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Navigating the next wave of AML regulation to drive strategic innovation

The role of AMLA



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Executive summary

The increasing prevalence of financial crime and money laundering poses significant threats to the integrity of global financial systems. A key measure to address these pressing issues in the European Union (EU) is the establishment of the Anti-Money Laundering Authority (AMLA) in Frankfurt, Germany. The set-up marks a crucial step towards helping enhance regulatory oversight and compliance across the EU. This study provides background on the AMLA set-up, insights into industry views with challenges and opportunities as well as an outside in view on how AMLA could use its massive potential.

Background

EY is a member of Frankfurt Main Finance e. V. (FMF), the leading financial center initiative in Frankfurt, founded in 2008. With over 75 members, FMF serves as the voice of the financial center in Frankfurt and the Eurozone. EY collaborated with FMF on the concept, execution, and analysis of the study.

The global financial landscape has undergone substantial changes in recent years, marked by a surge in financial crime that undermines economic stability and public trust. The EU has recognized the need for a robust response to these challenges, introducing significant legislative changes, including the Anti-Money Laundering Regulation (AMLR) and the Sixth Anti-Money Laundering Directive (6AMLD). These regulations aim to create a more centralized and harmonized approach to anti-money laundering (AML) compliance, addressing the historical challenges posed by fragmented regulatory oversight across Member States.

Frankfurt, as a major European financial hub hosting the European Central Bank (ECB) and other key institutions such as the European Insurance and Occupational Pensions Authority (EIOPA) and the Federal Financial Supervisory Authority (BaFin), provides an ideal location for AMLA with its robust infrastructure and talent pipeline. This is supported by renowned educational institutions like the Frankfurt School of Finance and Management, Goethe University and Technical University of Darmstadt.

The establishment of AMLA is a response to the increasing complexity of financial crime, which has evolved alongside advancements in technology and the globalization of financial markets. By centralizing AML oversight, AMLA aims to provide consistent regulatory guidance, improve cooperation among national authorities and help enhance the overall effectiveness of AML measures.

Through qualitative interviews with a diverse range of stakeholders – including banks, insurers, FinTech companies, academic institutions and regulatory bodies – this study captures insights into the challenges, expectations and opportunities surrounding AMLA's role. The findings reveal a consensus on the importance of AMLA in fostering collaboration among financial institutions (FIs), helping enhance transparency and improving risk management practices.

The publication also identifies key success factors for a thriving AML ecosystem, emphasizing the need for continuous innovation and the adoption of advanced technologies, such as artificial intelligence (AI) and machine learning, to combat increasingly sophisticated financial crimes. Furthermore, it discusses the potential for strategic adjustments in certain areas to balance compliance with the need for operational efficiency.

Despite existing regulations, FIs continue to face significant challenges in effectively combating money laundering and financial crime. The lack of uniformity in regulatory practices across Member States has created opportunities for regulatory arbitrage (taking advantage of different rules in different jurisdictions). This allows criminals to exploit loopholes in the system. Additionally, the rising costs of compliance and the complexity of regulatory requirements have strained resources within FIs, particularly for smaller entities.

Analysis of AMLA's role

The publication presents a detailed analysis of AMLA's proposed role in the AML ecosystem. Through qualitative interviews with approximately 50 senior professionals from around 40 traditional banks, neobanks, payment service providers (PSPs), insurers, technology companies, government institutions and universities across 10 jurisdictions, AMLA-related participants' key insights regarding the expectations and challenges associated with AMLA's establishment are:

- 1. Fostering collaboration:** Participants express optimism about AMLA's potential to foster collaboration among FIs, regulatory bodies and law enforcement agencies. By creating a centralized authority, AMLA can facilitate information sharing and joint efforts to combat financial crime more effectively.
- 2. Enhancing transparency:** AMLA is expected to improve transparency in ownership structures and financial transactions, which is critical for identifying and mitigating risks associated with money laundering. The authority's mandate to maintain a comprehensive database of ultimate beneficial owners (UBOs) will play a crucial role in this effort.
- 3. Improving risk management:** Establishing AMLA is anticipated to lead to more coordinated and consistent risk management practices across the financial sector. By adopting a risk-based approach, AMLA can help institutions better allocate resources to areas of highest risk, helping enhance overall compliance effectiveness.
- 4. Technological innovation:** The research emphasizes the need for FIs to leverage advanced technologies, such as AI and machine learning, to enhance their AML capabilities. AMLA's role in promoting technological innovation will be vital in keeping pace with the evolving financial crime landscape.

Recommendations

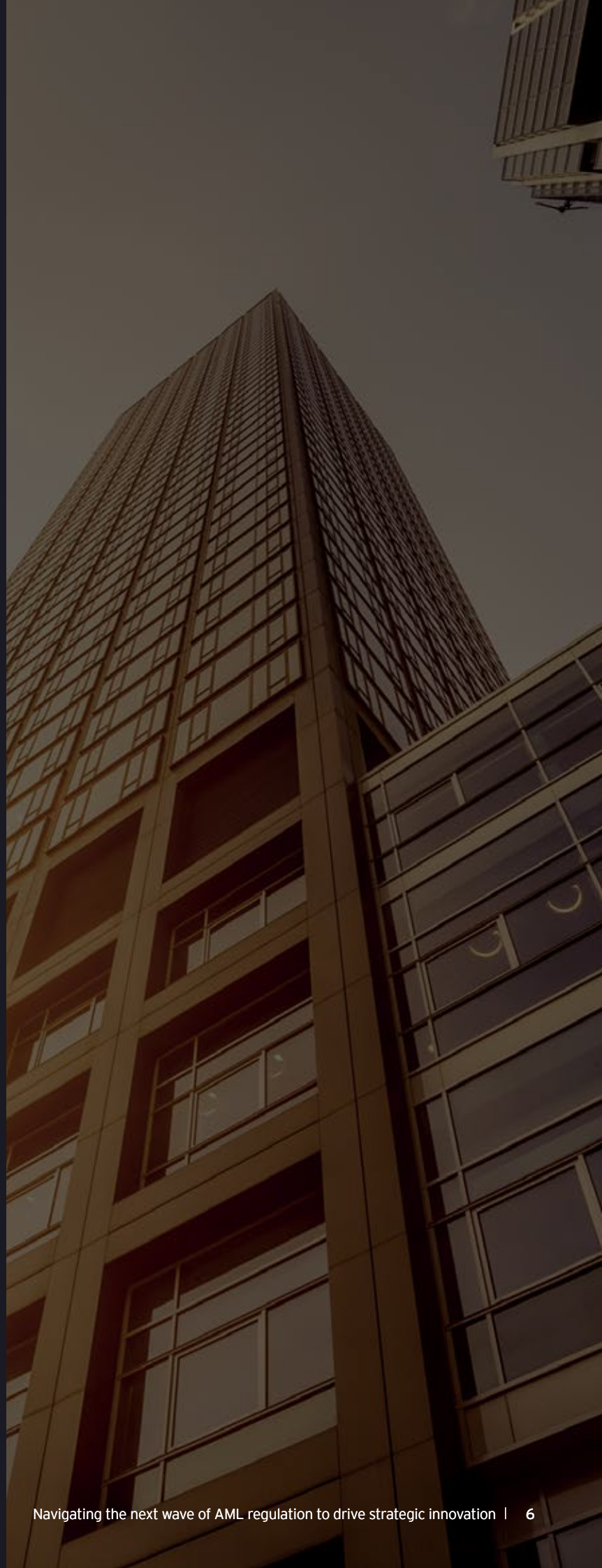
Based on the insights gathered in this publication, several key recommendations are proposed for interested parties to effectively combat financial crime:

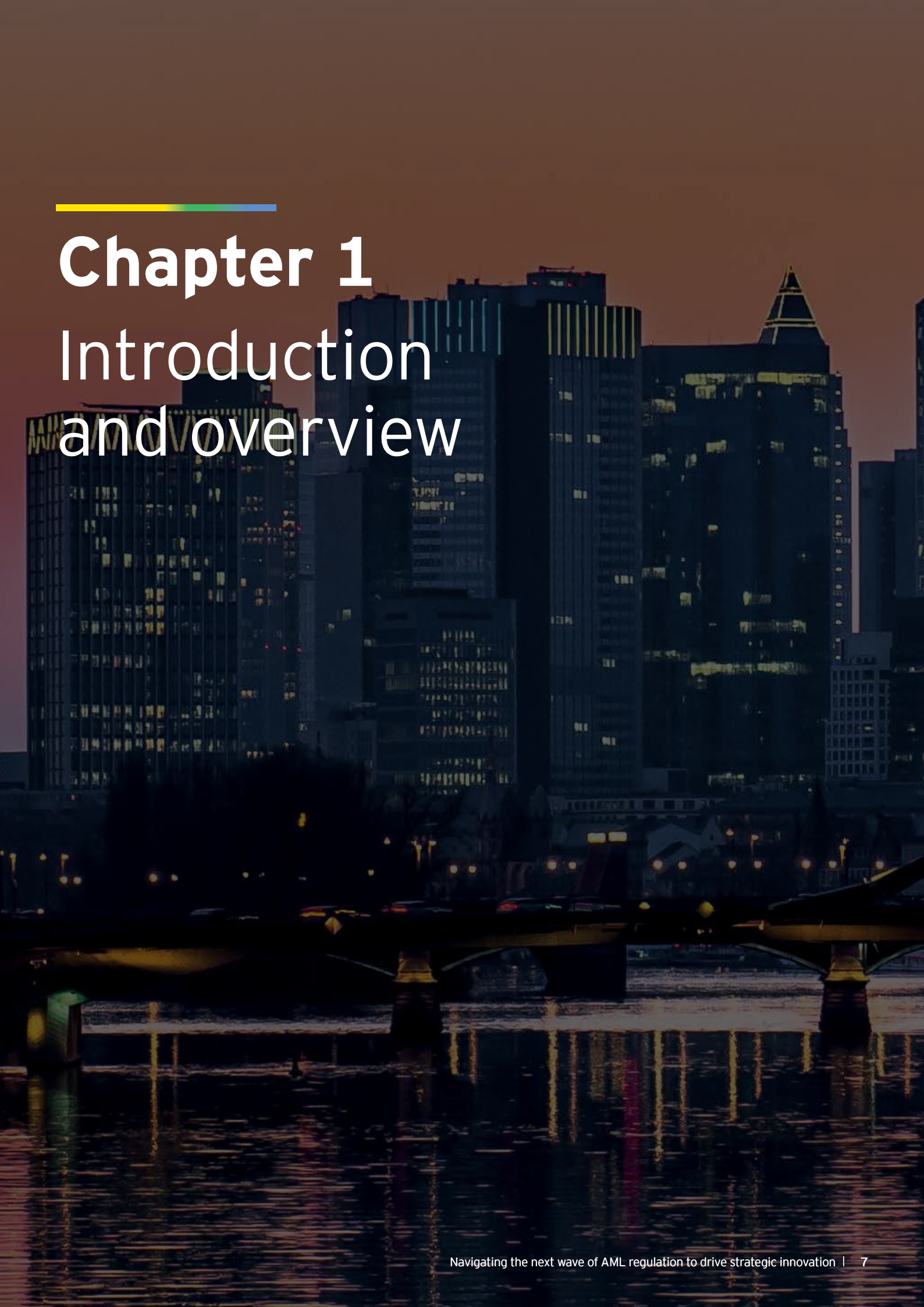
- 1. Integrated approach to combat financial crime:** To effectively combat financial crime, AML must be an integral part of a country's overall strategy. This holistic approach helps ensure all relevant sectors work together, leveraging resources and information to create a unified front against illicit activities.
- 2. Proactive engagement with AMLA:** FIs should actively engage with AMLA to foster a unified and robust approach to AML compliance. This includes participating in consultations, providing constructive feedback on regulatory developments, and collaborating on best practices to help enhance the overall effectiveness of AML efforts.
- 3. Strategic investment in technology:** Institutions can prioritize significant investments in advanced technologies that bolster their AML capabilities. By adopting innovative solutions, including real-time cross-border and cross-institution monitoring through advanced AI tools, FIs may dramatically improve their ability to detect and prevent financial crimes, turning compliance into a competitive advantage.
- 4. Balancing compliance with innovation:** Regulatory bodies need to make strategic adjustments in specific areas to promote operational efficiency without compromising security. This includes revising privacy and data protection laws to facilitate effective crime prevention. Additionally, the mass reporting requirements for FIs can be replaced with more efficient data delivery methods. Sanctions may focus on enhancing data quality and timeliness rather than imposing delays that hinder the recovery of illicitly gained funds. A balanced approach will help institutions to navigate compliance requirements while simultaneously fostering innovation and helping enhance their crime-fighting capabilities.
- 5. Comprehensive training and education:** Interested parties should prioritize comprehensive training and education programs to help ensure employees possess the necessary knowledge and skills to comply with AML regulations effectively. Collaborating with academic institutions can enhance the development of specialized training programs, equipping staff to tackle emerging challenges in the financial crime landscape.

Conclusions

In conclusion, establishing AMLA represents a pivotal opportunity to strengthen AML measures across Europe. By centralizing regulatory oversight, AMLA can address the challenges posed by fragmented compliance practices and help enhance the overall effectiveness of the AML framework. The recommendations outlined in this publication emphasize the importance of collaboration, technological innovation and a balanced regulatory approach.

Interested parties who embrace the opportunities AMLA presents, will contribute to a more secure financial environment that benefits society. The collective efforts of all interested parties is essential to combating financial crime and helping ensure a resilient, trustworthy financial system.





Chapter 1

Introduction and overview

Overview

This detailed, survey-based examination of AMLA uncovers how market participants view its objectives, current standing and operational framework, providing a comprehensive understanding of its role in the AML ecosystem.

The conclusions of this study are based on qualitative interviews with a diverse mix of participants ranging from local and international banks, insurers, neobanks, fintech companies, PSPs, European and governmental institutions, academic institutions, and key players in tech and financial crime. These insights are complemented by quantitative data and an analysis of the existing ecosystems.

Benchmarking efforts identify the success factors of a thriving AML framework, comparing best practices from various sectors and analyzing the AML ecosystem of one of the leading financial centers of continental Europe, Frankfurt, in relation to these standards. While regulatory oversight plays a crucial role in combating illicit financial activities, the study also examines the potential of strategic adjustments in specific areas to help enhance efficiency without compromising security, effectively combining compliance requirements with innovative approaches. For instance, Frankfurt should leverage the establishment of regulatory sandboxes to enable FIs and startups to develop and test new technologies and business models in a lighter-touch regulatory environment. Our conclusion synthesizes the analysis, highlighting value-creation opportunities and offering targeted recommendations for stakeholders in government, academia, industry and the startup ecosystem.

The publication is a call to action, urging a collaborative approach to strengthen AML measures and take advantage of the opportunities that arise from a well-regulated financial environment. Beyond the financial sector, the societal impacts of money laundering are also being considered, emphasizing its far-reaching consequences, including economic distortions and erosion of public trust in institutions. Addressing these broader implications requires a multi-stakeholder response, helping ensure AML strategies meet compliance objectives while benefiting society.

Importance of financial crime and AML

To help enhance the effectiveness of AMLA, it is essential to consider a coordinated approach that involves politics, academia and firms.

- **Politics** – It is crucial to attract skilled international workers to support AMLA. To help enable the smooth movement of skilled workers to AMLA, it is important to consider streamlined visa processes for obtaining work permits and establish a fast track for skilled migrants wishing to work in Frankfurt. Encouraging overall migration into Germany from across EU Member States can be facilitated by creating supportive policies that foster collaboration among the State of Hessen, the German government, and the EU. One suggestion would be to simplify the residence permit application process to attract and retain talent more effectively.
- **Academia** – The academic sector plays a vital role in realizing the full potential of AMLA. The university offerings need to be improved by expanding the range of study programs related to AMLA and financial crime. Special emphasis should be placed on promoting the establishment or expansion of international schools to attract workers and their families from non-German-speaking countries. Additionally, institutions like the House of Finance at Frankfurt University should be encouraged to connect and develop groups and events focused on AML topics, fostering collaboration and knowledge sharing in this critical domain.
- **Firms and entities** – It is imperative for firms and entities to prepare for the future of anti-financial crime by being open to new opportunities and helping ensure they have the necessary resources. This proactive approach will help enable them to adapt to the evolving landscape of AMLA and contribute effectively to its implementation.

Why is it gaining importance?

In 2024, the global financial landscape is marked by an intense focus on combating financial crime, a priority that has risen to the top of the international agenda. This is driven by the far-reaching consequences of AML crimes, which significantly hinder economic prosperity. These crimes erode the integrity of financial markets, distort economic data, reduce tax revenues and divert resources from essential development. These crimes fuel corruption, undermine the rule of law, destabilize governments and create obstacles for legitimate businesses to compete fairly.

In response to these risks, regulators worldwide are increasing scrutiny and imposing stricter compliance requirements on FIs. While these measures are punitive to deter non-compliance, they also signal the need for institutions to strengthen AML controls. However, the soaring costs of compliance raise concerns within the industry about whether AMLA's approach will balance rigorous enforcement and practical support that fosters innovation.

The evasion of targeted financial sanctions remains a pressing challenge. These sanctions, critical tools in addressing security threats, are constantly undermined by sophisticated evasion tactics. Criminals exploit legal and technological loopholes to continue their operations undetected. Adding to the complexity, the digital revolution has expanded the scope of financial crime, with cryptocurrencies and instant online transactions making it easier to launder money anonymously and transfer funds across borders.

Launderers are not just exploiting new financial instruments. They are leveraging cutting-edge technologies such as AI and machine learning to create advanced schemes that evade traditional detection methods. FIs face increasing pressure to deploy advanced technological solutions to keep pace. Compounding these challenges is the persistent lack of effective cooperation between national Financial Intelligence Units (FIUs), which undermines the global response to financial crime.

The growing attention to AML stems from its detrimental economic effects, the increasing complexity of financial crime in the digital era and the need for greater international coordination to counter these threats effectively.

How big is financial crime?

Financial crime in Europe has surged, with the European Public Prosecutor's Office (EPPO) reporting a 58% increase in investigations in 2023, uncovering damages estimated at €12.28 billion.¹ In 2023, an estimated \$3.1 trillion in criminal proceeds circulated through the global financial system.² Almost 70% of criminal networks operating in the EU make use of one form of money laundering or the other to fund their activities and conceal their assets and 80% of the criminal networks active in the EU misuse legal business structures for criminal activities.³

This rise is driven by stricter regulations and the growing complexity of illicit activities. FIs now navigate a complex landscape of compliance requirements, investing heavily in technology and expertise to combat the increasing volume and sophistication of financial crimes.

Financial crimes include money laundering, cybercrime, fraud and insider trading. The digital transformation, encompassing online banking and mobile payments, has introduced new vulnerabilities that criminals exploit. In particular, cryptocurrencies pose significant challenges for regulators due to their anonymity and global reach. In 2023, illicit addresses sent \$22.2 billion in cryptocurrency to various services, marking a 29.5% decrease from 2022, yet still representing a substantial risk.⁴

In response, institutions are adopting advanced technologies such as AI, machine learning, and big data analytics to detect and prevent financial crime. A survey revealed that 59% of firms anticipate a rise in financial crime, with 58% planning to hire additional staff to strengthen their defences.⁵

Authorities across Europe are strengthening their efforts to combat these illicit activities. For instance, in 2023, Eurojust handled over 4,000 cases of swindling and fraud, reflecting a 15% increase in new cases compared to 2022. Despite these efforts, the scale of financial crime remains vast, with global losses estimated at \$3.1 trillion in 2023.⁶

¹ EPPO Annual Report 2023/European Public Prosecutor's Office (2024)/ www.eppo.europa.eu (ISBN 978-92-95230-73-6). <https://doi.org/10.2927/205863>


² Nasdaq Verafin. (2024). 2024 Global Financial crime Report. Nasdaq. <https://www.nasdaq.com/global-financial-crime-report#download>

³ The Other Side of the Coin – An Analysis of Financial and Economic Crime (EN). pdf/Europol/2 February 2024/ <https://www.europol.europa.eu/publications-events/publications/other-side-of-coin-analysis-of-financial-and-economic-crime>

⁴ Crypto Crime 2024 Report: Part II./Trend Micro (2024)/https://www.trendmicro.com/en_us/research/24/g/crypto-crime-2024-report-part-ii.html?utm

⁵ Comply Advantage annual survey of 800 C-suite and senior compliance decision-makers across the US, Canada, UK, France, Germany, Netherlands, Singapore, Hong Kong, and Australia. <https://complyadvantage.com/>

⁶ The Cost of Financial Crime: Global Losses in 2023./Visual Capitalist. (2024)/ <https://elements.visualcapitalist.com/wp-content/uploads/2024/04/1711973384569.pdf?>

A woman with shoulder-length brown hair, wearing a long brown trench coat, black trousers, and white sneakers, stands with her back to the camera. She is holding a blue folder or tablet. She is positioned in front of a large window that offers a view of a city skyline with several skyscrapers. The floor is a light-colored, polished surface that reflects the light from the window. The overall atmosphere is professional and contemplative.

The surge in financial crimes has heightened the demand for specialized services such as forensic accounting, RegTech solutions and cybersecurity. Public-private partnerships (PPPs) are becoming increasingly vital, promoting collaboration between governments and FIs to dismantle criminal networks. The industry's investment trends underscore the critical importance of maintaining the financial system's integrity.

RegTech solutions play a central role in helping organizations comply with regulatory requirements. Notable examples include identity verification and management tools (e.g., know your customer (KYC)), regulatory reporting and case management platforms, and transaction monitoring and screening systems. Consequently, the RegTech industry has experienced significant growth, reflecting its critical role in safeguarding the financial system's integrity. In 2023, the global RegTech market was valued at approximately \$13 billion. Projections indicate that it will reach around \$85 billion by 2032, exhibiting a compound annual growth rate (CAGR) of 23% until this year.⁷

This level of investment demonstrates how vital advanced technological solutions are for compliance and combating financial crime.

Financial crime is vast and growing, reflecting the dual challenges of adapting to regulatory demands and countering increasingly sophisticated threats.

⁷ Fortune Business Insights. (2023, December). Regtech Market Size, Share, Trends & Growth Report [2032]. <https://www.fortunebusinessinsights.com/regtech-market-108305>

Trends

The evolving regulatory frameworks and the changing nature of illicit activities have helped shape financial crime. The 6AMLD has expanded the definition of financial crime, explicitly including offenses like human trafficking and environmental crimes. This broadened scope demands more detailed monitoring of financial transactions tied to these activities.

Efforts to help enhance transparency are also reshaping compliance processes. Identifying UBOs has become critical for tracking the individuals who control or benefit from involved legal entities. Similarly, the focus on politically exposed persons (PEPs) remains essential for mitigating risks tied to those in positions of influence. Regulators are also paying closer attention to qualifying holdings, as these can be used to facilitate illicit activities.

Cybercrime continues to evolve, presenting significant challenges for FIs. Criminals exploit vulnerabilities in digital infrastructure, conducting sophisticated attacks that compromise funds and data. These threats underscore the importance of accurate risk assessments at both national and EU levels. Institutions are increasingly reliant on advanced technologies to adapt to these challenges.

Enhanced cooperation between European bodies such as AMLA, Eurojust and Europol is central to strengthening the fight against financial crime. The anticipated lowering of the 25% threshold for beneficial ownership disclosure under Article 88 of the AML Regulation will mark a significant regulatory shift, further reducing opportunities for criminals to operate.

Likewise, there will be an increased need for public-private partnerships (PPPs) due to the importance of information sharing. Article 75 of the new EU AML package introduces a framework for such partnerships, although it is noted that the effectiveness of this framework remains to be seen. The approach taken by the EU is described as a middle course, which requires supervisory approval for partnerships and emphasizes the need for data protection considerations.

In summary, the trends in 2024 reflected a proactive approach to combating financial crime, with a strong emphasis on regulatory evolution, transparency, and collaboration to address the increasingly sophisticated methods employed by criminals.

AML regulatory framework – key features

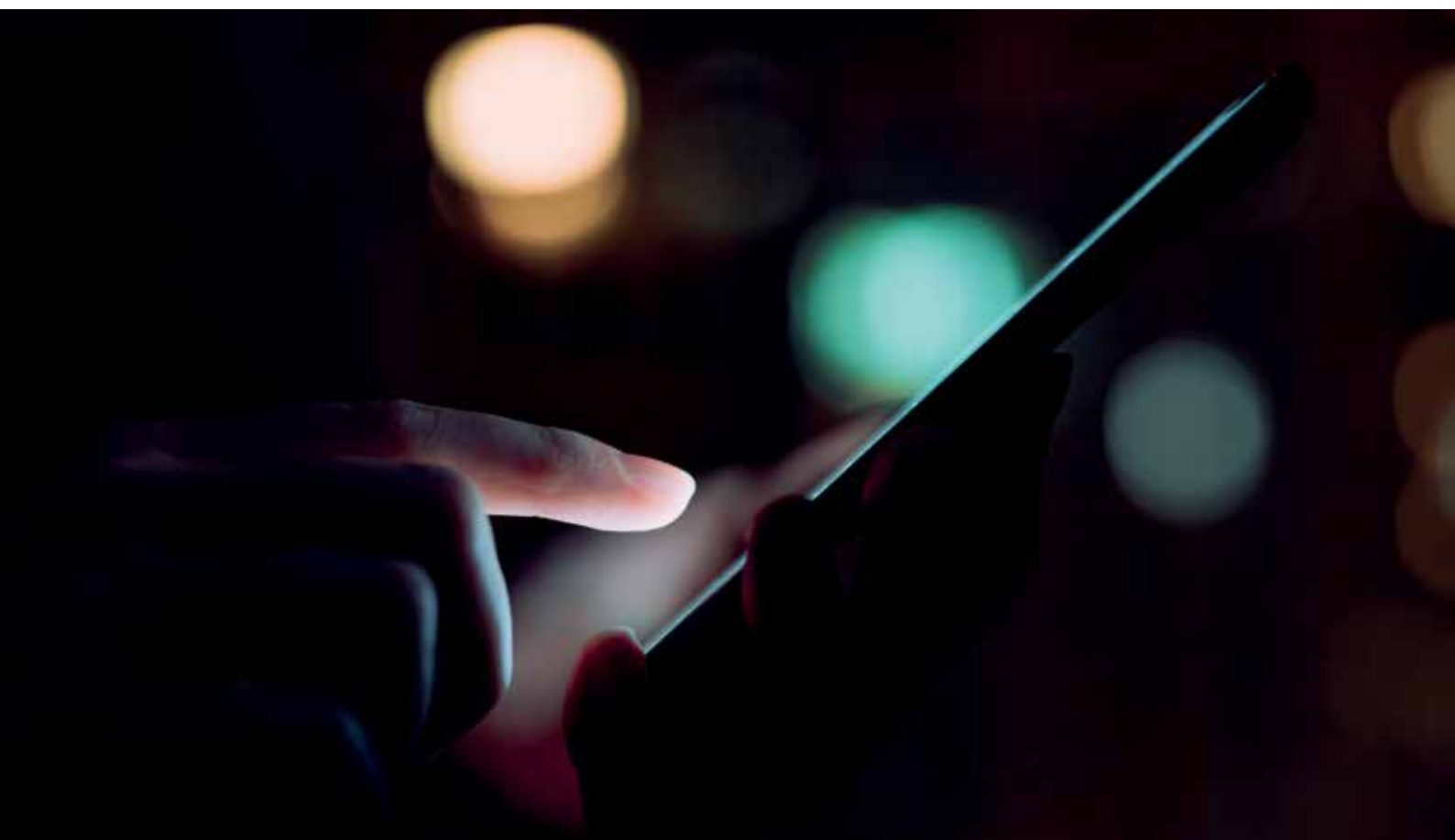
In July 2024, the EU introduced a comprehensive framework of anti-money laundering and combating the financing of terrorism (AML/CFT) regulations and directives, marking a significant step forward in the fight against financial crime. This set of legislations has been named the EU AML/CFT Single Rulebook.

Directive (EU) 2024/1640, known as the Sixth Anti-Money Laundering Directive (6AMLD), requires Member States to implement systems to prevent the misuse of the financial system for money laundering or terrorist financing. It emphasizes enhanced due diligence, extends the list of predicate offenses, and reinforces cooperation between national authorities.

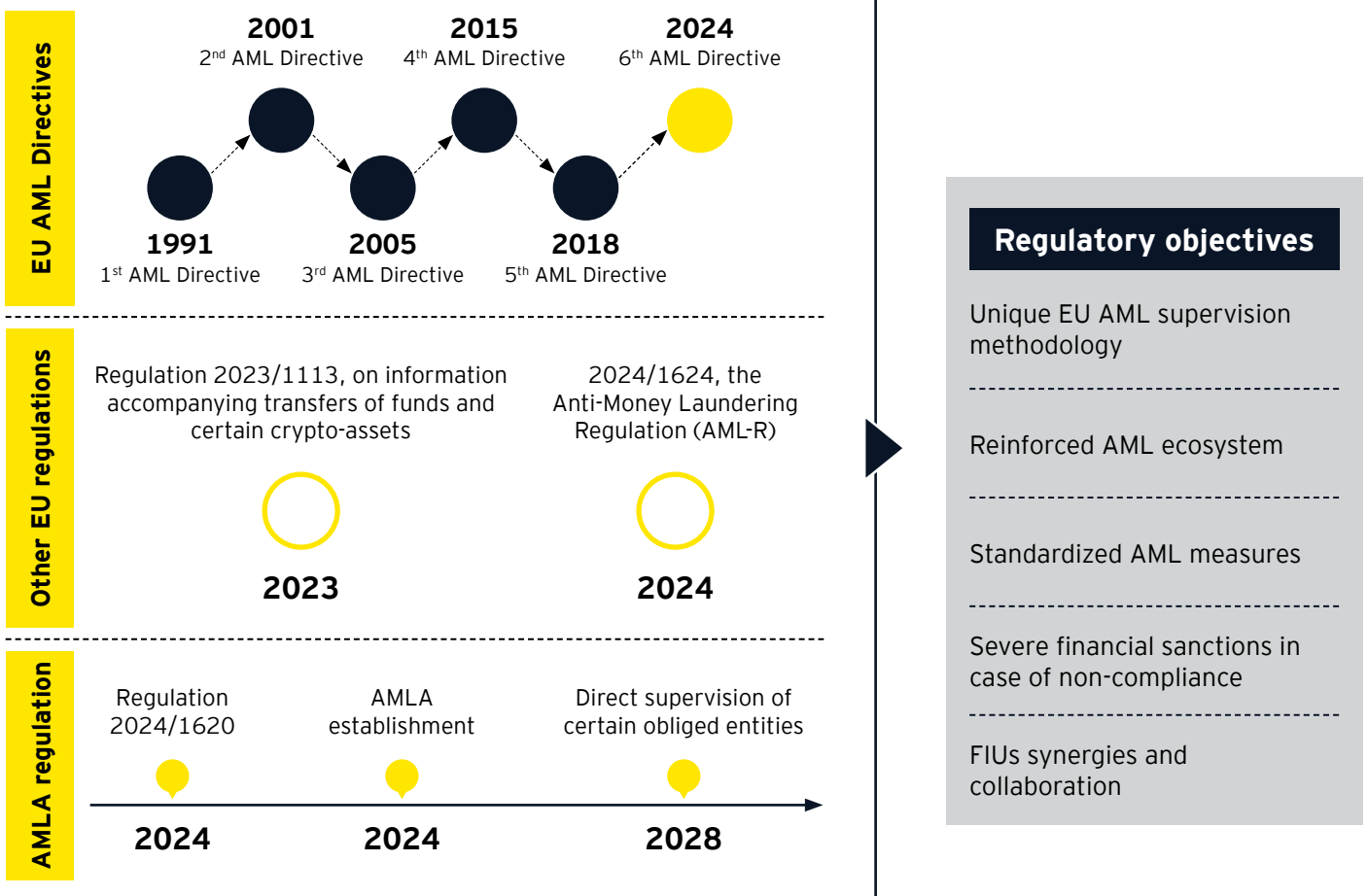
Accompanying the 6AMLD, **Regulation (EU) 2024/1620**, also referred to as the AMLA Regulation, establishes a centralized EU authority to coordinate national efforts and help ensure uniform application of AML/CFT rules across Member States. This aims to close gaps in enforcement and strengthen the EU's overall AML/CFT framework.

Additionally, **Regulation (EU) 2024/1624**, the Anti-Money Laundering Regulation (AMLR), introduces a harmonized set of rules that apply directly to all EU Member States, reducing inconsistencies and clarifying regulatory expectations for financial entities. It seeks to help enhance transparency and improve the detection of suspicious transactions.

Lastly, **Regulation (EU) 2023/1113** on information accompanying transfers of funds and certain crypto assets addresses the challenges posed by the digital transformation of finance. It sets out clear requirements for information that must accompany transfers of funds and certain crypto assets, aiming to prevent anonymity in transactions that could facilitate financial crime.



EU AML/CFT regulatory framework



These legislative instruments highlight critical regulatory challenges that must be addressed to help ensure effective implementation and enforcement. Frankfurt, as AMLA's host city, has the unique opportunity to be the center of solutions for these issues at a continental level. By leveraging its financial expertise, institutional presence, and regulatory infrastructure, Frankfurt can help build an ecosystem that supports Europe's efforts to refine and operationalize these regulations, fostering a more robust and cohesive AML framework across the EU.

These legislative instruments represent a concerted effort to strengthen the EU's defenses against money laundering and terrorist financing, helping ensure a more secure and transparent financial environment.

AMLA set up

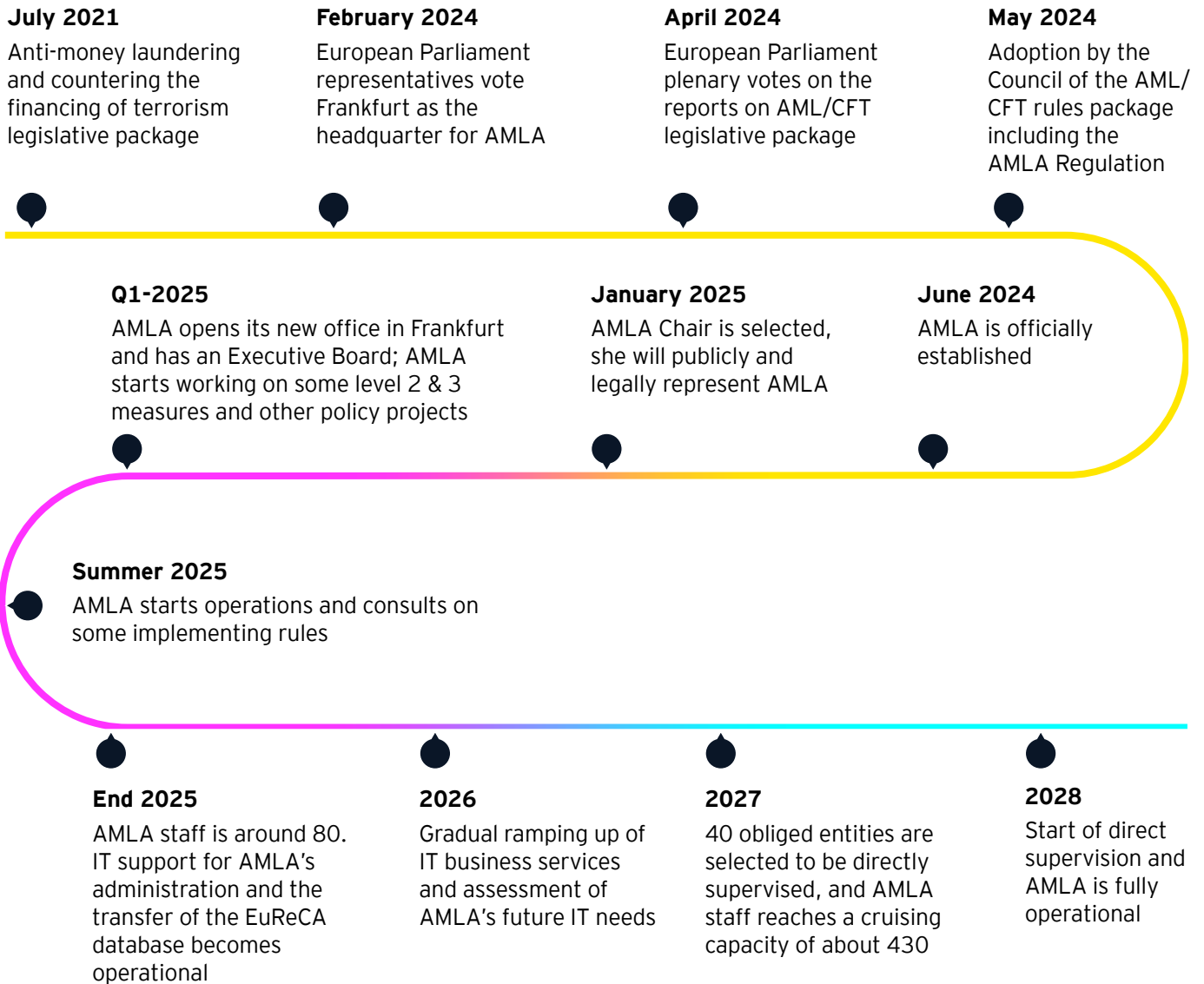
AMLA regulation represents a major overhaul of the EU's approach to combating money laundering and terrorist financing. This regulation is part of a broader set of measures aimed at fortifying the EU's financial integrity and creating a more resilient and unified legal framework. With the establishment of AMLA, the EU is taking a decisive step towards centralizing and helping enhance the supervision of AML/CFT activities across Member States. This regulatory shift is designed to address longstanding issues of fragmented enforcement, uneven application of rules, and gaps in the existing AML/CFT regime.

Why was AMLA established?

The establishment of AMLA responds to years of systemic challenges that undermined the EU's fight against money laundering. Previous directives and regulations left gaps due to their decentralized nature. Each Member State maintained its supervisory regime, resulting in discrepancies in the interpretation and enforcement of AML rules. These discrepancies were most apparent in cross-border financial activities, where the absence of consistent oversight facilitated the movement of illicit funds.

Several high-profile cases of financial crime, including money laundering scandals involving major EU-based banks, highlighted the pressing need for a more integrated approach. Moreover, the growing sophistication of money laundering networks and the emergence of new technologies such as cryptocurrencies demanded a centralized authority capable of responding swiftly and effectively to emerging threats. AMLA's mandate directly addresses these concerns, helping ensure that financial entities, particularly those operating across borders, adhere to a uniform standard of compliance. AMLA will primarily apply to major FIs; however, it is anticipated that it will also contribute to harmonizing standards for FIs and market participants not directly covered by AMLA.

AMLA timeline



AMLA's role and objectives

AMLA is envisioned as the cornerstone of the EU's reformed AML/CFT framework, with a wide-ranging mandate designed to bolster the fight against financial crime. Its establishment is rooted in several key objectives:

- 1. Centralized supervision:** AMLA will directly oversee certain high-risk financial entities, particularly those with significant cross-border activities. By assuming this role, it eliminates the patchwork of national-level enforcement, replacing it with a consistent, EU-wide approach.
- 2. Harmonization of standards:** One of AMLA's primary functions is to help ensure the uniform application of AML/CFT regulations across all Member States. This harmonization will close loopholes created by national differences in rule interpretation and enforcement.
- 3. Enhanced collaboration and coordination:** AMLA will act as a hub for information sharing, connecting national FIUs and facilitating joint analyses. This collaboration is critical for identifying and addressing cross-border risks in real time.
- 4. Strengthening transparency:** AMLA's work will include maintaining a comprehensive database of UBOs. By enhancing the transparency of ownership structures, AMLA seeks to prevent the misuse of corporate vehicles for money laundering.
- 5. Expanding AML/CFT scope:** AMLA extends its remit to non-financial sectors, including real estate, legal professions and high-value goods merchants. These industries, often targeted by money launderers, will now face stricter compliance requirements.

1

Responsibility for **supervising directly** the highest risk financial entities as well as indirect supervision of other financial and non-financial sector firms

2

Responsibility for **FIU coordination and support** including joint analysis, information exchange, data analytics and information hosting

3

Responsibility for **regulations, implementing technical standards** and issuing guidelines

As one of the three most significant AML regulatory bodies worldwide, AMLA's role extends beyond the EU, with the potential to shape global AML/CFT standards and establish itself as a leading authority in the prevention of financial crime. This influence presents Frankfurt with a unique opportunity to contribute to the development of global AML policies while reinforcing its status as a prominent financial hub.

Selected obliged subjects

According to the information available at this point, 40 obliged entities will be selected to be directly supervised by AMLA by 2027.⁸ However, the selection criteria for these entities still remain partially undefined, though it is understood they will be based on specific factors in keeping with the Regulation (EU) 2024/1620:

- Financial sector obliged entities that are active in at least six Member States and have a high residual risk profile, as determined by the level two methodology to be developed by the Authority, will be chosen for ongoing direct supervision.
- This selection will be grounded on objective criteria focused on risk categorization and cross-border activity.
- The list of supervised entities will undergo a periodic review every three years. To help ensure fair and consistent selection, the methodology for risk categorization by national supervisors will be standardized before the initial selection.
- AMLA will conduct the first selection using this harmonized methodology in 2027, with the transition to EU-level supervision for the selected entities commencing in 2028.

The European Banking Authority (EBA) recently published a consultation paper on draft regulatory technical standards (RTS) under Article 12(7) of Regulation (EU) 2024/1620 (AMLAR) to develop a draft RTS on the risk assessment for the purpose of selection for direct supervision.

Additionally, AMLA may request a Commission decision to temporarily place a financial sector obliged entity under its direct supervision, regardless of the criteria above. This could occur if there is evidence that an entity is systematically failing to comply with AML/CFT requirements and there is a significant risk of money laundering or terrorist financing (ML/TF) that may materialize if the national supervisor cannot act swiftly and effectively as recommended by the Authority.

In exceptional circumstances, a national supervisor may also request AMLA to assume direct supervision of an obliged entity to address a heightened ML/TF risk or compliance failures at the Union level. AMLA will evaluate the situation to determine if the conditions justify transferring supervision and may agree to take on direct supervision for a limited time.

The supervision of directly supervised obliged entities will be conducted by Joint Supervisory Teams led by staff from the Authority and including personnel from the relevant national supervisors. This collaborative model is inspired by the working methods of the EU Single Supervisory Mechanism for the prudential supervision of banks, helping ensure a cohesive and effective supervisory strategy.

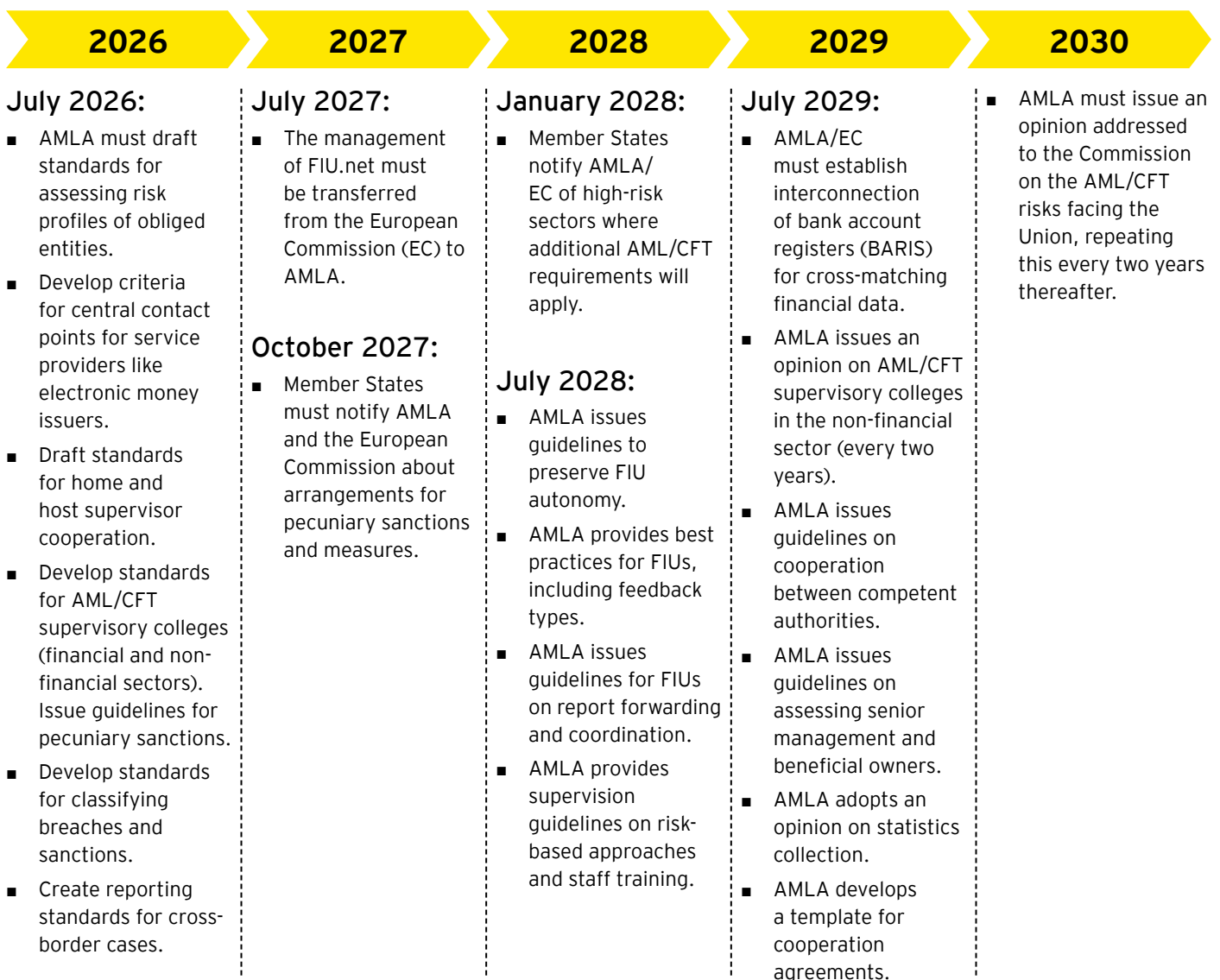
⁸ AMLA setup steps/European Commission (2024) | https://finance.ec.europa.eu/financial-crime/aml/about-aml_en#aml-setup-steps

AMLA's next steps

AMLA has several important regulatory and implementing standards to work on as part of its role in the EU's fight against ML/TF. A primary focus will be the development of harmonized RTS and implementing technical standards (ITS) to help ensure that supervision of financial and non-financial sectors is consistent across Member States. These standards will aim to help ensure uniform application of AML/CFT rules and to reduce divergences in national legislation and supervisory practices. AMLA will be entrusted with creating these technical standards to complement the AML/CFT framework under Regulation (EU) 2023/1113, AML-R, and 6AMLD, which are the cornerstones of the EU's legal framework in this domain.

In accordance with its mandate, AMLA will develop technical standards addressing multiple facets of supervision, including the implementation of AML/CFT requirements by FIs, group-wide compliance, and the harmonization of supervisory practices. These standards will be critical for helping ensure both Member State and Union-level supervisors adopt a unified approach to managing ML/TF risks. Furthermore, AMLA will have to develop guidelines, recommendations and opinions to help ensure consistency in supervisory methodologies, considering risk-based approaches that apply harmonized quantitative benchmarks and allow for comparability of risk profiles of obliged entities.

Proposed timeline of AMLA developments



Source: AMLA website – www.amla.europa.eu

AMLA is also expected to play a key role in developing the centralized database (fiu.net) to collect and analyze AML/CFT-related data from supervisory authorities across the EU. It will establish the framework for this database, including technical standards on format, procedures and timelines for data transmission. AMLA will help ensure that supervisors across the Union can effectively assess risks, monitor compliance and respond to emerging threats using this database.

To support this task, AMLA will develop Level 2 and 3 regulations around transaction monitoring, focusing on risk factors, ongoing monitoring of business relationship and transactions, and indicators of suspicious activity behaviours.

In addition, AMLA will:

- Work on creating supervisory tools and platforms, such as structured questionnaires and data requests, facilitating interaction between supervisors and obliged entities while reducing duplicative reporting requirements. This is intended to make AML/CFT supervision more streamlined and efficient. Moreover, AMLA's regulatory standards will extend to the non-financial sector, helping ensure the application of AML/CFT rules by non-financial supervisors, including self-regulatory bodies.
- Issue guidelines to promote supervisory convergence across the EU, focusing on supervising high-risk entities and sanctions for non-compliance. The standards will improve risk assessment methodologies, considering inherent and residual risks. AMLA will also set standards for information exchange and joint cross-border ML/TF risk analyses.
- Set supervisory standards for joint teams in cross-border cases, directly supervising high-risk entities with a detailed methodology covering governance, internal controls and risk management frameworks.
- Propose standards for joint analysis and support mechanisms for complex cross-border cases and measures to improve FIU.net for better cooperation and information sharing in FIU interactions.
- In summary, AMLA will draft comprehensive regulatory and implementing standards to harmonize AML/CFT supervision across the EU, helping ensure compliance and mitigating financial crime risks.

Challenges of the new AML/CFT regulatory package for obliged subjects

Regulation 2024/1620 increases compliance burdens, particularly for smaller entities. Smaller entities may lack resources and expertise to fully comply. Investments required:

- More sophisticated AML/CFT systems
- Enhanced transaction monitoring systems
- Improved customer due diligence (CDD) procedures
- Better employee training

Obliged subjects must adopt a risk-based approach to AML/CFT compliance. Entities must assess specific risks and tailor their controls accordingly. A risk-based approach helps ensure efficient resource allocation focusing on areas of highest risk. Accurate risk assessment and management are challenging given the complex and evolving nature of money laundering threats.

Another challenge for obliged subjects is the increased scrutiny and potential penalties they face under the new regulation. The AMLA and national authorities are granted significant powers to impose sanctions on entities that fail to comply with AML/CFT obligations. These sanctions can include substantial fines, restrictions on business activities, and even the revocation of operating licenses in severe cases. This heightened enforcement environment creates a strong incentive for obliged subjects to prioritize AML/CFT compliance, but it also increases the potential costs and risks associated with non-compliance. For smaller entities, the threat of large fines or other sanctions can be particularly daunting, as it may threaten their financial stability.

In addition to these compliance challenges, obliged subjects must also navigate the practical difficulties of implementing the regulation's requirements in a rapidly changing technological landscape. The rise of digital finance, including cryptocurrencies and other virtual assets, presents new challenges for AML/CFT compliance. Regulation 2024/1620 addresses these challenges by imposing specific obligations on virtual asset service providers (VASPs), requiring them to implement robust AML/CFT measures and cooperate with authorities to monitor and report suspicious activities. However, the fast pace of technological innovation means that obliged subjects must continuously update their systems and practices to keep pace with emerging threats. This requires significant investment in technology and ongoing education and training for employees to help ensure they are aware of the latest developments in AML/CFT risks and regulations.

Expectations for obliged subjects under Regulation 2024/1620 are high. They are expected to take a proactive and comprehensive approach to AML/CFT compliance, going beyond mere tick-box exercises to genuinely embed AML/CFT considerations into their business practices. This includes fostering a culture of compliance within their organizations, where employees at all levels understand the importance of AML/CFT measures and are committed to implementing them effectively. Obligated subjects are also expected to cooperate closely with AMLA and national authorities, providing timely and accurate information on suspicious activities and working collaboratively to address emerging threats.

The regulation also emphasizes the importance of international cooperation in the fight against money laundering and terrorist financing. Obligated subjects that operate across borders are expected to help ensure their AML/CFT controls are consistent and effective in all jurisdictions where they operate, even in cases where local regulations may be less stringent than those of the EU. This requires a deep understanding of the global AML/CFT landscape and the ability to adapt compliance practices to different regulatory environments. AMLA is expected to play a key role in facilitating this international cooperation, working with counterpart authorities in other countries to help ensure global AML/CFT efforts are coordinated and effective.

One of the key expectations for obliged subjects under Regulation 2024/1620 is the implementation of effective internal controls and governance structures to support AML/CFT compliance. This includes appointing a compliance officer with sufficient authority and resources to oversee AML/CFT efforts, and establishing clear policies and procedures for identifying, assessing and mitigating money laundering risks. Obligated subjects are also expected to regularly review and update their AML/CFT controls to help ensure they remain effective in light of changing risks and regulatory requirements. This requires a commitment to continuous improvement and a willingness to invest in the necessary resources to maintain a robust AML/CFT framework.

Scope and methodology of the study

This section outlines the scope and methodology for the in-depth study on the evolving AML landscape and AMLA. The study aimed to explore the emerging AML ecosystems that will be shaped by AMLA's introduction, as well as the challenges and opportunities these changes present for various stakeholders within the EU.

The study incorporated research, insights from EY AML professionals and structured interviews with key entities, including traditional FIs, neobanks, PSPs, international and local technology providers, government entities and European institutions.

Scope

The scope of this study is broad, covering a wide spectrum of entities directly or indirectly impacted by AMLA's regulatory and supervisory activities. We examine how AMLA's centralized oversight role is transforming the AML compliance landscape, particularly in terms of harmonizing regulations, helping enhance transparency and imposing stricter due diligence and reporting obligations. The study also delves into the specific challenges these entities face as they adapt to AMLA's regulatory framework, including increased compliance costs, the need for advanced technological solutions and the pressures of maintaining consistent standards across different jurisdictions. The study also covers potential benefits and opportunities associated with establishing AMLA.

Methodology

Research methodology and purpose – We designed the survey to identify the main challenges and expectations of (1) financial services players, (2) universities, (3) government bodies, European institutions and (4) technology players regarding establishing AMLA. There were both general and specific questions to capture different expectations regarding the impact and opportunities related to implementing AMLA and the new AML/CFT regulatory package associated with AMLA.

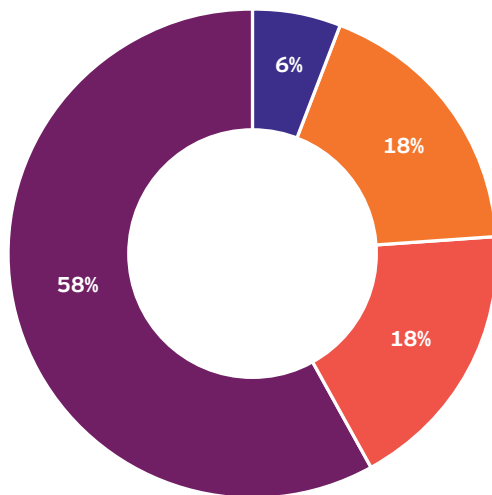
In addition to surveys, the research incorporates insights from AML professionals across Europe, drawing on experience from EY professionals in the field. We conducted interviews to uncover both strategic and operational challenges faced by the interviewees, as well as their expectations and concerns regarding the future of AML compliance under AMLA. These interviews serve as the cornerstone of the research, providing firsthand insights from a diverse range of stakeholders.

Participant selection – We selected participants based on their experience and involvement in areas relevant to AMLA's scope and impact. Participants represented:

- Financial services players (banks, insurance companies, PSPs, asset managers)
- Universities (public and private)
- Government bodies and European institutions (incl. FIUs, regulators, industry associations)
- Technology players (RegTechs and FinTech)

We conducted this study with Frankfurt Main Finance, interviewing approximately 50 senior professionals from around 40 traditional banks, neobanks, PSPs, insurers, technology companies, government institutions and universities across 10 jurisdictions.

Interviewees by type of organization



- Financial institutions
- Academic institutions
- Government/EU institutions
- Technology companies

For a thorough analysis, we selected a balanced group of interviewees from different types of entities and jurisdictions. This helped enable us to capture a wide range of perspectives, from large multinational FIs to smaller regional players.

Data collection and survey structure – The survey was conducted anonymously to ensure candid responses. Therefore, no references to specific entities or individuals are made in the study.

We tailored the questionnaires to each target group. Most interviews took place through phone conversations, with a few interviewees completing the questionnaire online via a survey link. We divided surveys into sections tailored to the specific needs of each target group:

1. Expected impact of AMLA’s oversight and enforcement.
2. Talent requirements and availability
3. Regulation, screening and sanctions
4. Economic conditions
5. Technology trends
6. Capital or investors*
7. Incentives*

*These sections were included only for Germany-based participants.



Chapter 2

AMLA in focus: analyzing stakeholder perspectives and expectations

Our analysis of survey data provides insights into the anticipated impact and expectations surrounding the establishment of the new EU Anti-Money Laundering Authority (AMLA).

This chapter integrates thematic analysis of open-ended responses with empirical analysis of closed-ended questions, offering a detailed overview that highlights both qualitative and quantitative insights into the challenges and opportunities arising from AMLA's establishment.

The promise of AMLA

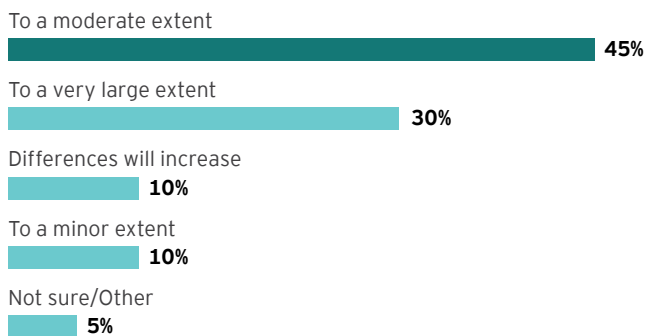
Industry professionals see AMLA as a significant advancement in combating financial crime, offering benefits like regulatory clarity, operational efficiency, improved risk management and deeper collaboration.

Industry professionals generally view the establishment of AMLA as a positive and transformative step. From our interviews, we identified seven major positive priorities:

1. Levelling the playing field

AMLA has the potential to reduce divergence between Member States, benefiting supervised entities across the EU both directly and indirectly. It must take the opportunity to enforce minimum standards and replace the “patchwork” of country-specific regulations with a unified framework, addressing longstanding discrepancies and eliminating gaps that bad actors exploit.

Do you expect AMLA's establishment will create a level playing field in terms of penalties and regulator communications of non-compliance/findings?



- Interview insights reveal that while 45% of respondents believe AMLA will create a level playing field in terms penalties and regulatory communications, its impact will be slow and largely confined to EU-based entities.
- Some interviewees noted existing coordination mechanisms under AMLA, such as supervisory colleges and peer reviews, which are expected to contribute to the level playing field.

2. Bringing regulatory clarity

Interviewees strongly support AMLA's potential to standardize and harmonize AML/CFT measures throughout Europe. They see this as an opportunity to create consistent regulations that minimizes discrepancies in enforcement practices among EU Member States. For organizations with branches in multiple countries, this consistency is expected to simplify compliance processes and reduce operational complexities.

To achieve meaningful harmonization, clear and detailed guidance from AMLA is essential. It should help enhance consistency and clarity by establishing a standardized and robust AML framework. Respondents highlighted the need for clear guidance, including standardized compliance protocols, reporting formats and enforcement criteria. This would help entities understand expectations and implement measures seamlessly across the EU.

3. Increasing operational efficiency

AMLA should help firms, especially those operating across the EU, by simplifying compliance processes and reducing operational complexities. Larger firms anticipate being able to leverage standardized procedures and technologies to streamline operations. One senior executive said, “As a bank working across borders, this will be a huge help because it will allow us to make our operations much more standardized across the board, increasing efficiency.”

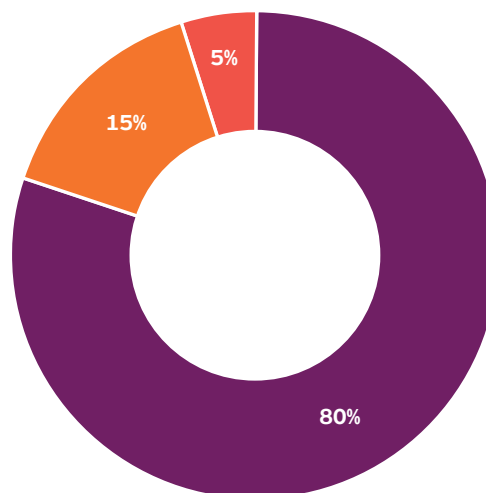
For firms directly supervised by AMLA, the single point of oversight, alongside joint supervisory teams, is expected to streamline communication and collaboration, easing the compliance burden.

Organizations may also benefit from wider transformation and innovation as they adapt their processes to meet AMLA’s evolving requirements. Interviewees said timely and practical support from AMLA would be crucial in addressing technical concerns and maintaining transparent communication channels.

4. Improving risk management

AMLA should improve risk management practices through a more coordinated and consistent approach to supervision. This includes better communication with supervisors and more fluid interaction with other regulators. Around 80% of interviewees said the new regulatory package would make Member States’ FIUs more effective.

Will new powers in the regulatory package make FIUs more effective?



- Yes, additional powers will make them more effective
- Neutral, don't see any major change in effectiveness
- Not sure/no opinion

Respondents also expect AMLA to adopt a risk-based approach and systematic flexibility, which will help organizations better manage AML/CFT risks. By maintaining a comprehensive database of UBOs and promoting transparency in ownership structures, AMLA aims to prevent the misuse of corporate vehicles for money laundering, thereby strengthening risk management across the EU.

AMLA has the potential to lead the creation of a unified European transaction monitoring infrastructure. This system could greatly enhance the efficiency and precision of suspicious transaction reporting throughout the EU, while also facilitating the sharing of information among banks to establish a comprehensive pool of suspicious transaction schemes and counterparties.

5. Enhancing regulatory dialogue

AMLA should promote constructive dialogue between regulators and organizations. Interviewees emphasized the need for AMLA to develop RTS aligned with leading market practices and to focus on operational execution. To improve interactions with regulators and obligated entities, they suggested using structured questionnaires, data requests and joint supervisory teams. Additionally, AMLA should identify trends across different segments to create a more consistent and coordinated supervisory approach.

The establishment of AMLA is expected to transform how organizations engage with oversight regulators and FIUs, potentially altering reporting obligations and regulatory dynamics. Some respondents expressed uncertainty about these changes, while others noted that local regulators might tighten their frameworks in anticipation of AMLA's oversight.

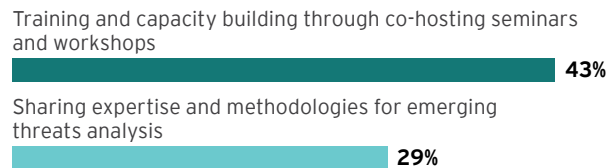
Effective coordination with national regulators and FIUs is crucial for AMLA's success. Respondents stressed the importance of close collaboration to help ensure a cohesive AML/CFT enforcement approach. Open communication and a willingness to engage with the industry are essential; AMLA should guide and educate rather than merely supervise, fostering a collaborative environment.

Furthermore, FIUs will face increased workloads regarding information sharing, as they must adapt to new regulations and update their tools and platforms accordingly.

6. Developing training and expertise

Interviewees see value in specialized education and training for professionals. They said existing initiatives in compliance governance and tax integrity should serve as valuable examples for AMLA. They identified universities as key players in creating training programs and certification courses in collaboration with AMLA, FIUs and obliged entities. Interviewees also value AMLA's future role in raising public awareness about anti-financial crime measures. Seventy-five percent of academic institutions highlighted their own potential to host training seminars and workshops and share expertise in emerging threat analysis.

Where academic institutions see the most potential for collaboration with AMLA





7. Creating a more data-led supervision approach

To help enhance cross-border AML/CFT operations, interviewees emphasized that AMLA must leverage technology and data analytics. Centralized data collection and analysis will improve coordination between AMLA, national regulators and FIUs, helping enable swift identification of cross-border risks and effective responses to emerging threats. AMLA's supervision model incorporates advanced data analytics, AI and machine learning to detect crime as it happens. By maintaining a comprehensive database of UBOs and promoting transparency in ownership structures, AMLA aims to strengthen data-driven oversight and prevent the misuse of corporate vehicles for money laundering.

Despite significant investments, the recovery rate of illicit financial flows in the EU remains low, harming the economy and society. A major obstacle is the siloed, nationally focused information-sharing methods that criminals exploit, as they operate across borders and benefit from limited collaboration. The newly established AMLA seeks to create a harmonized, analytics-based strategy to help enhance cooperation among national regulators and FIUs through structured data requests and identifying common trends.

Fostering collaboration and establishing a clear framework for data sharing through PPPs is essential. Successful examples of such partnerships, like the UK's Joint Money Laundering Intelligence Taskforce (JMLIT) and Singapore's Collaborative Sharing of (ML/TF) Information & Cases (COSMIC) platform, demonstrate the effectiveness of collaboration in tackling financial crime. The EU's latest AML package, particularly Article 75 of Regulation (EU) 2024/1624, represents a significant advancement in enhancing cross-sector and cross-border information sharing through dedicated PPPs. Government institutions must lead the implementation of a practical and efficient framework that supports all stakeholders in achieving these goals.

As previously mentioned, AMLA will develop numerous Level 2 and 3 regulations around transaction monitoring to improve detection and recovery of illicit funds.

The challenges of AMLA

Overall, the study identified a strong commitment to the success of AMLA and its positive impacts. However, given that many decisions remain to be made and critical issues are at stake, there are also concerns at this preliminary stage. In this section, we present our insights regarding the outlook for AMLA, drawing on our qualitative research, interviews with senior professionals, and the collective experience of EY professionals and Frankfurt Main Finance.

Like any major transformation, the establishment of AMLA also presents challenges. Our interviewees expressed concerns about initial operational difficulties, resourcing issues and the application of new regulations.

The Head of financial crime Strategy and Reporting at one major bank explained that the challenge isn't regulatory change itself, which is constant, but rather the speed of change. "The key, as an organization, is to be flexible enough to tackle regulatory changes and adapt smoothly."

Overall, we identified seven main challenges posed by AMLA's creation, in three broad areas.

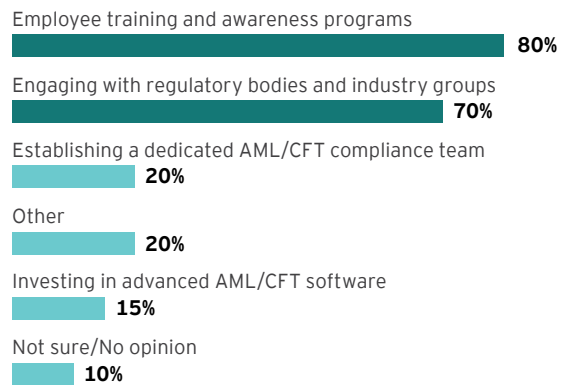
Initial challenges

Operational and transitional challenges

The transition to AMLA's oversight is expected to present significant operational challenges for organizations. Interviewees anticipate updating internal systems, data management practices, and compliance workflows. Adequate staff training on new AML/CFT measures will be crucial for a seamless transition.

Organizations must adapt their technical and operational processes to meet AMLA's requirements, including enhancing regulatory reporting systems and upgrading technology to align with evolving standards. Some businesses have already begun overhauling their workflows to comply with the AML package, highlighting the extensive preparations needed.

What steps is your organization taking to adapt to potential new guidelines introduced by AMLA?

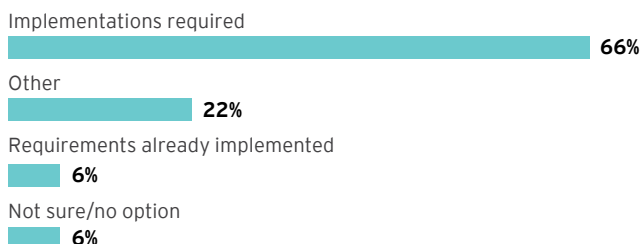


Technology providers will play a critical role in this transition, as they must anticipate AMLA's regulatory developments and design solutions that support advanced automation and real-time compliance. AML solutions providers are actively revising their offerings to help ensure their tools remain effective for obligated entities under AMLA's oversight.

The shift to AMLA supervision will also require significant updates to internal systems, customer data management, and compliance workflows. Training employees to navigate the new AML/CFT landscape is essential to minimize operational disruptions during the transition.

Respondents emphasized the importance of AMLA fostering operational efficiency by providing timely and practical support. This includes promptly addressing technical concerns and maintaining transparent communication channels, helping enable organizations to adapt effectively without unnecessary delays or ambiguity.

Do you anticipate that your due diligence (DD) and transaction monitoring (TM) processes will require amendments once the new AML/CFT regulatory framework is operative?



- 66% of participants anticipate amendments to their CDD and TM processes based on the new AML/CFT regulatory framework
- 22% of respondents selected “Other” highlighting:
 - Uncertainty about upcoming implementations
 - Continuous need for process and tool improvements to enhance operations beyond the new AML package/AMLA

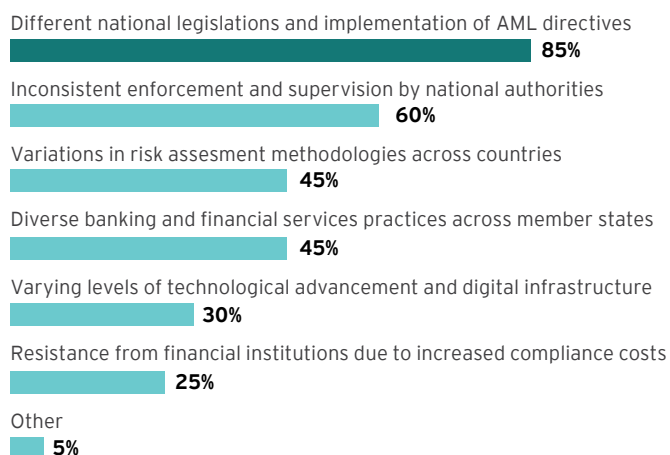
Lack of clarity and potential overlap with national obligations

Interviewees expressed serious concerns about the current lack of clarity surrounding the operational framework of AMLA, about the types of data it will request and the criteria for imposing penalties. This ambiguity makes it difficult for organizations to adequately prepare for compliance and effectively implement necessary measures. However, it is anticipated that more clarity will emerge once the different RTS, ITS and guidelines are developed, as these will provide essential operational guidance for obliged entities.

Interviewees are particularly concerned about the complexity added by introducing another regulator (AMLA), which could increase bureaucracy and create discrepancies between EU and national regulations.

They also worried about duplicate reporting requirements and potential overlap with national regulators’ standards, which could create confusion and inefficiencies as organizations try to comply with multiple regulatory frameworks. For instance, some feared AMLA could undermine national regulators’ progress in adopting a risk-based approach, leading to a more rigid and less effective regulatory environment. One particular concern was the standardization of CDD across Member States.

What will be the major challenges that AMLA faces in developing consistent customer due diligence (CDD) standards across EU Member States?



- The most significant challenge, cited by 85% of respondents, is the different national legislations and interpretations of AMLD
- The other selected major challenges for AMLA in developing CDD standards include:
 - Inconsistent enforcement and supervision by national authorities
 - Variations in risk assessment methodologies and diverse banking and financial services practices across countries

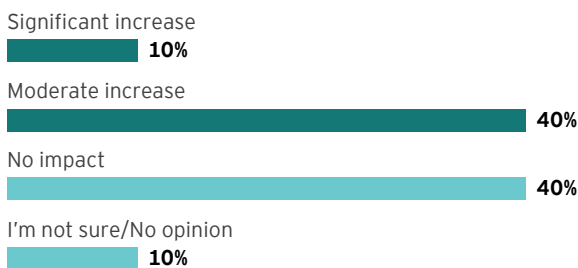
Operations and resourcing

Resourcing and effectiveness

Respondents expressed concerns about AMLA’s ability to operate effectively if it does not get sufficient funding, technological infrastructure and skilled personnel. They emphasized these resources must be addressed. “AMLA needs to be able to upscale and hire the right people quite quickly. If it does not, the whole exercise is a bit at risk”, said the Head of Financial Crime at a major insurance company.

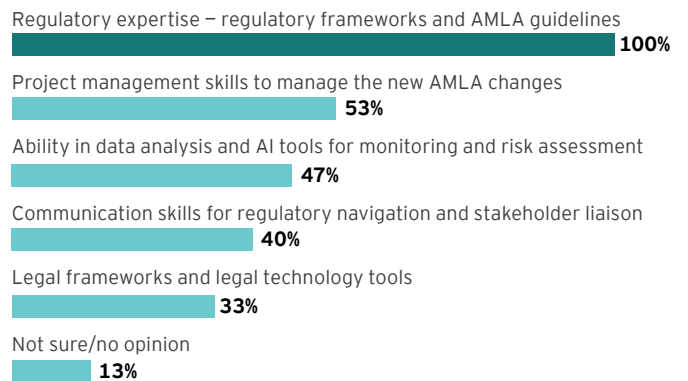
Additionally, interviewees believe AMLA’s establishment is expected to increase the regulatory burden on FIs and other entities, resulting in higher compliance costs. Entities expect to allocate more personnel and financial resources to meet AMLA’s requirements. Helping ensure staff are adequately trained to comply with new AML/CTF measures will be essential.

Staffing impact: How do you anticipate the establishment of AMLA will affect your staffing needs, particularly in the areas of financial crime compliance and AML expertise?



- 50% of the interviewees expect that AMLA will lead to a heightened demand for EU AML/CTF compliance specialists.

Skills development: What impact is the establishment of AMLA expected to have on the types of skills required for compliance professionals in your organization?



Data privacy and data sharing concerns

Increased data collection and sharing for AML/CFT compliance raises important privacy concerns. Protecting sensitive information while meeting regulatory requirements will require carefully designed data-handling systems with proper oversight. Furthermore, concerns exist about how information sharing under AMLA will be operationalized, particularly about compliance with the General Data Protection Regulation (GDPR).

AMLA's success depends on effective data aggregation, allowing the authority to centralize, standardize and analyze financial intelligence across the EU. Collecting and processing process large volumes of transaction data from different FIs, FIUs and cross-border entities will provide AMLA with a comprehensive overview of illicit financial flows. Properly applied, the results should justify the advanced level of data gathering and analysis.

To achieve this, several strategies can be implemented:

- **Holistic risk assessment:** By aggregating data from multiple sources, AMLA can conduct comprehensive risk assessments and identify emerging money laundering and terrorist financing patterns more effectively.
- **Cross-border transaction monitoring:** Integrating data across jurisdictions will help enable AMLA to overcome national silos and detect suspicious activity that might otherwise go unnoticed.
- **AI-driven analysis:** Utilizing AI-powered data aggregation and pattern recognition will improve real-time anomaly detection and help enhance the accuracy of financial crime investigations.
- **Standardization of reporting:** Establishing a harmonized reporting framework will help ensure obliged entities submit uniform, high-quality data, thereby reducing inconsistencies and improving analytical efficiency.
- **Real-time information sharing:** AMLA should implement a secure and dynamic data exchange platform to facilitate rapid collaboration between regulators, FIs and law enforcement.

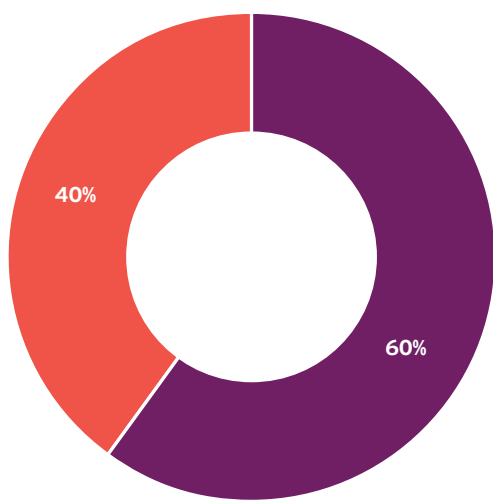


Application of the new regulations

Increased scrutiny and potential penalties

Respondents anticipate that AMLA's stricter measures will require more monitoring and reporting, leading to higher compliance costs. This heightened enforcement environment creates a strong incentive to prioritize AML/CFT compliance and increases the potential costs and risks of non-compliance.

Do you believe that penalties will be increased with the establishment of AMLA?



■ Penalties will be increased
■ Not sure/no option

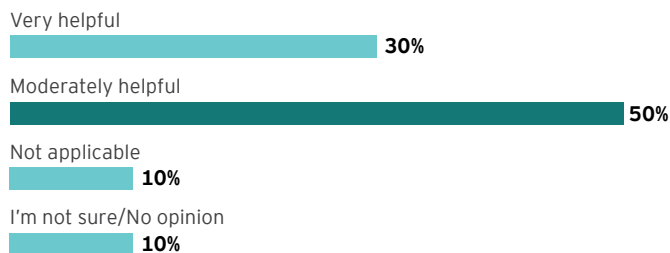
Challenges in a rapidly changing technological landscape

The rise of digital finance, including cryptocurrencies and virtual assets, creates specific AML/CFT compliance challenges. Regulation 2024/1620 imposes specific obligations on virtual asset service providers (VASPs) to implement effective measures and cooperate with authorities in monitoring and reporting suspicious activities. The fast pace of technological innovation requires obliged entities to continuously update systems and practices, requiring substantial investment in technology, ongoing employee training and potentially upskilling or hiring staff with specific expertise, such as those related to data.

International cooperation obligations

Cross-border obliged entities are expected to help ensure consistent and effective AML/CFT controls in all jurisdictions where they operate, even where local regulations are less stringent than those within the EU. This requires a deep understanding of the international AML/CFT landscape and the ability to adapt compliance practices to different regulatory environments.

Cross-border challenges: AMLA is anticipated to be a significant development in addressing cross-border financial crime. Do you believe that the recently published directives and regulations of AMLA (incl. AMLD6 and AMLR) will assist companies in overcoming the current cross-border challenges?



- 80% of participants think that recently published AMLA directives and regulations will assist companies in overcoming the current cross-border challenges.
- Participants added that although AMLA has not yet published any guidelines/secondary legislation, those who are affected will need to implement them in the future, and this aligns with the European approach.

AMLA: Driving a financial crime ecosystem in Frankfurt and the EU

Frankfurt's selection as the host city for AMLA underscores its strong financial services sector, proximity to key regulatory institutions like the ECB and Bundesbank, and its ability to meet the growing demand for education in fighting financial crime.

Our study, conducted in collaboration with Frankfurt Main Finance, involving AML professionals and insights from financial hubs such as New York, London and Tel Aviv, emphasizes leveraging Frankfurt's advantages while introducing next-generation regulations to enhance AML supervision and operational efficiency.

Technological advancements, particularly AI, are vital for maximizing AMLA's potential for Frankfurt, Germany and Europe. The study identifies several opportunities:

Regulatory: streamline processes through technology

- Harmonize the EU AML/CFT framework to reduce complexity and help enhance efficiency.
- Create regulatory sandboxes for financial firms and startups to innovate within the AML/financial crime sector using accessible data.
- Advocate for legal frameworks facilitating cross-border data aggregation, including revising data protection laws for easier GDPR compliance.

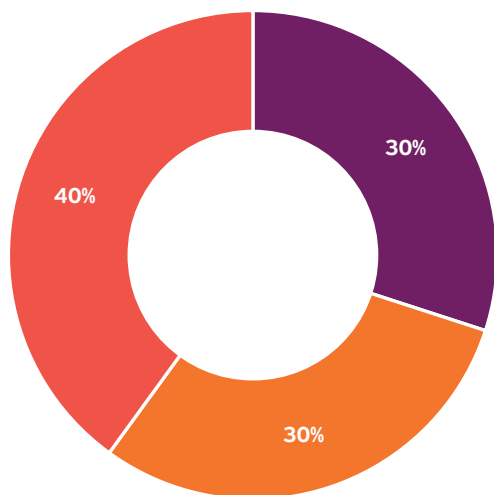
Economic framework: build a thriving AMLA ecosystem

- Engage AMLA with Frankfurt's AML and financial communities by involving key stakeholders from over 300 local institutions, including the Bundesbank and ECB.
- Facilitate dialogue among supervisory bodies through roundtables and industry events.
- Establish dedicated contact points for the AML/financial crime ecosystem and investment funds to attract global investors.
- Promote the development of new technology solutions and develop tax and monetary incentives to attract tech providers.

Technology: enhance efficiency with AI and analytics

- Encourage AI and data analytics to drive efficiency in AML processes.
- Develop a collaborative platform and central application programming interfaces (APIs) for data exchange on financial crime.
- Host an annual RegTech and AML summit to showcase innovations and best practices.

Organization’s discussions with tech partners about the need for improved IT tools and services to meet AMLA compliance requirements



- Yes
- Not yet, but planned
- No, not planned

Talent: position Frankfurt and Germany as an AML hub

With 75% of interviewees anticipating AMLA to create a competitive market for AML experts:

- Collaborate with educational institutions to develop specialized training programs.
- Streamline visa processes for non-EU AML and tech experts.

Frankfurt provides a solid foundation for AMLA, but this is just the start. By leveraging its strengths and collaborating with AMLA and European stakeholders, the city can cultivate a vibrant ecosystem driven by advanced technologies, attracting the resources and talent essential for becoming a leading tech hub in the fight against financial crime.

What AMLA needs to do – success factors for AMLA

To operate effectively, interviewees advise AMLA to provide clear mandates, hire skilled personnel, foster stakeholder engagement and collaboration, and offer sector-specific guidance for compliance.

Considering their support for AMLA and recognition of its benefits, interviewees offered constructive views on how it can operate effectively from the start.

A Chief Compliance Officer at a wealth manager summarized respondents' common desires: "Less bureaucracy, more agility and greater communication with obliged entities, with basic criteria established from the beginning."

Based on our interviews with all respondents, we identified key suggestions for AMLA:

Have a clear mandate and scope

Interviewees emphasized the importance of AMLA having a well-defined mandate and scope of operations. This clarity is essential to help ensure that all stakeholders understand AMLA's roles and responsibilities.

To foster credibility, AMLA should provide clear and consistent benchmarks that simplify compliance and reduce uncertainties for obliged entities. A clear mandate will help AMLA focus on its primary objectives, such as harmonizing AML/CFT regulations, effective supervision, and prevention of financial crime.

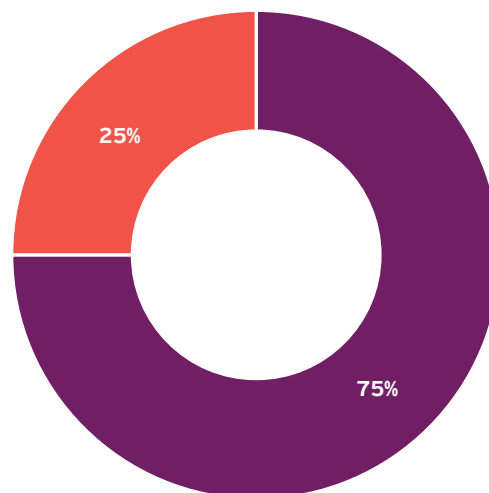
Hire experienced and skilled personnel

Recruiting experienced and knowledgeable supervisors is deemed crucial for AMLA's success. Interviewees highlighted the need for AMLA to attract talent with real-life banking and AML experience to effectively supervise firms.

Helping ensure that AMLA staff are well-trained and not reliant on being educated by the entities they supervise is essential for maintaining credibility and effectiveness.

Three-quarters of those we spoke to expect AMLA's establishment to create a thriving and competitive market for AML professionals in the Frankfurt region.

Proportion of interviewees who expect AMLA to create a thriving and competitive market for AML professionals in the Frankfurt region



- Create a competitive job market for AML professionals in the region
- Won't have a significant impact on the job market

Drive stakeholder engagement and communication

Engaging with stakeholders, including FIs, is crucial for AMLA's success. Interviewees highlight the importance of AMLA maintaining open lines of communication and being agile in its interactions with supervised entities.

Clear and effective communication regarding expectations and regulatory changes will help supervised entities adapt and comply more efficiently.

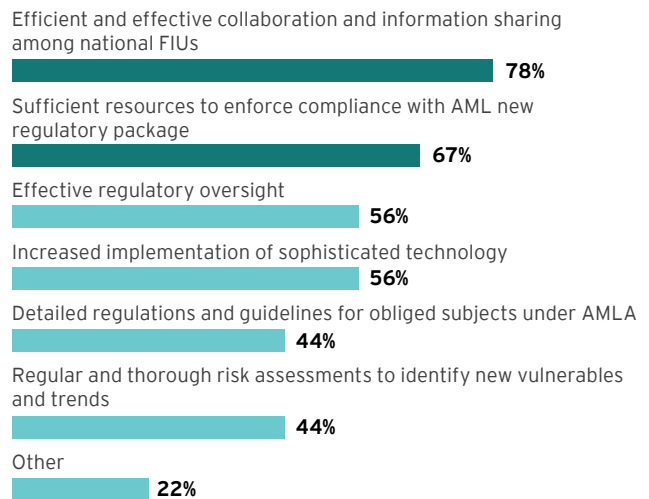
Additionally, interviewees emphasized that AMLA must guide, educate and communicate, rather than merely supervise, to foster a collaborative environment for a smooth transition. Timely practical support to address technical concerns will also be essential.

Foster effective ecosystems

AMLA should promote close collaboration within the financial crime ecosystem of regulators, FIUs and obliged entities, and develop an innovation ecosystem involving research agencies, universities and start-ups.

Interviewees identified technology and innovation and education and legal compliance as the two most significant benefits. They also envisaged the development of specialized labor markets in technology, finance, compliance, data and legal services, along with improved information sharing between national FIUs and other authorities.

Ecosystem key drivers: What are, from your point of view, the key drivers to be implemented for AMLA to build a strong ecosystem?



Encourage technological adaptation and innovation

AMLA should leverage advanced technologies such as AI and machine learning to help enhance monitoring and enforcement. Engaging with technology providers to develop real-time compliance tools and transaction monitoring and understanding leading practices from obliged entities would also significantly improve efficiency and detection.

The analytical tools applied by AMLA should also be chosen and continuously enhanced in close cooperation with law enforcement agencies.

Survey respondents emphasized the necessity of granting AMLA direct access to transaction data, beyond just metadata, to help ensure effective oversight. They also stressed the importance of equipping the authority with robust technical infrastructure and a well-trained workforce, both in quality and quantity, to handle the complexities of AML monitoring.

Ensuring that AMLA's technical implementation helps enable thorough and reliable examination of European operations is considered essential. However, respondents highlighted the challenge of balancing stringent AML measures with helping enable institutions to operate efficiently, highlighting the importance of practical and proportionate solutions.

Embrace sector-specific guidance

AMLA must prioritize collaboration with existing EU bodies to effectively develop its RTS and guidelines. Engaging with entities such as the EBA, European Securities and Markets Authority (ESMA), and Europol is essential for aligning its standards with current regulations and practices. This collaboration will not only help enhance the coherence of AMLA's approach but also help ensure that it builds upon the frameworks established by these organizations.

In addition to inter-agency collaboration, AMLA must recognize the regulations that govern various industries. Different sectors, including banking, finance and cryptocurrency, face unique challenges and regulatory requirements. Therefore, it is crucial for AMLA to tailor its RTS to respond effectively to sector-specific challenges. By doing so, AMLA can help ensure its guidelines are relevant and applicable across the diverse landscape of industries it oversees.

The rapid pace of technological advancements presents another critical consideration for AMLA. Innovations such as blockchain, artificial intelligence, and digital currencies are reshaping the financial landscape and impacting anti-money laundering practices. To navigate these changes, AMLA should work with tech-focused EU agencies to understand the implications of these developments. This proactive approach will help enable AMLA to develop guidelines that are both adaptive and practical and also responsive to the evolving technological environment.

Stakeholder engagement is also vital for AMLA's success. By actively involving industry stakeholders, including FIs, FinTech companies, and civil society organizations, AMLA can understand how proposed regulations affect daily operations. This engagement will help ensure that the guidelines are grounded in real-world experiences and challenges faced by various sectors.

Furthermore, AMLA's role will likely require cross-border cooperation with non-EU countries and international organizations. A cohesive approach to combating money laundering on a global scale is essential, and collaboration with international partners will support the exchange of best practices and intelligence.

To continuously refine its guidelines, AMLA should establish feedback mechanisms that allow for input from various sectors. This will help enable the authority to adapt its standards based on practical experiences and emerging challenges. Additionally, continuous monitoring and evaluation of the effectiveness of the implemented standards will be crucial. Working with other EU entities to develop metrics and frameworks for evaluation will help ensure that AMLA can assess the impact of its guidelines and make necessary adjustments.

By considering these factors, AMLA can better fulfill its harmonizing role across the EU while addressing the unique dynamics of different industries and the challenges posed by technological advancements. This comprehensive approach will ultimately strengthen the EU's framework for combating money laundering and enhance the effectiveness of AMLA's initiatives.



Chapter 3

Ecosystem excellence: best practices from New York, London, Tel Aviv, and Frankfurt

In the previous chapter, we presented a detailed quantitative analysis derived from interviews conducted with participants from FIs, academia and the technology sector. This analysis provided valuable insights into the current concerns, challenges and opportunities within the global financial landscape for the establishment of AMLA. By examining the perspectives of industry experts, we identified key themes and patterns that are shaping the future of this European institution.

Building on these findings, this chapter aims to explore the core elements and success factors of four major financial hubs: New York City, London, Tel Aviv and Frankfurt. Each of these cities has established itself as a pivotal entity in the global financial ecosystem, driven by unique combinations of talent, technology, regulatory frameworks, capital and incentives. By examining the structural components and key players within these financial centers, we can gain a deeper understanding of the mechanisms that underpin their success and resilience to highlight what AMLA should adopt to build a thriving ecosystem.

The primary objective of this chapter is to identify the thriving factors within these ecosystems that can be leveraged by Frankfurt and the broader EU. By understanding and adopting best practices from these leading financial hubs, Frankfurt and the EU can enhance their own financial ecosystems, fostering innovation, stability and growth.

This chapter will provide a detailed analysis of the following aspects for each city:

- 1. Talent:** The role of educational institutions, professional development programs, and initiatives that attract and retain skilled professionals.
- 2. Technology and trends:** The impact of technological advancements, including AI, blockchain, and cybersecurity, on the financial sector.
- 3. Regulatory landscape:** The regulatory frameworks that ensure market stability, consumer protection, and adaptability.
- 4. Capital and investors:** The sources of capital and investment that drive innovation and financial growth.
- 5. Incentives:** The programs and policies that encourage business retention, expansion, and innovation.
- 6. Key players and stakeholders:** The major institutions, firms, and organizations that contribute to the financial ecosystem.

By linking the quantitative insights from our interviews with the qualitative analysis of these financial hubs, we aim to provide a broad view of the factors that contribute to their prominence and influence in the global financial market. This highly integrated approach will offer valuable lessons and leading practices that can be applied to Frankfurt and the EU, fostering a more interconnected, resilient and innovative financial system.

New York City – financial innovation capital

New York City holds a central place in the financial fabric of the United States and has established itself as a pivotal entity in the global financial ecosystem. The Financial District, particularly Wall Street, has been a foundational base for the New York Stock Exchange (NYSE) – the largest stock exchange worldwide by market capitalization – and a host of influential FIs. With its combination of extensive regulatory frameworks and a robust financial services infrastructure, New York continues to adapt to and impact global financial developments.

The city's role as a global financial hub is rooted in historical milestones. Its advantageous location as a port city, the construction of the Erie Canal in 1825, and the establishment of the NYSE in 1792 created an early environment conducive to trade and investment.⁹ By centralizing stock trading, New York became a magnet for capital flows, attracting economic activity and fueling expansion. The Industrial Revolution further accelerated this growth, positioning New York as a vital node in global finance, manufacturing and services.

Core elements of New York's financial ecosystem

Talent

New York's financial landscape is heavily influenced by a rich talent pool, with a longstanding cycle of professional recruitment that sustains a vibrant ecosystem of expertise. The city's financial sector offers competitive roles, which draw skilled professionals and, in turn, attract the firms that seek out such talent. This influx of qualified personnel supports ongoing innovation and sector-wide collaboration, fortified by an advanced regulatory structure and technological support.

The city's talent development is further enhanced by several leading academic institutions. Universities such as Columbia¹⁰, NYU¹¹ and Fordham¹² have strong programs in economics, finance and management, contributing consistently to the high caliber of the city's financial workforce. Prominent think tanks like The Conference Board¹³, the Institute for International Finance (IIF)¹⁴, and the National Bureau of Economic Research (NBER)¹⁵ contribute research in finance and macroeconomics, which supports the intellectual capital that sustains New York's position in global finance.

In the FinTech domain, innovation hubs like the Fintech Innovation Lab¹⁶, and Cornell Tech¹⁷ provide resources and mentorship essential for emerging companies. New York's educational programs in cybersecurity and AML, offered by New York University's (NYU's) Tandon School of Engineering and Columbia University, are designed to address modern financial challenges. Similarly, Fordham University and John Jay College offer specialized training in AML and financial crime, reflecting the city's emphasis on regulatory compliance and financial crime prevention.

Initiatives such as the Global Talent Program streamline visa procedures to attract international professionals, while events like the Finovate conference¹⁸ enable networking and professional development, reinforcing New York's status as a center for financial expertise.¹⁹

⁹ The New York Stock Exchange | NYSE. <https://www.nyse.com/index>

¹⁰ Columbia | <https://www.columbia.edu/content/category/degree-programs>

¹¹ NYU | <https://www.nyu.edu/admissions/undergraduate-admissions/majors-and-programs/business.html>

¹² Fordham | <https://www.fordham.edu/academics/degrees-and-programs/graduate-degree-programs/>

¹³ The Conference Board | <https://www.conference-board.org/eu/economy-strategy-finance>

¹⁴ Institute for International Finance (IIF) | <https://www.iif.com/>

¹⁵ National Bureau of Economic Research (NBER) | <https://www.nber.org/>

¹⁶ Fintech Innovation Lab | <https://www.fintechinnovationlab.com/>

¹⁷ Cornell Tech | <https://tech.cornell.edu/>

¹⁸ Finovate conference | <https://www.finovate.com/>

¹⁹ Global Talent – AIESEC US | <https://www.aiesecus.org/host/global-talent>

Technology and trends

New York's financial system is sustained by an extensive technological infrastructure, which serves to stabilize markets and uphold investor confidence, particularly during volatile periods.

In addition to traditional FIs, New York City has seen an increase in startups focused on Web3 and AI. Its strong academic institutions and established tech industry foster significant investment in AI and machine learning research, making New York a prominent center for AI development. The establishment of an AI computing center at the University at Buffalo²⁰ exemplifies the state's efforts to promote ethical AI research.

The cryptocurrency sector has also seen rapid growth, with New York-based crypto firms securing approximately \$6.5 billion in venture capital in 2021.²¹ Firms such as ConsenSys²², Gemini²³ and Uniswap Labs²⁴ are leveraging blockchain technology to help enhance transaction security and operational efficiency.²⁵ New York's FinTech sector demonstrates the city's ongoing commitment to fighting financial crime by integrating advanced compliance and risk management solutions. PPPs and events promote collaboration in RegTech, which aids FIs in addressing complex compliance requirements.

Regulatory landscape

The regulatory landscape in New York City is layered, with oversight from federal, state and local agencies working to help ensure market stability, consumer protection and adaptability. This multi-tiered system contributes to transparency and enhances the public's trust in the financial system.

Federal and state regulators, including the financial crimes Enforcement Network (FinCEN) and the New York Department of Financial Services (NYDFS), play significant roles in shaping the regulatory framework. In particular, New York enforces rigorous AML and KYC standards, often exceeding federal requirements. Given New York City's concentration of major FIs, these standards are essential for maintaining market integrity and protecting against systemic financial risks.

²⁰ AI computing center at the University at Buffalo | <https://management.buffalo.edu/centers/center-for-ai-business-innovation.html>

²¹ Genome, S. Startup Genome. Startup Genome. <https://startupgenome.com/article/how-new-york-city-is-nurturing-a-new-generation-of-financial-innovation>

²² ConsenSys | <https://consensys.io/>

²³ Gemini | <https://www.gemini.com/eu>

²⁴ Uniswap Labs | <https://app.uniswap.org/>

²⁵ Ikperu, S. (2025, January 28). Ethereum can innovate faster without compromising values – Paradigm. CryptoTvplus – the Leading Blockchain Media Firm | <https://cryptotvplus.com/2025/01/ethereum-can-innovate-faster-without-compromising-values-paradigm/>

Capital and investors

Capital providers and investors are essential to the functioning of New York's financial sector. Venture capital firms such as Andreessen Horowitz and Union Square Ventures, and private equity entities like Blackstone and KKR, play influential roles in promoting innovation and financial resilience. New York's economic development initiatives, led by the NYC Economic Development Corporation (NYCEDC), include programs like the FinTech Innovation Lab and Barclays Rise program, which provide early-stage support for FinTech companies.

The Federal Reserve Bank of New York's Innovation Centre continues to help enhance the city's role in developing financial technologies. Additionally, as the cryptocurrency and blockchain sectors grow, firms such as Gemini and Paxos anchor New York's presence in these emerging markets.

Incentives

New York offers a suite of incentive programs aimed at encouraging business retention and expansion, especially within the financial sector. Initiatives such as the Excelsior Jobs Program and the Relocation Employment Assistance Program (REAP) provide tax credits to firms committed to creating jobs and investing in the city.²⁶ Meanwhile, the Brownfield Cleanup²⁷ and Life Sciences Tax Credit²⁸ extend support to newer industries, and START-UP NY²⁹ fosters entrepreneurship by providing a conducive environment for business innovation.

Support from private accelerators and professional networks further bolster these efforts. The FinTech Innovation Lab and Morgan Stanley Inclusive Ventures Lab, for instance, offer mentorship, funding and networking that benefit both emerging startups and established firms in the financial sector.³⁰

²⁶ Relocation and Employment Assistance Program (REAP) <https://www.nyc.gov/site/finance/business/business-reap.page>

²⁷ Brownfield Cleanup | <https://www.epa.gov/brownfields>

²⁸ Life Sciences Tax Credit | <https://www.mass.gov/info-details/life-science-credits>

²⁹ START-UP NY | <https://esd.ny.gov/startup-ny-program>

³⁰ Celebrating six years of inclusive innovation | Morgan Stanley. (n.d.). Morgan Stanley. <https://www.morganstanley.com/articles/inclusive-ventures-lab-six-years-of-success>

Key players and stakeholders

As previously mentioned, New York City holds a prominent position as one of the world's leading financial centers. Hosting the NYSE and NASDAQ, the city attracts top-tier banks, hedge funds, investment banks, venture capital and private equity firms that play crucial roles in global finance. Major corporations from diverse industries also contribute significantly to the city's economy. As headquarters of the United Nations, New York further extends its global influence.

The city is also a key player in combating financial crime, supported by a strong network of tech firms, regulatory bodies, and institutions focused on preventing and prosecuting financial misconduct. Companies like Chainalysis provide sophisticated blockchain tools to trace cryptocurrency transactions, aiding in efforts against money laundering. Nice Actimize and Palantir Technologies offer analytics and compliance solutions tailored to the needs of FIs, and Refinitiv supports AML and KYC compliance, maintaining transparency in financial markets.

The "Big Four" accounting organizations – EY, PwC, Deloitte and KPMG – also contribute by offering advisory services that help institutions navigate regulatory requirements and implement effective anti-financial crime strategies. On the global stage, bodies such as the Financial Action Task Force (FATF), International Monetary Fund (IMF) and World Bank engage closely with New York's institutions to promote policies to secure financial stability and combat illicit financial activities.

Supporting this regulatory ecosystem are organizations like The Clearing House³¹, which operates payment systems and provides guidance on financial regulation, and the Securities Industry and Financial Markets Association (SIFMA)³², which represents firms in the securities, banking, and asset management sectors. The Wall Street Blockchain Alliance³³, another key entity, advocates for integrating blockchain technology in financial markets with a focus on regulatory compliance.

Together, these institutions form a comprehensive network in New York City, leveraging technology, expertise and cooperation to safeguard the integrity of the financial system and uphold regulatory standards.

³¹ The Clearing House | <https://www.theclearinghouse.org/>

³² Securities Industry and Financial Markets Association (SIFMA) | <https://www.sifma.org/about/>

³³ The Wall Street Blockchain Alliance | <https://www.wsba.co/>

London, UK – European global financial gateway

London's position as a prominent global financial hub is shaped by its extensive history, well-established regulatory framework and ability to attract talent from around the world. Known for advanced financial services, cutting-edge technology and rigorous regulatory practices, the City remains central to international finance. London's strengths are evident in its academic institutions, financial infrastructure and the continued growth of sectors like FinTech and investment management. Despite recent political shifts, London's comprehensive financial ecosystem and adaptive approach to market needs solidify its resilience in an evolving global landscape.

Core elements of London's financial ecosystem

Talent

London's educational landscape is pivotal in nurturing talent. The presence of prestigious institutions such as the London School of Economics, Imperial College and King's College supports a continuous influx of skilled graduates in finance, technology and business. Additionally, think tanks like the Institute of Economic Affairs³⁴ and the Centre for Economic Policy Research³⁵ contribute to policy shaping and innovation, while research bodies like the Alan Turing Institute³⁶ advance fields such as data science and machine learning, cementing London's reputation in financial research.

Financial innovation hubs, established by institutions like Barclays and Lloyds Banking Group, create spaces for collaboration between startups and established firms, fostering a vibrant environment of financial technology advancement. London also attracts experts in financial crime prevention through specialized programs at leading universities and through professional bodies such as the Chartered Institute for Securities & Investment.

The UK's Global Talent Visa³⁷ and the Tech City UK initiative³⁸ facilitate the entry of international professionals, which supports the growth of a diverse, highly skilled workforce essential for maintaining London's competitive edge.

Technology and trends

Technological advancements are at the core of London's financial sector. Companies in the city actively integrate AI and machine learning for enhanced analytics and decision-making, along with the implementation of blockchain to help ensure transparency in financial transactions. The city's RegTech space has gained prominence, assisting firms in navigating complex regulations.

Notable examples include HSBC's application of AI for detecting suspicious financial activities and the efforts of Level39 and the Alan Turing Institute to support FinTech and cybersecurity growth.³⁹ Accelerators like Barclays' Techstars and Startup Bootcamp further promote technological innovation, providing mentorship, funding and networking for emerging businesses.

³⁴ Institute of Economic Affairs | <https://iea.org.uk/publications>

³⁵ Centre for Economic Policy Research | <https://cepr.org/publications>

³⁶ Alan Turing Institute | <https://www.turing.ac.uk/>

³⁷ UK's Global Talent Visa | <https://www.gov.uk/global-talent>

³⁸ Tech City UK initiative | https://www.techcityuk.com/_escaped_fragment_-/home/

³⁹ Here's How HSBC is Using Artificial Intelligence to Take Money Launderers to the Cleaners/Fortune Future Digital Finance/February 2025 | <https://futuredigitalfinance.wbresearch.com/blog/hsbc-artificial-intelligence-strategy-to-beat-money-launderers>

Regulatory landscape

London's regulatory structure is distinguished by its stability and adaptability, which are essential for maintaining market integrity and fostering innovation. The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) play complementary roles in overseeing market conduct and helping ensure systemic stability. The Bank of England, meanwhile, supports financial resilience through its role in policy and systemic oversight.

A defining feature of London's regulatory approach is the FCA's regulatory sandbox, allowing businesses to test innovative financial solutions within a controlled environment. This platform has facilitated developments in various sectors, from peer-to-peer lending to distributed ledger technology. London's regulatory adaptability – supported by tools like the sandbox and strategic think pieces such as the Kalifa Review – has helped enable the city to balance rigorous oversight with a conducive environment for FinTech growth.⁴⁰

Capital and investors

London attracts a broad range of global capital providers and investors, drawn to its favorable regulatory landscape and concentration of financial firms. The city is home to venture capital and private equity firms like Index Ventures⁴¹, which have significantly contributed to FinTech growth. Angel investors and crowdfunding platforms offer critical early-stage funding, while major banks and corporate investors actively support startup development.

Government entities, such as the British Business Bank, and partnerships through programs like Tech Nation⁴² provide additional support for small and medium-sized enterprises (SMEs), helping reinforce London's role as a nurturing ground for financial innovation.

Incentives

The UK government offers a range of incentives to encourage investment and innovation. Tax schemes, such as the Seed Enterprise Investment Scheme (SEIS) and the Enterprise Investment Scheme (EIS), provide reliefs to investors in startups and growing firms. Research And Development (R&D), tax credits and the Patent Box further incentivize innovation, particularly in sectors such as FinTech.⁴³

Visa programs, including the Global Talent and Innovator Visas, attract skilled professionals and entrepreneurs from around the world, enriching London's workforce with international expertise. Private incentives, such as venture capital and accelerator programs, also contribute to the city's supportive ecosystem, fostering entrepreneurship and driving sectoral growth.

⁴⁰ Regulatory Sandbox | FCA | <https://www.fca.org.uk/firms/innovation/regulatory-sandbox>

⁴¹ Index Ventures | <https://www.indexventures.com/>

⁴² Tech Nation | <https://www.indexventures.com/>

⁴³ Apply to use the Seed Enterprise Investment Scheme to raise money for your company | GOV.UK/25 May 2023 | <https://www.gov.uk/guidance/venture-capital-schemes-apply-to-use-the-seed-enterprise-investment-scheme>



Key players and stakeholders

London's standing as a global financial center is reinforced by policies that promote a stable and conducive environment for financial growth. Key policies, including the Financial Services Act and targeted initiatives within the Industrial Strategy, support sectors like FinTech through investment incentives and regulatory adjustments.

City administration initiatives, such as those led by the Mayor's Office, further bolster London's infrastructure for financial services. The London Co-Investment Fund (LCIF)⁴⁴, a public-private partnership supporting early-stage FinTech companies, underscores the city's commitment to innovation in finance and technology.

Furthermore, the ecosystem supporting London's financial landscape is robust and diverse, including institutions such as HSBC, Barclays, and the London Stock Exchange, and international players like JP Morgan. Fintech firms like Revolut and Monzo are instrumental in driving financial technology, while infrastructure providers like Microsoft support the sector's digital needs.

These stakeholders collectively contribute to a resilient financial environment, providing the services, expertise, and resources necessary to keep London at the forefront of global finance.

⁴⁴ London Co-Investment Fund (LCIF) | [https://londontreasury.org/sme-investment/#:~:text=The%20London%20Co-Investment%20Fund%20\(LCIF\)%20is%20an%20in-house,businesses,%20alongside%20over%20%C2%A3400m%20from%20private%20sector%20investors](https://londontreasury.org/sme-investment/#:~:text=The%20London%20Co-Investment%20Fund%20(LCIF)%20is%20an%20in-house,businesses,%20alongside%20over%20%C2%A3400m%20from%20private%20sector%20investors)

Tel Aviv – tech-driven startup ecosystem

Tel Aviv, Israel, is increasingly recognized as an emerging global center for technology and innovation, driven by a skilled talent pool, a high concentration of technological innovation and a regulatory environment that fosters growth in FinTech. This section examines the structural elements underpinning Tel Aviv's financial ecosystem, focusing on the contributions of educational institutions, technological advancements, regulatory frameworks and AML measures. We also analyze key stakeholders, including FIs, government bodies and private investors, in relation to their roles in enhancing the city's FinTech industry and maintaining financial integrity.

Core elements of Tel Aviv's financial ecosystem

Talent

Tel Aviv is distinguished by its high educational standards and robust culture of innovation, particularly in the fields of finance, technology, and cybersecurity. Institutions such as Tel Aviv University (TAU) and the Technion – Israel Institute of Technology play a crucial role in cultivating a skilled workforce. TAU's Collier School of Management, with its specialized research centers, and the Technion's advanced programs in engineering and computer science, contribute to a pipeline of highly trained professionals. Tel Aviv's vibrant startup culture – propelled by organizations like FinTech-Aviv⁴⁵ and StartUp Nation Central⁴⁶ – creates a collaborative environment for entrepreneurs, investors and technologists to advance financial innovation.⁴⁷

Military training, notably in elite units like Unit 8200 and the Talpiot Program, complements Israel's educational system by equipping individuals with practical skills in data analysis, cybersecurity and software development. These units serve as an informal training ground, preparing many for leadership roles in FinTech and cybersecurity, which are critical in securing the financial ecosystem.⁴⁸

Technology and trends

Tel Aviv's FinTech sector thrives on cutting-edge advancements in cybersecurity, AI, blockchain and RegTech. These technologies address critical needs in finance, from fraud detection to secure cross-border payments. Israel's strength in cybersecurity, in particular, is foundational to its reputation in FinTech, with Israeli firms pioneering solutions for data protection and transaction security.

AI and machine learning applications used widely for credit risk assessment and fraud prevention, help enhance the responsiveness and intelligence of FIs. Blockchain technology and cryptocurrencies are also gaining ground, helping enable secure, decentralized transactions. Notably, Tel Aviv has emerged as a hub for AML and CFT solutions, with companies like BioCatch, ThetaRay⁴⁹ and EverC (formerly EverCompliant)⁵⁰ leading efforts in AI-driven AML tools and behavioral biometrics, underscoring Israel's role in developing technologies to mitigate financial crime risks.

⁴⁵ FinTech-Aviv | <https://www.fintech-aviv.com/>

⁴⁶ StartUp Nation Central | <https://startupnationcentral.org/>

⁴⁷ Hasson, A. | A new era of collaborative prosperity for the Middle East | Startup Nation Central | September 2024 | <https://startupnationcentral.org/hub/blog/a-new-era-of-collaborative-prosperity-for-the-middle-east/>

⁴⁸ Balkus, B., & Balkus, B | The U.S. can learn from Israel's cognitive meritocracy | Palladium Magazine | 26 January 2024 | <https://www.palladiummag.com/2024/01/26/the-u-s-can-learn-from-israels-cognitive-meritocracy/>

⁴⁹ ThetaRay | <https://thetaray.com/>

⁵⁰ EverC (formerly EverCompliant) | <https://www.everc.com/>

Regulatory landscape

Israel's regulatory landscape is governed by several specialized institutions collaborating to help ensure financial stability, transparency and security. Key regulatory bodies include:

- Bank of Israel (BOI) oversees monetary policy and banking stability.
- Israel Securities Authority (ISA) regulates capital markets, focusing on transparency and investor protection.
- Capital Market, Insurance, and Savings Authority (CMISA)⁵¹ manages non-banking financial services.
- Israel Money Laundering and Terror Financing Prohibition Authority (IMPA) is responsible for enforcing AML and CFT regulations, helping ensure that financial entities comply with both national and international standards.⁵²

Israel's approach to financial regulation is collaborative but decentralized, allowing each authority to focus on its specialized area while collectively supporting a stable financial environment. Regulatory sandboxes managed by the BOI, ISA, and Israel Innovation Authority (IIA) allow FinTech firms to pilot new products under regulatory supervision, fostering innovation while adhering to legal standards.

Anti-money laundering measures

Tel Aviv's emphasis on AML and CFT measures highlights the city's commitment to safeguarding its financial system against illicit activities. Israel Money Laundering and Terror Financing Prohibition Authority (IMPA) plays a central role in enforcing AML standards and monitoring compliance across FIs. These measures are supported by educational programs and industry initiatives aimed at training professionals in AML best practices.⁵³ Leading programs include:

- Regulation and Compliance in Financial Services (Coller School of Management, TAU): focuses on AML and CFT compliance strategies.
- Financial Regulation and Anti-Money Laundering (Hebrew University of Jerusalem)⁵⁴: offers legal insights into AML frameworks.
- Homeland Security and Counter-Terrorism Studies (Reichmann University, Herzliya IDC)⁵⁵: provides a broader view of AML/CFT in national security.
- IMPA's AML/CFT workshops and ISA's Compliance Officer Certification: offer practical training on AML/CFT regulations and compliance standards.

IMPA collaborates closely with FinTech firms, encouraging them to adopt advanced technologies in AML, such as AI, for behavioral monitoring and transaction analysis. Companies use behavioral biometrics and AI to effectively identify and mitigate fraud risks. Such measures place Tel Aviv at the forefront of AML/CFT innovation, reinforcing trust and integrity in Israel's financial services.

⁵¹ Capital Market, Insurance, and Savings Authority (CMISA) | https://www.gov.il/en/departments/units/department_cma

⁵² AML/CTF compliance in Israel | Arctic Intelligence | 4 November 2024 | [https://arctic-intelligence.com/countries/compliance-israel#:~:text=Israel%20Money%20Laundering%20and%20Terror%20Financing%20Prohibition%20Authority%20\(IMPA\)%3A,AML%2FCFT%20measures%20in%20Israel](https://arctic-intelligence.com/countries/compliance-israel#:~:text=Israel%20Money%20Laundering%20and%20Terror%20Financing%20Prohibition%20Authority%20(IMPA)%3A,AML%2FCFT%20measures%20in%20Israel)

⁵³ Scanner, T. S. | Anti-Money Laundering (AML) in Israel | Sanction Scanner | 13 September 2024 | <https://www.sanctionscanner.com/aml-guide/anti-money-laundering-aml-in-israel-571#:~:text=Israel's%20Financial%20Intelligence%20Unit%20is,and%20terrorist%20funding%20in%20Israel>

⁵⁴ Financial Regulation and Anti-Money Laundering (Hebrew University of Jerusalem) | <https://fintech.huji.ac.il/anti-money-laundering-fintech>

⁵⁵ Homeland Security and Counter-Terrorism Studies (Reichmann University, Herzliya IDC) | <https://www.runi.ac.il/en/schools/rris/graduate/ma-government/ma-specialization-in-counter-terrorism-and-intelligence/>

Capital and investors

Tel Aviv's financial growth is fueled by government-backed funding, venture capital and public-private partnerships. The Ministry of Economy and Industry and the Israel Innovation Authority (IIA) offer grants and incentives to stimulate investment in FinTech, focusing on AI, cybersecurity and digital finance solutions. Venture capital firms, including Pitango Venture Capital⁵⁶ and Vertex Ventures, play an instrumental role in financing early-stage FinTech startups. At the same time, public-private initiatives like StartUp Nation Central connect international investors with Israeli companies, facilitating global growth opportunities.

Incentives

Tel Aviv's development as a financial hub is underpinned by Israel's innovation-driven economic framework. Government support for R&D, a vibrant venture capital ecosystem and strategic international partnerships sustain a high level of economic dynamism, which is critical for the expansion of FinTech. Regulatory sandboxes, a skilled workforce and a strategic geographic location, support Tel Aviv's growing influence in the global financial market.

Furthermore, the IIA has implemented various incentives, such as the Revolutionary Startup Fund, which collaborates with private investors to support high-potential startups, and the new Yozma Fund⁵⁷, encouraging institutional investment in venture capital. Tax incentives further bolster Tel Aviv's appeal, with reduced corporate tax rates for qualified enterprises and exemptions for foreign investors on capital gains, positioning Tel Aviv as an attractive environment for FinTech investment.⁵⁸

Key players and stakeholders

The strength of Tel Aviv's financial ecosystem lies in its collaborative network of stakeholders, including government authorities, private investors, educational institutions, and a dynamic FinTech community. Key players such as Bank Leumi, Bank Hapoalim and Citibank collaborate with local FinTech firms like Rapyd and eToro, creating a robust support system for financial and technological innovation. Major cloud providers and accelerators strengthen Tel Aviv's infrastructure, helping enable the city adapt quickly to new technologies and regulatory challenges.

Tel Aviv's concerted focus on AML measures and regulatory compliance helps keep its financial ecosystem resilient to global financial threats, fostering a secure and transparent environment. By emphasizing AML/CFT initiatives, Tel Aviv is positioned to sustain its rapid growth as a FinTech center, attracting international investment while maintaining high financial standards. This mix of innovation, regulatory oversight and strategic investment underscores Tel Aviv's growing role in the global financial landscape.

⁵⁶ Pitango Venture Capital | <https://www.pitango.com/>

⁵⁷ Yozma Fund | <https://innovationisrael.org.il/en/programs/yozma-fund/>

⁵⁸ Israeli Government approves stimulus package to boost High-Tech Industry - Cogeril | 5 February 2024 | <https://www.cogeril.de/en/news-and-events/news/israeli-government-approves-stimulus-package-to-boost-high-tech-industry/#:~:text=On%2015%20January%202024%2C%20the,a%20global%20high%2Dtech%20hub>

Frankfurt – central European financial nexus

Frankfurt is widely recognized as a major global financial center, particularly within Europe, for its concentration of FIs and regulatory bodies. As the headquarters for the ECB, the European Insurance and Occupational Pensions Authority (EIOPA) and Germany's Deutsche Bundesbank, Frankfurt plays a central role in financial regulation and economic oversight across the eurozone. With over 200 FIs, including leading international banks and investment firms, it stands as the largest financial hub in continental Europe.⁵⁹

Core elements of Frankfurt's financial ecosystem

Talent

Frankfurt's talent base is a significant asset, backed by a network of universities and research institutions. These include the Frankfurt School of Finance and Management, Goethe University's House of Finance and the Centre for Financial Studies (CFS)⁶⁰, which contribute to cutting-edge research in finance and economics. Additionally, think tanks like the Sustainable Architecture for Finance in Europe (SAFE)⁶¹ focus on promoting financial stability and sustainable finance, reflecting growing trends in environmental, social and governance (ESG) considerations within finance.

The broader Rhine-Main region, which includes Frankfurt, has a large talent pool of approximately 250,000 students, IT specialists, bankers and lawyers, supported by a strong financial and regulatory ecosystem. This underscores Frankfurt's readiness to accommodate AMLA's mandates and strategic focus areas.⁶²

Technology and trends

Frankfurt is increasingly recognized as a key center for FinTechs in Europe, driven by an ecosystem of technology firms, startups and research in emerging fields like AI, machine learning, and blockchain. The city's technological infrastructure, including DE-CIX Frankfurt⁶³ – one of the world's largest internet exchange points – provides the digital backbone essential for FinTech and data-intensive financial services.⁶⁴

Institutions such as the Frankfurt Institute for Risk Management and Regulation (FIRM)⁶⁵ and TechQuartier⁶⁶, an innovation hub, foster collaboration between corporations, startups, and academia. This environment accelerates the development of new financial technologies, including innovations in RegTech and sustainable finance. Notably, Frankfurt's financial sector partners with academic institutions to integrate research advancements with industry practices, creating a practical framework for testing and scaling emerging technologies in finance.

An important component of this technological landscape is the Legal Entity Identifier (LEI)⁶⁷ initiative, which is driven by the Group of 20 and the Financial Stability Board (FSB).

Lastly, a recent initiative "Joint Project SafeAML" has been launched by the State of Hesse in collaboration with select banks. The goal of this project is to enable the automatic reconstruction of money flows across multiple banks, thereby uncovering the networks involved in money laundering activities.⁶⁸

⁵⁹ FINANCIAL SECTOR <https://www.frankfurt-business.net/en/standort-frankfurt/industry-focus/financial-sector/#:~:text=With%20around%20280%20financial%20institutions,call%20Frankfurt%20am%20Main%20home>

⁶⁰ Centre for Financial Studies (CFS) | <https://gfk-cfs.de/en/>

⁶¹ Sustainable Architecture for Finance in Europe (SAFE) | [https://www.leibniz-gemeinschaft.de/en/institutes/leibniz-institutes-all-lists/leibniz-institute-for-financial-research-safe/#:~:text=The%20Leibniz%20Institute%20for%20Financial%20Research%20SAFE%20\(%22Sustainable,as%20well%20as%20to%20science-based,%20independent%20policy%20advice](https://www.leibniz-gemeinschaft.de/en/institutes/leibniz-institutes-all-lists/leibniz-institute-for-financial-research-safe/#:~:text=The%20Leibniz%20Institute%20for%20Financial%20Research%20SAFE%20(%22Sustainable,as%20well%20as%20to%20science-based,%20independent%20policy%20advice)

⁶² Germany applies to host the EU's future Anti-Money Laundering Authority (AMLA) in Frankfurt – Federal Ministry of Finance – Press | Bundesministerium Der Finanzen | November 2023 | <https://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2023/2023-11-09-germany-applies-to-host-aml-a-in-frankfurt>

⁶³ DE-CIX Frankfurt | <https://www.de-cix.net/de/standorte/frankfurt>

⁶⁴ CIX Frankfurt – connect to the world's leading IX | DE-CIX | <https://www.de-cix.net/en/locations/frankfurt> Accessed: 7 April 2025.

⁶⁵ Frankfurt Institute for Risk Management and Regulation (FIRM) and TechQuartier | <https://firm.fm/en/firm-the-first-address-in-risk-management/>

⁶⁶ TechQuartier | <https://techquartier.com/>

⁶⁷ Legal Entity Identifier (LEI) | <https://www.fsb.org/work-of-the-fsb/market-and-institutional-resilience/post-2008-financial-crisis-reforms/legalentityidentifier/>

⁶⁸ <https://hessen.de/presse/land-hessen-und-banken-starten-europaweit-einmaliges-projekt-zur-bekaempfung-von-geldwaesche>

Regulatory landscape

Frankfurt's regulatory structure is characterized by multi-level oversight involving local, national, and supranational entities, aligned with EU directives that set standards across Member States. The presence of the ECB and EIOPA reinforces Frankfurt's role in financial supervision, with the ECB overseeing significant banks in the eurozone and EIOPA focusing on insurance and pension fund regulation. Additionally, Germany's Federal Financial Supervisory Authority (BaFin) collaborates with these entities to help ensure compliance with high standards of risk management and capital adequacy.⁶⁹

At the regional level, the Hessen State Ministries offer localized support and alignment with national and EU regulations, providing oversight tailored to Frankfurt's needs as a financial center. This framework supports regulatory stability and consistency, helping enhance Frankfurt's appeal as a secure base for financial operations.

Capital and investors

Frankfurt attracts significant investment from both domestic and international sources, supported by major FIs contributing to the city's dynamic ecosystem. Local financial leaders play a key role in facilitating capital flow across diverse sectors, while global firms maintain a strong presence, further bolstering Frankfurt's position as a financial hub. The city also draws interest from venture capital and private equity firms, particularly those focused on FinTech and other high-growth industries, solidifying its reputation as a key destination for investment and innovation.⁷⁰

Frankfurt's infrastructure benefits from significant investment in transport and logistics. Strategically located in the heart of continental Europe, the city serves as a vital crossroads for transport and business. Frankfurt's main train station is a major hub, enhancing connectivity within Germany and across Europe. Frankfurt International is one of Europe's most well-connected airports, offering flights to 275 destinations in over 90 countries.⁷¹ The city is also a key internet hub, supporting the digital infrastructure needed for modern cloud-based business operations. Frankfurt hosts large trade fairs, supported by ample hotel capacity, attracting international visitors and exhibitors reinforcing its role as a trade and financial center.

Incentives

Frankfurt offers a range of incentives to attract and retain FIs and businesses, and to support innovation, digitalization and sustainable finance. These include tax incentives, R&D funding, and access to EU-level funding initiatives. Frankfurt's position as a leader in sustainable finance is supported by organizations like the Green and Sustainable Finance Cluster Germany⁷², which provides expertise and funding for companies engaged in green finance initiatives. Furthermore, Frankfurt is actively promoting green finance through initiatives like the IMPACT FESTIVAL⁷³, Europe's largest B2B event for sustainable innovation, which connects sustainability solutions with companies and investors to accelerate economic transformation.

The economic stability of Frankfurt is further reinforced by its role within the German and EU frameworks, offering companies seamless access to the single market. With advanced digital infrastructure and central positioning, Frankfurt is particularly well-suited to support the growth of FinTech and RegTech, contributing to a favorable environment for financial innovation and sustainable finance.

⁶⁹ Gtai. (2023, May). Financial Center Frankfurt. <https://www.gtai.de/en/invest/industries/financial-center-frankfurt-80228#:~:text=The%20city%20of%20Frankfurt%20is,insurance%20companies%20and%20legal%20practitioners>

⁷⁰ Redaktion. Frankfurt is one of the world's leading financial centers and continues to strengthen its position. <https://frankfurt-main-finance.com/en/frankfurt-is-one-of-the-worlds-leading-financial-centers-and-continues-to-strengthen-its-position/>

⁷¹ Linden, M. (2025, March 26). From FRA to 275 destinations in 91 countries. Fraport AG. <https://www.fraport.com/en/newsroom/press-releases/2025/q1/from-fra-to-275-destinations-in-91-countries.html>

⁷² Green and Sustainable Finance Cluster Germany | <https://sustainablefinancecluster.com/en/>

⁷³ IMPACT FESTIVAL | <https://impact-festival.earth/>

Recommendations and use cases for Frankfurt

Key players and stakeholders

The city's financial sector benefits from Germany's strong economic foundation, which is marked by a robust industrial sector, political stability and sound macroeconomic policies. Its central European location facilitates connectivity and trade, attracting investment and a skilled labor. Institutions such as the Frankfurt School of Finance and Management and Goethe University support a steady pipeline of professionals with expertise in finance and economics, which strengthens the city's talent pool.

Frankfurt also hosts the Frankfurt Stock Exchange, one of the world's largest, providing access to diverse financial instruments and markets. This has attracted firms seeking stability and proximity to the single European market, particularly in the post-Brexit environment. As a result, several FIs have relocated operations from London to Frankfurt, further reinforcing its status as a financial center.

Frankfurt's status as a European financial powerhouse is underpinned by its strategic location, strong regulatory environment, skilled talent base and a robust infrastructure for financial technology and innovation. The city's role in hosting key EU regulatory bodies and AMLA further strengthens its reputation as a center for financial oversight and regulatory excellence. Anchored by Germany's economic stability and supported by a sophisticated ecosystem of institutions and initiatives, Frankfurt continues to shape and influence the evolution of finance in Europe.

Frankfurt has a unique opportunity to position itself as a leading hub for AML and financial crime prevention in Europe. By learning from successful financial centers and adopting their best practices, Frankfurt can establish a thriving ecosystem that attracts financial market players while fostering a network of consultants, legal experts and skilled professionals. The city's favorable conditions and targeted initiatives provide a strong foundation for advancing key technologies like AI and data analytics.

The success of AMLA depends on effective regulation harmonization, transparent communication, and strong collaboration between AMLA, national authorities, and stakeholders. Frankfurt's strategic role in hosting AMLA offers a chance to lead these efforts, transforming the region from a follower into a pioneer in the fight against money laundering. With the right focus, Frankfurt can become a beacon of innovation, attracting top talent and technology expertise while setting new standards of excellence in AML and financial crime prevention.

Key success areas	Global insights	Best practices for Frankfurt
Talent	<ul style="list-style-type: none"> ■ London's Global Talent Visa program attracts exceptional professionals in technology and finance. ■ New York and Tel Aviv showcase successful industry partnerships, such as military-civilian collaborations like Unit 8200, leveraging specialized expertise. 	<ul style="list-style-type: none"> ■ Reduce bureaucracy for job seekers to attract skilled global talent. ■ Launch fast-tracks visa programs for finance and tech professionals from non-EU countries. ■ Leverage Frankfurt's existing financial talent pool and partner with educational institutions, and government entities to upskill talents, establish ad-hoc training programs and dedicated degree programs. ■ Promote regulatory harmonization and build trust through transparent communication and alignment between AMLA, NCAs, and stakeholders.
Technology (trends)	<ul style="list-style-type: none"> ■ London's economic framework has driven the development of numerous FinTech services, transforming payment systems and financial data solutions. ■ The UK Financial Conduct Authority (FCA) Regulatory Sandbox has supported over 700 firms, helping them test new financial technologies and accelerate market entry. ■ Tel Aviv's sandboxes program has facilitated the testing and launch of cutting-edge FinTech innovations. 	<ul style="list-style-type: none"> ■ Promote the development in support of Open Banking, AML and financial crime digital solutions, data sharing compliance, and FinTech ventures to encourage innovation. ■ Establishment of a collaborative platform/think tank/lab for open finance and the exchange of data on financial crime (e.g., creation of a central "open data" API at AMLA level). ■ Establishment of regulatory sandboxes to help enable financial institutions and startups to develop and test new technologies and business models in a lighter-touch regulatory environment. These sandboxes could help enable the use of aggregated and selectively publicly accessible data, fostering innovation in areas such as machine learning and AI.
Regulation	<ul style="list-style-type: none"> ■ London's Financial Conduct Authority (FCA) regularly updates its regulatory framework to accommodate emerging technologies fostering innovation. ■ Israel Securities Authority (ISA) and New York Department of Financial Services (NYDFS) are recognized for their progressive and forward-thinking regulatory approaches. 	<ul style="list-style-type: none"> ■ Creation of favourable legal, regulatory and data protection conditions for the consolidation of cross-border transaction data in Frankfurt through political support and moderation (e.g., with data protection officers of the federal states, review of the Federal Data Protection Act and E-Privacy Regulation regarding possible simplifications in compliance with GDPR standards). ■ Establishment of regulatory sandboxes (for details please refer above).
Capital and investors	<ul style="list-style-type: none"> ■ New York's Finovate and London's FinTech Week are events that attract global investors, financial institutions, and tech companies. ■ London promotes initiatives like the <i>FinTech Innovation Lab</i> and the Centre for Finance, Innovation, and Technology (CFIT). ■ Tel Aviv is known as the "Startup Nation" due to its focus on technology innovation, international collaborations and government aid. 	<ul style="list-style-type: none"> ■ Organize events aimed at attracting capital and improve investor relations to increase visibility and investment opportunities in AML and financial crime solutions. ■ Strengthening the perception and attractiveness of the location by organizing an annual international RegTech and AML Summit to discuss and present innovations and good practices in the fight against financial crime. ■ Creating strategic and thematic investment funds and co-investment programs to attract national and global investors.
Incentives	<ul style="list-style-type: none"> ■ New York uses co-investment programs to attract private capital and promote innovation, especially in tech and FinTech sectors. ■ London has agreements and partnerships that promote cross-border collaboration, facilitating access to other markets. ■ Tel Aviv has government-backed venture funds to support early-stage startups. 	<ul style="list-style-type: none"> ■ Foster agreements and partnerships to facilitate access to other markets, enhancing Frankfurt's global presence. ■ Implement programs to attract private capital, focusing on tech and FinTech sectors. ■ Promotion of the development of new technological solutions in the AML/financial crime environment.
Economic framework conditions	<ul style="list-style-type: none"> ■ New York and London actively support sectors such as FinTech, AI, and green finance, strengthening and diversifying their financial services industries to build resilient economies. ■ London positioned itself as a hub for green finance. 	<ul style="list-style-type: none"> ■ Promote a close exchange between AMLA/authorities and the ecosystem to create a "vibrant" AML/financial crime community. ■ To fully develop the potential of a comprehensive and interoperable ecosystem, a systematic and curated exchange between national and international security bodies should be promoted (e.g., establishment of roundtable formats to promote dialog on the sidelines of industry events and committee meetings). ■ Establishment of dedicated responsibilities/contact persons at local and national political level for the AML/financial crime ecosystem. ■ Promote growth via economic and fiscal incentives in adjacent sectors such as infrastructure, digital services, and technology innovation to reduce dependence on traditional financial services. ■ Promote green finance – Frankfurt, supported by the Green and Sustainable Finance Cluster Germany, promotes sustainable finance through expertise, funding, and initiatives like the IMPACT FESTIVAL, connecting best practices, companies and investors.



Chapter 4

Conclusion and recommendations

Expected AMLA impact on the industry

The establishment of AMLA marks a significant milestone in the global fight against financial crimes. As a centralized regulatory body, AMLA aims to help enhance the effectiveness of AML measures, streamline compliance processes, and foster international cooperation. This publication explores the hypothesis of AMLA's potential impact on the industry, considering both positive effects and challenges.

Positive impact of AMLA

The creation of AMLA promises to bring about several positive changes in the financial industry. One of the most significant benefits is the enhancement of regulatory oversight. AMLA's centralized structure is expected to provide more consistent and stringent regulatory oversight, which can reduce regulatory arbitrage. Regulatory arbitrage occurs when FIs exploit differences in national regulations to engage in money laundering activities. By establishing a unified regulatory framework, AMLA will help ensure that all entities adhere to the same high standards, thereby strengthening the overall integrity of the financial system.

Another positive outcome of AMLA's establishment is the improvement in compliance efficiency. The creation of AMLA is expected to streamline compliance processes for FIs. By providing clear guidelines and standardized procedures, AMLA can reduce the complexity and cost associated with AML compliance. FIs will benefit from a more predictable regulatory environment, allowing them to allocate resources more effectively and focus on core business activities. This, in turn, can lead to increased profitability and competitiveness in the industry.

In addition to enhancing regulatory oversight and improving compliance efficiency, AMLA is also expected to increase international cooperation. Money laundering is a transnational crime that requires a coordinated global response. AMLA's mandate includes fostering international cooperation and information sharing among regulatory authorities. This enhanced collaboration can lead to more effective detection and prevention of money laundering activities, as well as the prosecution of offenders. The global financial system will become more resilient to illicit activities, promoting trust and stability.

Furthermore, AMLA will likely leverage advanced technologies, such as AI and machine learning, to help enhance its monitoring and enforcement capabilities. These technologies can analyze vast amounts of data to identify suspicious patterns and transactions, improving the accuracy and speed of AML investigations. FIs can also adopt these technologies to strengthen their own AML programs, leading to a more robust defense against money laundering. The integration of cutting-edge technology into AMLA's operations can revolutionize the way financial crimes are detected and prevented, setting a new standard for the industry.

AMLA has the capability to spearhead the development of a cohesive transaction monitoring framework across Europe. Such a system could significantly improve the accuracy and effectiveness of reporting suspicious transactions within the EU, as well as promote information sharing among banks to create an extensive database of suspicious transaction patterns and involved parties.

Challenges of AMLA

While establishing AMLA brings several positive outcomes, it also presents significant challenges for the financial services industry. A primary concern is the increased compliance burden that FIs may face during the initial implementation phase. Adapting to new regulations, updating internal policies, and investing in technology and training can be costly and time-consuming. Looking forward, given the expected implications AMLA will have on all EU-based institutions, smaller institutions may struggle to meet these demands, potentially leading to market consolidation and reduced competition. This compliance burden could also divert resources away from other critical areas, such as customer service and innovation.

In addition to compliance challenges, operational challenges may arise as FIs navigate the transition to AMLA. The adjustment period could present significant difficulties related to changes in regulatory requirements, reporting obligations and supervisory expectations. The potential for regulatory uncertainty and delays in the issuance of guidelines could disrupt business operations and create compliance risks. To effectively manage these operational challenges, FIs will need to invest in robust systems and processes, which could further strain their resources.

Privacy concerns are also a critical issue that may arise with AMLA's enhanced monitoring and data-sharing capabilities. The collection and analysis of large volumes of financial data could lead to potential breaches of confidentiality and misuse of sensitive information. Striking a balance between effective AML measures and protecting privacy rights will be a critical challenge for AMLA. FIs will need to implement stringent data protection measures to help ensure customer information is safeguarded, while regulators must establish clear guidelines on data usage and sharing.

Lastly, there is a risk that AMLA's stringent regulatory approach could lead to overregulation, stifling innovation and growth in the financial industry. Excessive compliance requirements and punitive measures may deter legitimate businesses from operating in certain jurisdictions or engaging in cross-border transactions. Overregulation could also create barriers to entry for new market participants, reducing competition and limiting consumer choice. AMLA needs to adopt a balanced approach that addresses money laundering risks without imposing undue burdens on the industry. Regulators will need to engage with industry stakeholders to ensure that the regulatory framework is both effective and conducive to growth.

Moreover, interviews with industry stakeholders have revealed that one of the main pain points they foresee is the higher reporting burden associated with AMLA. FIs are concerned that the increased volume of reporting requirements could overwhelm their existing compliance infrastructure. The need to submit detailed reports more frequently may necessitate significant investments in technology and personnel. This higher reporting burden could also lead to delays in processing transactions and providing services to customers, potentially impacting customer satisfaction and loyalty.

Key points in relation to the broader AML industry

1

Regulatory clarity and consistency

AMLA's establishment is anticipated to bring greater regulatory clarity and consistency, reducing the need for multiple, country-specific AML frameworks. This clarity will help organizations understand what is expected of them and facilitate smoother compliance.

2

Improved risk management

AMLA is expected to improve risk management practices by providing a more coordinated and consistent approach to supervision.

Organizations will benefit from better communication with supervisors and a more fluid interaction with regulators.

3

Enhanced regulatory dialogue

AMLA's establishment is expected to foster a more constructive dialogue between regulators and organizations.

Open communication and willingness for dialogue with the industry are crucial for fostering a collaborative environment.

4

Operational efficiency

The harmonization of AML/CFT regulations is expected to lead to more efficient compliance operations.

Organizations will be able to leverage standardized procedures and technologies across their EU operations, reducing redundancy and improving overall efficiency.

5

Concerns and challenges

The AML industry is concerned about the potential for increased compliance costs, operational challenges, and the need for additional resources.

There are also concerns about AMLA's ability to operate effectively, given the need for adequate staffing and resources.

6

Future considerations and preparedness

Organizations are advised to stay informed and proactive in aligning their processes with the evolving regulatory environment.

The analysis emphasizes the importance of stakeholder engagement, effective communication, and a risk-based approach to AML/CFT measures.

Role of Frankfurt – current strengths and future enhancements

The creation of AMLA represents a significant step forward in the global effort to combat financial crimes. While AMLA has the potential to enhance regulatory oversight, improve compliance efficiency and foster international cooperation, it also poses challenges related to increased compliance burden, operational disruptions, privacy concerns and the risk of overregulation. The ultimate impact of AMLA on the industry will depend on its ability to strike a balance between effective AML measures and the need to support a dynamic and innovative financial sector. As AMLA begins its operations, continuous dialogue and collaboration between regulators, FIs and other stakeholders will be crucial to achieving its objectives and helping ensure a resilient and secure financial system.

In conclusion, the establishment of AMLA is a double-edged sword for the financial industry. It promises to bring about significant improvements in regulatory oversight, compliance efficiency, international cooperation and technological advancements. However, it poses challenges related to increased compliance burden, operational disruptions, privacy concerns and the risk of overregulation. The success of AMLA will depend on its ability to navigate these challenges effectively and strike a balance between stringent AML measures and the need to support a dynamic and innovative financial sector. As AMLA begins its operations, it is essential for regulators, FIs, and other stakeholders to work together to help ensure that the regulatory framework is both effective and conducive to growth. Only through continuous dialogue and collaboration can the objectives of AMLA be achieved and a resilient and secure financial system be established.

Frankfurt is a major global financial hub, particularly significant within Europe due to its role in hosting key institutions such as the ECB, the Frankfurt Stock Exchange and the Deutsche Bundesbank. With over 200 FIs and advanced financial infrastructure, Frankfurt is the leading financial center in continental Europe. Frankfurt's geographical position at the heart of Europe provides excellent connectivity to major global markets, while its diverse and skilled workforce, supported by renowned educational institutions like the Frankfurt School of Finance and Management and, among others, the Goethe University, helps ensure a steady talent pipeline. The city's (and Germany's) robust legal and regulatory framework further strengthens its position as a reliable financial center, attracting international investors and FIs.

To help enhance its role as a financial powerhouse and AML European center, Frankfurt should leverage its existing strengths while embracing innovation and collaboration. By fostering closer ties between regulatory bodies, FIs, and technology providers, the city can drive advancements in FinTech and digital finance. Creating a dynamic ecosystem that supports emerging technologies like AI and blockchain will position Frankfurt as a leader in financial innovation. Additionally, streamlining immigration processes and offering tailored visa programs for skilled professionals in finance and technology will help attract global talent. Frankfurt can also benefit from strengthening public-private partnerships and establishing dedicated training programs to address skills gaps in key areas such as cybersecurity and compliance. Enhancing the city's appeal through targeted tax incentives and hosting high-profile international financial events will further boost investor confidence and attract capital.

Synergies and value creation opportunities in Frankfurt

By focusing on key success areas like talent development, technological innovation, regulatory incentives and capital attraction and adopting best practices from other leading financial hubs like London and New York, Frankfurt is poised to solidify its position as a global leader in AML and financial crime prevention.

The broader impact: Frankfurt's workforce growth and economic expansion

An increase in FIs, technology firms and AML-related entities will have positive spillover effects on Frankfurt's overall economy. Beyond job creation in the financial sector, the influx of professionals will stimulate demand for essential services, leading to:

- Increased demand for (English-speaking) teachers to support an expanding population.
- Increased housing development to accommodate incoming professionals and their families.
- Greater childcare facilities to cater to working parents in the growing workforce.

Enhanced infrastructure and public services, such as transportation, healthcare and retail, creating new employment opportunities across multiple sectors. This scenario aligns with the Brexit "Multiplier Study,"⁷⁴ which analyzed job creation effects following Brexit-related relocations. That study, which drew comparisons with fracking industry labor shifts, concluded that for every relocation of one financial job from London, an additional three to eight full-time positions were created in the host city due to secondary economic effects. If similar dynamics apply, the relocation of financial services personnel, FinTech startups and regulatory experts to Frankfurt due to AMLA could lead to a similar multiplier effect.

The establishment of AMLA in Frankfurt marks a defining step in strengthening Europe's financial crime prevention capabilities. As the most important financial center in continental Europe with offices of multiple supervisory bodies and over 200 different FIs ranging from small regional to truly global players, Frankfurt provides a solid foundation for future opportunities.

With effective implementation and leadership, AMLA's presence in Frankfurt is expected to drive value creation across key dimensions, improving efficiency, innovation and ecosystem growth. These opportunities will not only elevate Frankfurt's status as a financial hub but also establish it as a benchmark city where regulatory leadership and financial excellence converge.

Talent development and attraction

Frankfurt already hosts a robust financial ecosystem with deep expertise in compliance, financial crime prevention, and legal governance. The introduction of AMLA further solidifies this position, attracting specialized talent and fostering an even more competitive labor market.

- Talent concentration and retention: The proximity of AMLA to institutions such as the ECB, BaFin and EIOPA, along with major financial firms, enhances Frankfurt's ability to attract top-tier AML and compliance professionals. Moderate increases in job openings across related fields are anticipated over the next five years.
- Partnerships with educational institutions: Universities and research institutes in Frankfurt will benefit from stronger collaboration with AMLA, leading to advanced curricula and certification programs in AML and financial crime prevention. A moderate rise in graduates and professionals specializing in compliance and financial governance is expected annually.

⁷⁴ <https://www.deutsche-digitale-bibliothek.de/item/l2C4QQ6S64ITMZ57QFPXKQEVX3OANHOM> Johannng, L., & Noll, M. C. (2017). Winning Frankfurt: Brexit bankers' welfare effect beyond bringing their jobs. Frankfurt Main Finance e. V.

Technological advancements and innovation opportunities

AMLA's new presence is expected to promote technology-driven innovation in financial crime prevention. Frankfurt's established technological infrastructure and reputation as a FinTech hub offer a foundation for further advancements:

- **Adoption of advanced monitoring systems:** AMLA can facilitate the deployment of cutting-edge transaction monitoring technologies, like successful implementations in the Netherlands. Frankfurt-based firms could experience moderate improvements in fraud detection capabilities through enhanced real-time analytics and machine learning solutions.
- **Innovation in financial crime prevention:** Collaboration between AMLA, FinTech startups and R&D institutes could drive the development of new tools and technologies for AML. Estimates suggest an increase of 15%-20% in AML-specific technological patents originating from Frankfurt by 2030.⁷⁵
- **Frankfurt as a data hub and stronghold for data centers:** Frankfurt is a critical data infrastructure center for Europe, making it an ideal location for AMLA's data-driven supervision and analytics. It is home to Europe's largest internet exchange, DE-CIX, which facilitates high-speed, secure and reliable data processing.⁷⁶ With multiple carrier-neutral data centers, Frankfurt offers a state-of-the-art digital infrastructure.

⁷⁵ According to FinTech Futures, the global market for Anti-Money Laundering solutions is projected to reach \$11.9 billion by 2030, with a compound annual growth rate (CAGR) of 17.2% from 2022 to 2030. This significant market expansion indicates a rising demand for advanced AML technologies, incentivizing firms to develop proprietary solutions and secure patents.

Regulatory and institutional synergies

The geographic concentration of AMLA alongside the ECB, EIOPA and other regulatory authorities creates a unique environment for fostering operational synergies and governance efficiencies.

- **Enhanced coordination:** Short distances and established networks in Frankfurt allow for rapid communication and collaboration between AMLA and other authorities. This could lead to a moderate reduction in the time needed for cross-institutional regulatory decisions, driving greater responsiveness to emerging financial crime threats.
- **Best practices development:** Frankfurt can set global benchmarks in AML governance. Synergies with institutions like EIOPA help ensure that operational models incorporate best practices, benefiting FIs across the EU.
- **Facilitated strategy development:** Multi-authority collaboration, supported by AMLA, can advance a more cohesive EU-wide approach to AML, particularly in areas like policy harmonization and crime deterrence.

⁷⁶ Tanner, B. (2025, January 22). Global Data Traffic Volume hits new record-breaking high at internet exchanges. Intelligent CIO Europe. <https://www.intelligentcio.com/eu/2025/01/22/global-data-traffic-volume-hits-new-record-breaking-high-at-internet-exchanges/>

Public-private partnerships and ecosystem growth

Establishing AMLA creates opportunities to strengthen collaboration between public authorities and private FIs in Frankfurt.

- **Information exchange systems:** The development of shared platforms for data exchange and transaction monitoring between public and private entities can replicate successful models, such as those in the Netherlands. European Commission estimates suggest these systems could lead to a 15%-25% improvement in AML reporting accuracy and timeliness.⁷⁷
- **Increased public confidence:** Enhanced regulatory oversight and visible AML advancements foster greater public trust in Frankfurt's financial system, indirectly boosting investment and business confidence.
- **Financial sector engagement:** AMLA's presence encourages private-sector participation in AML initiatives, including joint R&D projects, training programs and compliance innovation.

Regulatory harmonization and technological innovation benefit Frankfurt and create a more robust, unified and efficient AML ecosystem across Europe.

- **Standardized regulatory framework:** AMLA can establish consistent regulations and enforcement standards, reducing discrepancies between Member States. This allows FIs operating across borders to streamline compliance efforts, resulting in cost savings from compliance budgets.
- **Improved cross-border cooperation:** AMLA provides a platform for enhanced communication and data-sharing between national regulators, helping enable better detection and prevention of cross-border financial crimes. This could lead to a moderate increase in the detection and resolution of transnational financial crime cases.
- **Efficiency in oversight:** By consolidating supervisory roles for major FIs, AMLA can reduce redundant oversight efforts and help ensure consistent application of AML rules. This centralization is projected to cut regulatory duplication and improve compliance efficiency and regulatory clarity.
- **Pan-European transaction monitoring system:** Inspired by existing successful models like the Dutch Transaction Monitoring Netherlands (TMNL)⁷⁸, AMLA can spearhead the development of a shared European transaction monitoring infrastructure. Such a system could significantly improve the speed and accuracy of suspicious transaction reporting across the EU.
- **Data and AI-driven solutions:** By encouraging the development of advanced data analytics, machine learning and AI tools, AMLA can facilitate innovation in fraud detection and risk assessment.

⁷⁷ European Commission (27.10.2022) – "SWD (2022) 347 final", COMMISSION STAFF WORKING DOCUMENT, On the use of public-private partnerships in the framework of preventing and fighting money laundering and terrorist financing
European Commission (27.10.2022) – "SWD (2022) 347 final", COMMISSION STAFF WORKING DOCUMENT, On the use of public-private partnerships in the framework of preventing and fighting money laundering and terrorist financing

⁷⁸ Dutch Transaction Monitoring Netherlands (TMNL) | <https://tmnl.nl/en/>

Recommendations for action

Firms

- Firms should prepare for potential direct supervision by AMLA, helping ensure that their group-wide operations align with regulatory/supervisory expectations. For instance, firms must appoint a compliance manager, which is a new requirement. In smaller or low-risk firms, the role can be combined with the compliance officer.
- Firms should anticipate the need to enhance their AML/CFT control frameworks as supervisory standards increase, including potential direct supervision by AMLA. For instance, obliged entities must comply with the requirements described in Annex I of the AML-R when executing the AML/CFT Risk Assessment and determining the CDD measures to be applied if they do not already consider the risk variables mentioned there. This may entail the creation of new data flows and the modification of the existing reporting requirements internally set up by the obliged entities.
- Firms should prepare for a more noticeable supervisory presence in non-financial sectors industries such as gambling, manufacturing and real estate.
- Firms should prepare for increased scrutiny and reporting obligations. For instance, the new AML framework establishes the requirement for firms to respond to FIU requests for information with respect to Suspicious Transactions Reports (STRs) or Suspicious Activity Reports (SARs) within five working days. In some instances, the FIU may shorten this to less than 24 hours. Furthermore, firms cannot undertake transactions for the customer deemed suspicious until an STR or SAR has been made to the FIU, and any further FIU instructions have been actioned.

Academia

- Universities should develop comprehensive policies that align with AMLA's and wider AML's objectives, helping ensure that all academic and administrative activities adhere to stringent AML standards. They can draw on the successful processes and frameworks established by the ECB to build a solid foundation for their AML efforts. This includes adopting ECB's risk assessment models, compliance monitoring techniques and reporting mechanisms.
- Strengthening contacts and networks is crucial. Universities should aim to establish affiliations with large research institutions and other organizations interested in joining the AMLA network. This can include creating exchange and workshop formats for informational purposes on research topics.
- Universities should create training programs and certification courses in collaboration with AMLA and FIUs. This will help educate local resources and attract international talent. For example, local business schools are already connected to fields like compliance governance and can expand their offerings to include AMLA-related topics.
- Universities should foster an informed policy debate on AML in Europe. This can involve hosting conferences, seminars and workshops to discuss the latest developments and challenges in AML/CFT measures, thereby contributing to a more coordinated and consistent approach to supervision.

Politics/governmental

- Governments should foster an encouraging funding and founding environment to innovate, particularly in AI, to help enhance the fight against money laundering. This includes supporting developing and implementing advanced technologies to detect and prevent financial crimes.
- Political bodies should work towards improving and reinforcing the AML framework in Europe. This involves increasing the AML setting, reinforcing AML authorities at the national level, and helping ensure effective coordination between FIUs across Member States.
- Governments should aim harmonize and coordinate in the implementation and execution of AML controls across the EU. This includes harmonizing AML regulations and helping ensure entities consistently adopt and execute the new requirements. Enhanced cooperation between European bodies such as Eurojust and Europol is also essential to strengthen the fight against financial crime.
- AMLA must be equipped with the necessary technical infrastructure and personnel. Governments should help ensure that AMLA has sufficient resources, both in terms of quality and quantity, to effectively carry out its mandate. This includes recruiting staff with the right competencies and IT capabilities and providing ongoing training and development to keep pace with emerging threats.

Startups/FinTech

- Technology providers and startups should make necessary operational and technical adjustments to their systems and solutions to help their clients comply with AMLA's requirements. This includes updating regulatory reporting mechanisms and helping ensure their solutions align with new standards. Staying informed about AMLA's evolving regulations, guidelines and opinions is crucial to adapting their offerings accordingly.
- These firms should embrace and implement cutting-edge transaction monitoring technologies. Enhanced real-time analytics and machine learning capabilities can significantly improve fraud detection processes.
- They should use regulatory sandboxes to develop and test new technologies and business models in the AML/financial crime environment. These sandboxes provide a controlled setting to innovate and help ensure compliance with AMLA's requirements while fostering collaboration between startups and regulatory bodies.
- Lastly, technology providers and startups should collaborate with AMLA, FinTech startups and R&D institutes to drive the development of new tools and technologies for AML. This collaboration can increase AML-specific technological patents and innovations, helping enhance the overall effectiveness of financial crime prevention.

AMLA

To operate effectively, AMLA should focus on the following key areas:

- **Clear mandate and scope:** Establishing a well-defined mandate is essential for AMLA to clarify its roles and responsibilities, helping ensure stakeholders understand its objectives, particularly in harmonizing AML/CFT regulations and preventing financial crime.
- **Skilled personnel:** Hiring experienced supervisors with real-world banking and AML expertise is crucial. Well-trained staff will help enhance AMLA's credibility and effectiveness.
- **Stakeholder engagement:** Maintaining open communication with FIs is vital. AMLA should guide and educate stakeholders, facilitate a collaborative environment and provide timely support to address technical concerns.
- **Effective ecosystems:** Promoting collaboration among regulators, FIUs and obliged entities, as well as fostering innovation through partnerships with research agencies and startups, will enhance the financial crime ecosystem.
- **Technological adaptation:** Leveraging and promoting advanced technologies like AI and machine learning for monitoring and enforcement is necessary. AMLA should help ensure direct access to transaction data and develop robust technical infrastructure to manage AML complexities effectively.
- **Sector-specific guidance:** AMLA must tailor and clearly define its RTS to reflect the unique dynamics of various industries, considering the rapid pace of technological change that impacts sectors differently.



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Glossary of abbreviations

Abbreviation	Definition
■ 6AMLD	Sixth Anti-Money Laundering Directive
■ AI	Artificial intelligence
■ AML	Anti-money laundering
■ AMLA	Anti-Money Laundering Authority
■ AMLD	Anti-Money Laundering Directive
■ AMLR	Anti-Money Laundering Regulation
■ CAGR	Compound annual growth rate
■ CFT	Counter-terrorism financing
■ ECB	European Central Bank
■ FIs	Financial institutions
■ FinTech	Financial technology
■ FIUs	Financial intelligence units
■ GDPR	General Data Protection Regulation
■ KYC	Know-your-customer
■ ML	Money laundering
■ NCA	National Crime Agency
■ PEP	Politically exposed person
■ PSP	Payment service provider
■ R&D	Research and development
■ RegTech	Regulatory technology
■ RTS	Regulatory technical standards
■ SAR	Suspicious activity report
■ STR	Suspicious transaction report
■ TF	Terrorism financing
■ UBO	Ultimate beneficial owner



Contacts

Manuel Delgado

EY Global Financial Crime Solution Leader; EY EMEIA
Financial Services Financial Crime Solution Leader
EY Transforma Servicios de Consultoría S. L
Email: Manuel.DelgadoColmenero@es.ey.com

Christopher Schmitz

EY-Parthenon EMEIA FinTech Leader, EY-Parthenon
EMEIA Strategy and Transactions Innovation Leader,
Ernst & Young GmbH Germany Financial Services
Innovation Leader
Email: Christopher.Schmitz@parthenon.ey.com

Helge Olsson

Partner, Financial Services, EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Email: Helge.Olsson@de.ey.com

Steve Drescher

Partner, Financial Services, EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Email: Steve.Drescher@de.ey.com

Maria Moreno Tirado

Manager, Financial Services,
EY Transforma Servicios de Consultoría S.L
Email: maria.moreno.tirado@es.ey.com

Peter Fricke

Associate Director, Financial Services,
EY Corporate Solutions GmbH & Co.KG
Email: Peter.Fricke@de.ey.com

Javier De La Fuente Reguero

Senior Manager, Financial Services,
EY Transforma Servicios de Consultoría S.L
Email: Javier.DelafuenteReguero@es.ey.com

Daniel Molis

Director, Financial Services,
EY Strategy & Transactions GmbH
Email: Daniel.Molis@parthenon.ey.com



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