Infection effect of the AML Regulation (from 2027): Parent undertakings classified as AML-obliged Entities

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Market observation

Under the new AML Regulation, a single subsidiary that qualifies as an obliged entity for AML purposes "infects" the parent undertaking, which is then itself considered an obliged entity and must ensure compliance with group-wide AML obligations. The effects of this regulation are currently the subject of increasingly intensive discussion. Leading associations, including DICO – the German Institute for Compliance (Deutsches Institut fuer Compliance e. V.) and the German Stock Institute (Deutsches Aktieninstitut e. V.), are also currently addressing this issue. For a DAX-listed group, we have assessed the implications of Regulation (EU) 2024/1624 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (AML Regulation) for the group as a whole.

Starting point & system change

Status quo (German Anti-Money Laundering Act, GwG):

- Holding shareholdings does not per se lead to an obligation of parent undertaking
- Group obligations apply only to obligated entities

New (AML-Regulation):

- Introduction of a group-wide AML responsibility
- Effect of infection: If a subsidiary is an obligated entity, the parent undertaking also becomes an obligated entity

Key innovation ("Infection effect")

- Expanded definition of financial institution (Status quo: finance company)
  - → Catalogue activities are sufficient; no main activity required
  - → Mixed financial holding companies are newly classified as financial institutions
- In the non-financial industry, parent undertakings can be classified as a non-financial mixed activity holding company and are subject to Anti-Money Laundering law

Core regulatory changes

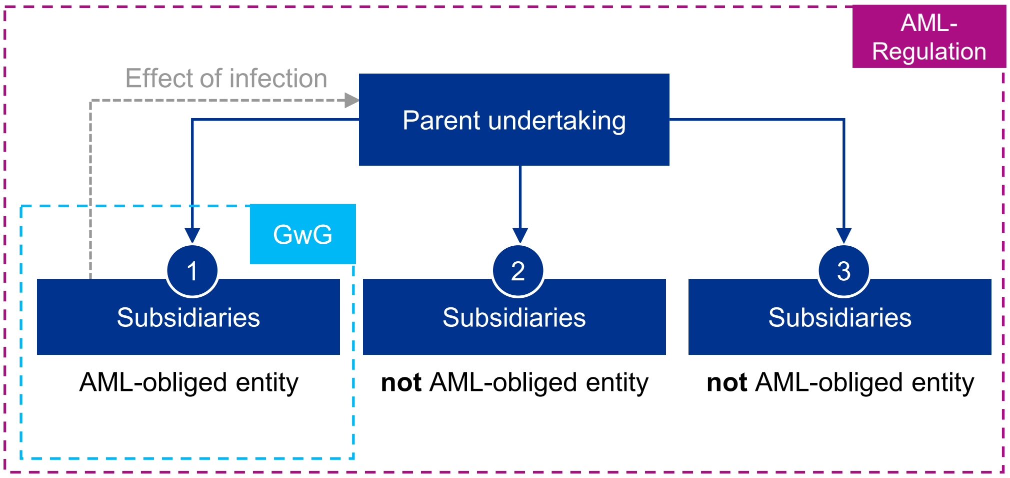
- Involvement of all entities belonging to the group, regardless of their own status as obligated party
- Ensuring compliance with group obligations throughout the Group, including subsidiaries in third countries
- Bafin is expected to be responsible for the supervision of financial institutions in Germany

Relevance for industrial and group structures

Industrial groups are often directly concerned, in particular through their EU-based entities.	Previous "shields" based on corporate law aspects lose their effect.	Reclassification of all group companies also required for "traders in goods".

The AML Regulation makes corporate responsibility the rule under Anti-Money Laundering law – companies must realign their Governance, AML organisation and (IT) processes at an early stage.

Impact on EU industrial groups



Consequences at management level

Increased responsibility for Anti-Money Laundering compliance with sanctions risks	Reorganisation of the group-wide Anti-Money Laundering organisation	Alignment of Governance, processes & controls, and IT requirements	Additional complexity due to future RTS, ITS and AMLA guidelines and ambiguity for the non-financial industry

Contact

KPMG Law Rechtsanwaltsgesellschaft mbH

Dr. Matthias Henke
Partner, Legal Financial Services
Tersteegenstraße 19 - 23
40474 Duesseldorf
T +49 211 415559-7362
mhenke@kpmg-law.com

Arndt Rodatz
Partner, Legal Regulatory & Compliance Services
Fuhlentwiete 5
20355 Hamburg
T +49 40 360994-5081
arodatz@kpmg-law.com

KPMG AG Wirtschaftspruefungsgesellschaft

Timo Purkott
Partner, Financial Services
The Squaire
60549 Frankfurt am Main
T +49 69 9587-1533
tpurkott@kpmg.com

www.kpmg-law.de

KPMG Law in social networks

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