In practice, accountants may be asked to document the source and destination of funds for routine, low-risk transactions such as tax refunds or statutory pension contributions, even though they are not parties to these transactions and do not handle the funds. Imposing detailed documentation requirements in such cases adds minimal value from an AML/CFT perspective yet creates significant administrative burden. This highlights how applying banking-style obligations to non-financial sector obliged entities leads to misapplication of AML rules.

Example 2: The EBA draft RTS Article 27's requirement to assess transaction consistency with the business relationship do not suit professionals offering time-limited, project-based services. DNFBPs such as accountants generally do not monitor or process individual client transactions in real time, unlike financial institutions where the business relationships are often defined by ongoing transaction flows. While accountants may perform analytical procedures – such as comparing year-on-year income to identify unusual trends or significant changes – this is not equivalent to transaction-by-transaction monitoring. As a result, the type of risk indicators envisaged under Article 27 may be less applicable to such engagements.

This highlights the need for a sector-specific interpretation of requirements, where allowed by level 1 legislation, that reflects the distinctive characteristics of DNFBPs' relationships with clients, including their limited duration and largely non-transactional nature. For example, for accountants, the future RTS could provide that they should consider whether the services and advice they are being asked to provide are consistent with their existing client knowledge and their business.

Guidance should clarify which requirements do not apply or apply differently to individual DNFBP categories and sectors including accountants.

5. ENSURE ONGOING AND STRUCTURED SECTOR ENGAGEMENT

RTS must be informed by those implementing them to be effective. This means establishing formal mechanisms for consultation before and during RTS development, and enabling ongoing feedback based on practical experience. Targeted consultations with different categories of non-financial entities should be conducted.

This approach allows obliged entities and supervisors alike to assess feasibility and raise operational concerns early in the process. Public input will help identify inconsistencies, gaps, or unintended consequences, improving the quality and applicability of the final RTS.

AMLA should include staff with expertise in professional services and DNFBPs to ensure supervision and drafting are grounded in a real understanding of the sectors concerned.

6. ENSURE ADEQUATE AND CLEAR TRANSITION ARRANGEMENTS FOR IMPLEMENTATION

Final versions of the RTS should be published well in advance of their application to give obliged entities and supervisors sufficient time to understand the requirements and measures to be implemented at each stage. This would allow them to prepare processes and systems for compliance.

We recommend that AMLA and the EC establish a clear transitional framework, specifying the sequence and duration of implementation steps between RTS publication and their application. This framework should provide a clear transitional period, allowing adequate time for testing and implementation by all relevant stakeholders, and clarify what is to be implemented at each stage. This approach will ensure effective and consistent application across the EU.

7. GIVE CAREFUL CONSIDERATION TO PRACTICAL IMPLICATIONS OF KEY DEFINITIONS

The way in which certain key concepts and actors are defined and what the ensuing rules around them are can have far-reaching consequences for practical implementation. Where level 1 legislation allows, the RTS' definitions should be well designed, targeted and explained to make sure that the rules do not lead to unintended or disproportionate compliance obligations that do not serve genuine AML/CFT purposes.

Example 1: EBA's draft RTS Article 11 automatically categorises a client as having a "complex" ownership and control structure when two or more layers of intermediate entities exist in different jurisdictions. This risks mis-classifying common and legitimate structuring practices.

For example, private equity firms often set up acquisition structures involving holding companies in multiple jurisdictions for legitimate commercial and legal reasons. Similarly, multinational companies operating in the Netherlands typically use two or more layers, such as a holding company and one or more operating subsidiaries, as part of standard group structuring.

Under the current draft EBA RTS definition, these common structures would be treated as complex, regardless of transparency or actual risk, leading to elevated risk scoring and enhanced due diligence obligations.

This approach could result in disproportionate compliance burdens and divert attention from genuinely high-risk cases. The criteria should therefore be refined to avoid classifying widespread, low-risk business practices as inherently complex.

Example 2: Treatment of senior managing officials

EBA draft RTS Article 12 requires the same set of information and identity verification for senior managing officials (SMOs) as for UBOs, which appears excessive. Unlike UBOs, SMOs are not owners or controllers. Applying the same requirements disregards their lower risk and undermines a proportionate, risk-based approach.

This concern is amplified by the draft RTS's expansive definition of SMO, which could bring a wide range of individuals within scope. The combination of such a broad definition with UBO-level due diligence obligations risks creating disproportionate compliance burdens. This may divert resources from higher-risk areas without improving AML outcomes. Requirements for SMOs should be adapted accordingly.

CONCLUDING REMARKS AND SUMMARY RECOMMENDATIONS

We encourage AMLA and the EC to embed the above 7 principles to ensure the RTS are effective, proportionate, and implementable across all sectors. Their key messages can be broadly summarised as follows:

- **Risk-based and proportionate approach:** RTS should align obligations with the actual risk profile and role of each category of obliged entity. To ensure effective implementation, requirements should be scalable to the resources and capacity of smaller or non-financial actors, particularly SMEs and SMPs.
- **Sector-specific design:** a one-size-fits-all model is not appropriate for the accountancy profession or other non-financial sectors. Rules should reflect the distinct functions of accountants, auditors, tax advisers, and other DNFBPs, rather than replicating financial sector models.
- **Early and structured engagement:** meaningful engagement with the non-financial sector early in the process and on an ongoing basis is critical. Policymaking should draw on the expertise of supervisors and professionals with hands-on experience in these sectors.
- **Broad applicability and practicality:** RTS should be workable for all obliged entities, not just financial institutions. Ensuring clarity, proportionality, and operational feasibility across diverse sectors will be essential to effective implementation.

We call on AMLA and the EC to embed these principles already into the first and subsequent waves of RTS under the new EU AML/CFT framework. A well-designed, proportionate, and risk-based approach will enhance effectiveness, minimise unintended consequences, and enable the accountancy profession to contribute fully to Europe's AML/CFT efforts.

Accountancy Europe remains ready to offer further insights and expertise to support a regulatory system that is both effective and fair for all obliged entities, financial and non-financial alike.



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