EU AML Reform: New Compliance Rules for Law Firms

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The new EU Anti Money Laundering (AML) Framework brings major changes to the current AML-obligations for the legal profession. From 10 July 2027, law firms across the EU will face significantly stricter governance, risk management and client due diligence requirements, placing the compliance responsibility on the law firm as a whole, rather than on the indivdual lawyer.

Concerned law firms will be required to designate new internal compliance roles. They are also obliged to install stricter risk management systems and enhanced client due diligence processes including expanded documentation duties. The new EU AML-Framework will fundamentally reshape compliance expectations, internal governance, and daily legal practice.

Law firms subject to AML rules should start preparing now, as the new structures and processes must be in place by July 2027.

These developments will also directly affect law firms outside the EU who have offices, clients or cross-border mandates in the EU. Firms advising on EU transactions will increasingly need to navigate regulatory divergence between their national and EU AML regimes and may face parallel compliance frameworks.

The EU AML Package: New Rules for Law Firms

The EU's new AML Package, in force since 9 July 2024, introduces a comprehensive reform consisting of:

1. The EU AML Regulation (EU 2024/1624), which creates a directly applicable single rulebook for all.

2. The 6th AML Directive (EU 2024/1640), which regulates the national mechanisms EU Member States must put in place to prevent money laundering and terrorist financing.

3. The AMLA Regulation (EU 2024/1620), which sets the rules for the EU Anti-Money- Laundering Authority (AMLA).

This new framework aims to eliminate fragmented national approaches and impose a uniform compliance baseline, centralised enforcement and harmonised standards across the EU.

AMLA Supervision and What It Means for Law Firms

The EU Anti Money Laundering Authority (AMLA), created under the rules of the AMLA Regulation, officially began operations on 1 July 2025. AMLA will issue technical standards, guidelines, and recommendations to coordinate national supervisory authorities, with the objective to further harmonise Anti-Money Laundering practices across the EU and provide greater clarity for obliged entities, including law firms.

When are Lawyers “Obliged Entities”?

Not all lawyers automatically fall under the AML-Regime. Only lawyers and law firms that conduct activities considered particularly vulnerable to money laundering are classified as “obliged entities” and fall under the scope of the AML-Rules. These activities are set out in a defined list and include:

- Real estate transactions
- Financial transactions
- Mergers, acquisitions, and corporate restructurings
- Tax advice that forms a substantial element of the engagement.

The new single rulebook shifts the focus from individual lawyers to the law firm as the obliged entity. Individual lawyers are not personally obliged when, and to the extent that, they handle mandates on behalf of the legal practice entity—regardless of whether they are employees, freelancers, partners, or managing directors.

However, individual lawyers remain obliged, if they do not work within a legal practice entity or—although generally working within such an entity—handle AML-relevant activities in their own name.

In house counsel and corporate lawyers are not considered obliged entities.

The EU AML Regulation has immediate cross border effects. Law firms outside the EU with any form of EU practice must check whether their activities make them subject to EU AML rules even when the equivalent activity would fall outside the scope of their national AML rules. The discrepancy creates asymmetric compliance burdens.

A Stricter Compliance Regime

The new EU AML Regulation introduces a regime of obligations that is significantly more detailed and demanding than the current rules. Law firms must build robust internal systems capable of identifying, assessing, and mitigating AML risks.

Mandatory elements include a compulsory, firm wide risk assessment and greater documentation and reporting duties. It also assigns clear responsibility to senior leadership for AML governance, introducing the “three lines of defence” model.

New Governance Roles

The three lines of defence model requires firms to designate:

1. A Compliance Manager, who is responsible for AML governance.
2. A Money Laundering Officer, who is responsible for ongoing oversight.
3. An independent Audit Function to test AML systems and controls.

To reduce the significant challenge for smaller law firms, the Compliance Manager and the Money Laundering Officer can be performed by one person.

Tightened Client Due Diligence (CDD) Requirements,

The AML Regulation expands client verification requirements considerably. Law firms will need to perform more detailed identity and beneficial ownership checks, mandatory, documented risk assessments for each client relationship and transactions and group wide AML procedures for multi-office firms.

Regarding branches or subsidiaries of obliged entities located in third countries where the minimum AML/CFT requirements are less strict, the Regulation states clearly that the parent undertaking must ensure that those branches or subsidiaries comply with EU requirements, including requirements concerning data protection, or equivalent.

Greater Documentation and Reporting Duties

The Regulation also increases documentation and reporting obligations. Firms must maintain extensive written records of risk assessments, CDD activities, and decision making processes. The new rules also introduce the obligation to report inconsistencies detected during CDD checks, in addition to suspicious activity reports.

Preparing for EU-AML Reform: What Law Firms Should Do Now

Law firms need to be prepared when the new rules come into force in July 2027. The changes brought by the EU AML Package will affect case intake procedures, data management systems, internal reporting lines, staff training, and overarching governance structures. Implementing these systems will require substantial changes and internal coordination. Early preparation is essential for firms to be able to transition smoothly to the new rules.

Law firms should begin preparing now by:

- Assessing governance structures and AML roles
- Strengthening client due diligence (CDD) procedures
- Preparing internal documentation systems and training programmes
- Reviewing cross-border AML compliance frameworks

If you would like to explore what impact the new EU rules have on your firm and the processes and systems you need to install, please get in touch with

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