

# Shared goals, diverging paths

## How regulators are shaping the KYC/AML landscape

**Financial crime is becoming increasingly sophisticated. While the scale of money laundering is difficult to assess, the United Nations estimates that 2-5% of global GDP is laundered each year.<sup>1</sup> As a result, banking regulators in the US and Europe have been trying to strengthen KYC/AML practices by focusing on data quality and risk modeling, increasing enforcement and penalties, establishing new regulatory bodies, and other approaches.**

While regulators in the US and Europe have many shared priorities, banks are increasingly having to navigate divergent regulatory approaches as a result of the shifting geopolitical landscape. Financial institutions will have to assess whether a standardized, global KYC/AML framework is sustainable in the long-term, or whether they must adapt their stance by jurisdiction.

### Alignment on core priorities

Across the US and Europe, regulators are stepping up their focus on KYC/AML, with clear alignment on three themes.

#### 1. Increasing focus on financial crime

Regulators are intensifying their efforts to tackle financial crime. In the US, the Financial Crimes Enforcement Network (FinCEN) has made significant updates to its AML regulations and those aimed at combatting the financing of terrorism (CFT). These include a new rule establishing an effective ‘sixth pillar’ to the Bank Secrecy Act (BSA) and AML program requirements, in the form of a mandatory AML/CFT Risk Assessment.

While financial institutions have commonly designed their compliance programs on a risk-based framework, the rule brings a formal requirement that financial institutions “establish, implement, and maintain effective, risk-based, and reasonably designed AML/CFT programs with certain minimum components.”<sup>2</sup>

Likewise, in Europe, we are seeing the European Union (EU) enact numerous AML directives and regulations such as establishing the Anti-Money Laundering Authority (AMLA) to co-ordinate cross-

border efforts, as well as a move to centralized supervision and active collaboration with international organizations such as the Financial Action Task Force (FATF).

In the UK, the government is in the process of implementing the Economic Crime Plan 2 (2023-2026), the UK’s strategic framework to tackle economic crime by outlining increased funding, supervision and data-sharing initiatives. The Corporate Transparency and Register Reform, primarily driven by the Economic Crime and Corporate Transparency Act 2023 (ECCTA), is another initiative that aims to enhance the transparency of UK companies.

A key aspect of this reform focuses on beneficial ownership, requiring companies to disclose more detailed information about the individuals who ultimately own or control them. The ECCTA has also enhanced law enforcement’s ability to confiscate crypto assets involved in money laundering and fraud.

1. [Europol, Criminal Finances and Money Laundering](#)

2. [FinCEN.gov, FinCEN Issues Proposed Rule to Strengthen and Modernize Financial Institutions’ AML/CFT Programs](#)

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### 2. Technology & AI-driven solutions

Banks are well on their way to implementing advanced technologies such as AI and machine learning in their bid to fight money laundering. A recent Bank of England survey reports that 75% of financial services firms are already using AI for various purposes, with AML and combatting fraud among the areas offering the highest perceived benefits.<sup>3</sup>

Regulators are generally supportive of this use of AI and advanced technology to combat money laundering – but they emphasize that it must be done responsibly and with guardrails in place. The EU AI Act for example, which came into force in 2024, brings new regulatory expectations for AI systems used in financial crime detection. Financial institutions are expected to strengthen existing risk and AML frameworks to meet the Act's guardrails, such as ensuring high-quality, unbiased data governance, maintaining transparent documentation of models and decision logic, embedding robust human oversight (so AI outputs are reviewed and not blindly followed), and establishing continuous post-market monitoring and incident reporting.

Likewise, the Financial Action Task Force (FATF) has emphasized that new technologies can improve AML/CFT outcomes when deployed responsibly and with proper policies in place. It highlights the potential for better risk assessment, timely detection and financial inclusion – but only under a risk-based approach accompanied by robust governance and data integrity practices.<sup>4</sup>

A clear industry trend we are seeing in how financial institutions are leveraging AI in the fight against financial crime is by increasingly applying AI to optimize the handling of screening and transaction

monitoring alerts, driving down false positives and freeing up investigators to focus on genuinely high-risk activity. AI also plays a critical role in enabling perpetual KYC, continuously analyzing dynamic customer data, identifying emerging risk indicators, and automating due diligence updates, allowing firms to maintain an up-to-date understanding of customer risk profiles. These advancements mark a shift from reactive compliance toward proactive, intelligence-led risk management – an approach that aligns with regulatory expectations, strengthens customer trust, and enhances operational resilience.

### 3. Robust risk models & enhanced due diligence

Financial crime risk assessments are legally required in most jurisdictions and form the cornerstone of bank AML compliance. Regulators increasingly focus on ensuring banks have strong customer risk assessment models that accurately reflect the customer risk profile, and on making sure that the data sitting behind these models is high-quality, traceable and complete.

During recent Federal Reserve Board Bank Secrecy Act/Anti-Money Laundering exams, the regulator has focused on ensuring banks' risk rating models accurately identify risks associated with certain products and services, and that the customer data flowing into the model allows for accurate risk-scoring.

In Europe, the European Banking Authority released a consultation paper in March 2025 stating that financial institutions should ensure they are tailoring their Enhanced Due Diligence measures around the specific risks associated with each customer.<sup>5</sup>

3. [Bank of England, Artificial Intelligence in UK Financial Services - 2024](#)

4. [Opportunities and Challenges of New Technologies for AML/CFT](#)

5. [Consultation Paper on Response to Call for Advice on New AMLA Mandates.pdf](#)

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### United States: The political landscape vs regulatory scrutiny

While regulators are aligned in terms of these three key priorities, there is a growing divergence in approach between the US and Europe.

The US regulatory landscape shifted with the return of the Trump administration in 2025. We are seeing clear 'deregulation' signals from the administration, exemplified by the rollback of certain AML regulations. In a significant policy shift, the Treasury Department announced in March 2025 the intention to partially roll back the scope of the Corporate Transparency Act (CTA), granting broad exemptions from beneficial ownership reporting.<sup>6</sup>

Despite this, there is little indication that banks are relaxing or scaling back their broader compliance

practices and controls, and regulators continue to issue cease-and-desist orders and substantial penalties and fines.

In early 2025, Bank of America settled an OCC cease-and-desist order issued for failures in complying with the Bank Secrecy Act.<sup>7</sup> Likewise, in April, Block, Inc, the owner of Cash App, agreed to pay a \$40 million fine issued by the New York State Department of Financial Services for inadequate KYC and AML controls, particularly concerning cryptocurrency-related failures.<sup>8</sup>

For financial institutions, the message is clear: while some reporting burdens may ease, regulatory scrutiny remains sharp.

### Europe: Harmonization through centralization

Europe is undergoing significant transformations in its KYC/AML regulatory landscape. A key trend is the continuing alignment of regulatory frameworks across the bloc.

The European Union (EU) has formally established AMLA, a new EU body dedicated to protecting the EU's financial system from money-laundering and terrorist financing. Over the coming years it will work to develop a more harmonized and coordinated approach to AML supervision across the EU.

Alongside AMLA is the introduction of AMLD7, the Seventh Anti-Money Laundering Directive, which is a proposed update to the EU's AML/CFT framework. It intends to harmonize AML rules and supervision across the EU, and its key objectives include the establishment of consistent rules for beneficial ownership registers, streamlining mechanisms for sharing AML/CFT-related intelligence sharing, and granting National Financial Intelligence Units (FIUs)

greater access to bank account registers and other financial information.

Likewise, the European Banking Authority (EBA) is actively developing the EU's new AML and Countering the Financing of Terrorism rulebook, which aims to standardize compliance practices across the EU.

In terms of implications for financial institutions, the establishment of these new supervisory bodies and directives will result in greater pressure to ensure data availability and quality, especially related to beneficial ownership and account information. Institutions will need to align internal policies with new pan-EU supervisory authorities and cooperate effectively with them – including responding quickly to information requests.

Financial institutions should start preparing now to ensure they are able to meet these requirements.

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6. [US Department of the Treasury, Treasury Department Announces Suspension of Enforcement of Corporate Transparency Act Against U.S. Citizens and Domestic Reporting Companies](#)
  7. [ComplianceChief360, Bank of America Settles OCC Cease-and-Desist Order Over Compliance Deficiencies, January 2025](#)
  8. [AML Intelligence, Block Hit With \\$40M Fine in New York for AML Failures](#)

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## Globally coherent, locally responsive

Despite the regulators' shared goals on fighting financial crime, financial institutions – particularly those that are US-based with global operations – face heightened complexity as the geopolitical landscape leads to diverging regulatory approaches.

Banks must consider whether adopting the most rigorous standards across their entire organization is

sustainable, or whether they should look to customize their KYC/AML policies by jurisdiction. Forward-looking banks should look to build KYC/AML policies and frameworks that are both globally coherent and locally responsive.

## How can banks respond?

Defining and putting in place the right kind of framework involves a series of initial steps:

- **Externally benchmark KYC/AML policies & procedures** to identify any gaps in AML/KYC systems, controls, processes and procedures against regulatory requirements/expectations and identify opportunities for improvement. Institutions should also conduct a local review of policies and procedures to ensure any jurisdictional deviations are accounted for, such as beneficial ownership requirements, and ensure tailored training for staff based on these local requirements.
- **Define a strategic vision and risk appetite** for how technology and AI will enhance financial crime detection, ensuring the strategy aligns with enterprise risk appetite and regulatory obligations. As part of this, banks should look to embed AI into alert handling to reduce false

positives and prioritize high-risk cases, and move towards a perpetual KYC model by automating identity verification and enabling continuous, dynamic risk monitoring. To succeed in this, banks must build scalable data and technology infrastructure that supports ongoing adaptation. By doing so, AI can drive more efficient operations, stronger compliance, and a more proactive approach to preventing financial crime.

- **Review the bank's oversight/controls testing framework** to ensure the enterprise's financial crime prevention measures are working as intended and are in line with regulatory requirements both globally and regionally. This includes ensuring a robust governance framework is in place, verifying whether systems (such as transaction monitoring and sanctions screening) are working as intended, and reviewing whether the controls are designed properly to meet existing and upcoming regulatory requirements.

## How Capco can help

Capco can support financial institutions as they navigate the evolving political and regulatory financial crime landscape. We can partner with you to conduct regulatory impact assessments, benchmark existing operating models, processes and controls and help you design, select leading technology solutions and implement enhancements, including AI strategies.. With deep industry expertise and a track record of driving regulatory compliance, Capco empowers institutions to turn compliance into a competitive advantage.

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