



Managing the Transition into AMLR

The Definition and Identification of Ultimate Beneficial Owners in the Corporate-to-Bank KYC process

Version 1.0 - Final
March 2026
Classification: Public

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Introduction

The new EU Anti-Money Laundering Regulation (“AMLR”)ⁱ marks a significant evolution in the European Union’s AML framework. Coming into force on 10 July 2027, the AMLR replaces key provisions from previous AML Directives (notably AMLD4ⁱⁱ and AMLD5ⁱⁱⁱ). The AMLR introduces a directly applicable legal framework, which harmonises compliance obligations related to Ultimate Beneficial Owners (“UBOs”) across all EU Member States (“Member States”) without needing national transposition. This approach aims to reduce regulatory fragmentation and shall ensure a more consistent implementation of customer due diligence (“CDD”) measures across the EU.

The Sixth Anti-Money Laundering Directive (“AMLD6”)^{iv} acts as a complementary pillar to the upcoming regulation. Adopted as part of the same 2024 AML/CFT package, AMLD6 covers those AML/CFT provisions – such as Financial Intelligence Unit (FIU) powers, sanctions and penalty regimes, and the EU-wide Central Transparency Register (“UBO Register”) setup and access rules that continue to require national transposition and Member State discretion.

The regulatory framework will be completed by a number of Level 2 Acts which include Regulatory Technical Standards (“RTS”), Implementing Technical Standards (“ITS”) and other delegated acts. Most relevant for the purpose of UBO identification and verification is the RTS on Article 28 which has been drafted by the Anti-Money Laundering Authority (AMLA) and, in its latest draft version, been published on 9 February 2026^v. The Level 2 Acts including the RTS will be reviewed and formally adopted by the European Commission to then become binding across Member States. The RTS will serve as detailed, binding rules that clarify how institutions and supervisors must implement the AMLR and shape how institutions and supervisors will comply with their AML/CFT obligations under the new framework. Additional Level 3 measures will include guidelines and recommendations which aim to provide guidance and best practice suggestions.

In respect to UBOs, and compared to prior directives, the AMLR refines the definition of the UBO by aligning the ownership threshold to 25% or more, harmonising the requirements to identify the UBO within the ownership and control structure, explicitly refining control via other means, and tightening the identification and verification as well as the transparency obligations. It extends the scope to cover various legal forms, other legal arrangements and legal persons based in third countries. It also introduces stronger reporting and interaction requirements with EU-wide UBO Registers.

These changes will present banks and other obliged entities with significant adoption challenges, especially concerning the identification and verification (including determining and understanding the ownership & control structure) of UBOs. Banks and other obliged entities must adapt to stricter requirements for tracing direct and indirect ownership, managing complex and multi-layered corporate structures, as well as the identification and verification of UBO data.

Importantly, the primary obligation to identify, report and periodically update UBOs to the UBO Registers lies with UBO itself, or rather the respective legal entity (i.e. the legal entity bank customer) (or similar legal arrangement), which must continuously disclose accurate and comprehensive beneficial ownership information to national UBO Registers. As part of their due diligence processes, banks and other obliged entities in turn are required to consult this information and report any discrepancies back to the UBO Register.

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Objectives and Target Audience

This paper aims to provide KYC professionals within credit and financial institutions (“Banks”) with a clear and practical understanding of how the new EU AML framework updates and reshapes obligations relating to the identification of UBOs and what this means for their legal entity customers. This paper focuses on explaining the complex legal requirements and provides guidance to Banks to manage the transition into the new regulatory environment.

The goals of this paper are to:

- provide insights into the legal context of UBO identification obligations under the AMLR and the revised draft of the Regulatory Technical Standards under Article 28(1) of the AMLR, published on 9 February 2026 (“draft RTS”).
- highlight key substantive changes from AMLD-based national regulations to the legal framework of AMLR and AMLD6 which affect UBO identification.
- provide practical guidance on operationalising these UBO compliance requirements.
- prepare Banks for the transition period and the challenges expected in meeting the AMLR’s 2027 compliance deadline.
- provide practical recommendations to national and European regulators and lawmakers in areas where further guidance is needed according to industry experts.

This paper is drafted primarily for Compliance, Know-your-Customer (“KYC”), and Anti Money Laundering (“AML”) officers responsible for the onboarding, ongoing monitoring and the KYC/CDD processing of their corporate customers. However, the target audience equally includes:

- national and pan-European policy makers and supervisory bodies responsible for overseeing specific Banks and financial institutions, who will find insights on areas requiring further regulatory clarification and interpretative guidance.
- internal and external auditors who need to understand the complexity and nuances of AMLR-driven UBO-related obligations.
- Banks that may lack capacity for deep legal analysis but require a practical knowledge base to effectively meet upcoming compliance demands.

Disclaimer

This paper has been authored by the KYC Expert Group (“KYCEG”) of the Euro Banking Association (“EBA”). The group comprises senior industry practitioners with deep, hands-on expertise in KYC operations and risk management. As such, the perspectives presented reflect practical experience from the field and are not intended as formal legal or regulatory advice. While every effort has been made to accurately interpret and explain the AMLR, AMLD6, and the draft Regulatory Technical Standards (draft RTS) under Article 28(1) AMLR as of February 2026, the content may contain inadvertent legal or compliance inaccuracies or may be superseded by the final RTS under Article 28(1) AMLR. Readers are advised to seek independent legal advice or regulatory guidance where appropriate.

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Key AMLR Provisions Relevant to UBOs

The AMLR consolidates and updates several key provisions relating to UBO identification and verification and enforces stricter interaction with UBO Registers. The below table covers the UBO CDD lifecycle from definition, identification and verification to UBO Register interaction.

Whilst the table also includes references to trusts and similar legal arrangements and other customer types, and the verification and reporting requirements under AMLR, the remainder of this paper will focus on the identification of UBOs of legal entities (e.g. corporate customers) only. It is the intention of the KYCEG to cover the verification and reporting requirements under AMLR in future publications.

AMLR Article(s)	Aspect	Key Provisions
Article 2(1)(28)	UBO Definition	Defines “beneficial owner” as any natural person who ultimately owns or controls a legal entity or an express trust or similar legal arrangement.
Articles 51-61	UBO Identification Rules	<p>Article 51 sets the framework for the parallel identification of UBOs through ownership interest or control via ownership interest or control via other means.</p> <p>Article 52 covers the “beneficial ownership through ownership interest” and sets the direct and (accumulated) indirect ownership interest threshold as equal to or greater than 25%.</p> <p>Article 53 covers “beneficial ownership through control” and defines it as the direct or indirect ownership of 50% + 1 share, voting rights or other ownership interest or as control via other means.</p> <p>Article 54 covers situations in which “beneficial ownership through ownership interest” and “beneficial ownership through control” coexist in different layers of one or more chain(s) within a multi-layered ownership & control structures (“coexistence of ownership interest and control in the ownership structure”).</p> <p>Articles 55, 57, 58, 61 cover other types of legal persons such as trusts and similar legal arrangements, foundations and collective investment undertakings.</p>
Articles 22(2), 22(7), 62(1), point a)	UBO Identification & Verification Requirements (also relevant: Draft RTS Articles 10-12)	<p>Obligated entities must identify UBO(s) and verify their identity using certain prescribed methods (including collecting customer-supplied documents, consulting public registers or other reliable sources). This includes the requirement to understand the ownership & control structures of the Bank’s customer.</p> <p>Art. 22 (2) also clarifies the requirement to identify and verify the so-called senior managing officials (“SMOs”) in situations where no natural persons are identified as UBOs, or where there are doubts that the persons identified are the UBOs.</p>
Article 20(1), point d)	Financial Sanctions Screening (also relevant: Draft RTS Articles 29-30)	Covers screening requirements of UBOs and intermediate legal entities or legal arrangements – especially those with > 50% individual or collective shareholding or significant

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		control – against targeted financial sanctions lists issued by EU prior to and during the business relationship.
Articles 20(1), point g)	PEP Evaluation & Enhanced Due Diligence	Article 20(1), point g), requires Banks to determine whether UBOs (and some other individuals) are PEPs, family members of a PEP or close associates.
Articles 62–65, 67	UBO Register Interaction (by the legal entity customer)	<p>Article 62 defines the beneficial ownership information which has to be submitted to UBO Registers by legal entities and other types of legal persons such as trusts and similar legal arrangements.</p> <p>Article 63 covers the record keeping requirements and ongoing reporting obligation of legal entities to UBO Registers.</p> <p>Article 64 covers trustee obligations.</p> <p>Article 65 covers exceptions to the reporting requirements of legal entities and legal arrangements towards the UBO Registers.</p> <p>Article 67 covers registration requirements of foreign (i.e., third country) legal entities and foreign legal arrangements.</p>
Articles 22(7), 23(4), 24	UBO Register Interaction (by the Bank performing CDD)	<p>Article 22(7) requires Banks to verify the information on the UBO including by consulting the UBO Register in addition to their own verification measures (so-called “multi-prong approach”).</p> <p>Article 23(4) requires Banks to obtain proof of registration of their customer with UBO Register whenever establishing a new business relationship.</p> <p>Article 24 covers discrepancy reporting requirements for Banks.</p>

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UBO Definition and Identification under the AMLR

One of the most significant developments introduced by the AMLR is the refinement of the definition of the UBO and the requirement of a parallel assessment of ownership and control of the legal entity customer which is framed in AMLR Article 51 and laid out in more detail in AMLR Articles 52-54. This addresses AMLR Recital 107 which sets out that: “(...) Ownership interest should encompass both control rights and rights that are significant in terms of receiving a benefit.” From a practitioner’s viewpoint, this enhanced clarity provides a more detailed conceptual framework for identifying individuals who ultimately own or control legal entities, including those exercising control indirectly, jointly with others, or directly or indirectly through representatives. However, even though all legal entities are required to provide information on their UBOs to Banks for the purpose of due diligence (see AMLR Article 63(1)), the relevant steps Banks need to understand and document in respect to the ownership and control structure of the customer will be significantly more extensive going forward.

A technical but practically relevant adjustment relates to the ownership threshold. The AMLR explicitly harmonises this threshold to “25% or more” – as opposed to the previous benchmark of “more than 25%” introduced in AMLD3 – thereby bringing persons who hold exactly 25% of shares, voting rights or other ownership interests unequivocally within scope (note: shares, voting rights and other ownership interest are hereafter referred to as “Ownership Interests”). This threshold recalibration, as set out in Article 52(1) of the AMLR, means that in jurisdictions where prior national legislation excluded individuals with precisely 25%, these persons now become reportable UBOs.

The AMLR’s aggregation principle requires that ownership interests be accumulated across all direct and indirect corporate layers (AMLR Article 52(1)). This means that Banks must trace ownership interest through multiple tiers of ownership (e.g. the corporate ownership hierarchy) and add together the ownership interest identified in each individual chain to identify natural persons who meet or exceed the 25% threshold.

Furthermore, AMLR Article 53 clarifies the definition of “ownership through control” to capture individuals exercising (a) control through ownership interest or (b) control via other means. Examples for the latter include individuals who can appoint or remove a majority of the members of the administrative, management or supervisory body, exercise relevant material veto rights, or control through decisions regarding distribution of profit. Control may also be exercised through relationships between family members or formal or informal agreements or arrangements – following criteria explicitly established in AMLR Articles 53(3) and 53(4). AMLR Article 51, 2nd sentence, additionally clarifies that control via other means shall be identified independently of and in parallel to the existence of an Ownership Interest or control through Ownership Interest. This expansion and clarification requires compliance teams to integrate non-ownership control evaluations into their due diligence frameworks and apply them to all legal entity customers – rather than relying solely on shareholding records.

In the context of multi-layered ownership structures, Article 54 of the AMLR establishes that when ownership-based and control-based criteria coexist within one or more chains of the ownership and control framework, this may result in a natural person being identified as the UBO. This represents a significant shift from previous practice, where obliged entities often

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treated ownership and control as alternative, rather than cumulative, pathways to determining UBO status.

Overall, the accumulation approach of AMLR Article 52, combined with the control assessment which is laid out in AMLR Articles 53 and the co-existence approach covered in AMLR Article 54, obliges Banks to engage in more detailed and rigorous mapping of multi-layered or complex ownership and control structures. From a compliance and operational standpoint, these regulatory adjustments will require Banks to recalibrate internal processes and controls, enhance IT systems and align customer onboarding procedures to ensure the full and simultaneous application of ownership and control criteria. In addition, the upcoming regulation will likely result in a significant increase in the number of natural persons to be treated as UBOs and therefore of the volume and complexity of UBO data to manage.

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Beneficial Ownership Through Ownership Interest (AMLR Article 52)

A UBO through Ownership Interest is any natural person who directly or indirectly owns 25% or more of a legal entity's shares, voting rights, or other ownership interests. The European Commission may lower this 25% threshold to a percentage between 0% and 15%, or, where a higher threshold would be more proportionate, to a percentage between 15% and 25% for specific high-risk sectors by delegated act (AMLR Article 52(2) and Article 85). Until then, the 25% or more threshold applies uniformly across all risk levels.

- **Ownership Interests** include, at a minimum:
 - Shares or voting rights,
 - Other ownership interest such as
 - ✓ Rights to a share of profits,
 - ✓ Rights to other internal resources,
 - ✓ Rights to liquidation balance.
- Both **direct and indirect ownership** on every level of ownership must be considered:
 - Indirect holdings through multi-layered corporate structures are calculated via the so-called accumulation approach as per AMLR Article 52(1), i.e. multiplying ownership percentages along each hierarchical layer to determine ultimate ownership, unless Article 54 applies.
 - If a natural person owns stakes in the same legal entity through multiple separate ownership chains, each such (in)direct holding must be calculated independently and then added together to establish the cumulative ownership percentage. This means that ownership interests in different branches of the ownership structure do not stand alone; they are added together (consolidated) to capture the true extent of influence a person exerts over the legal entity via ownership interest.

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Beneficial Ownership through Control (AMLR Article 53)

Article 53 of the AMLR defines “control of the legal entity” as the possibility that a natural person may exercise, directly or indirectly (e.g. by controlling intermediate legal entities in the ownership structure), significant influence and impose (and hence “control”) relevant decisions within the legal entity customer. As this concept also includes “control via other means”, it recognises that control can be exercised independently of ownership stakes, reflecting that influence can extend beyond shareholding percentages alone. Direct or indirect control of the legal entity must be assessed in parallel with ownership interests (see AMLR Article 51), reflecting two independent lines of influence – control through ownership interests and control via other means – both crucial for comprehensive UBO identification.

Control through Ownership Interest: Ownership-Based Control refers to the explicit criterion that recognises individuals holding a direct or indirect majority Ownership Interest – defined as at least 50 percent plus one share or voting rights or other Ownership Interest – as having decisive influence over a corporate entity (AMLR Article 53(2), point c)). This approach refines the calculation method applied for the 25% ownership threshold, as it evaluates majority interests based on clear, consolidated control at each structural level within one chain of ownership (i.e. the direct control must be identified on each level of the structure/within an ownership chain), rather than aggregating smaller ownership percentages across parallel chains. As such, it provides a distinct and unambiguous means of establishing dominant ownership without relying on cumulative or fractional calculations.

Control via Other Means: Control via Other Means refers to the identification of individuals who exercise decisive influence over a legal entity through mechanisms beyond Ownership Interest. This requires a comprehensive assessment of an individual’s actual capacity to direct or influence the entity, often involving analysis of governance frameworks, contractual arrangements, shareholder agreements, and informal networks such as family ties. The AMLR provides illustrative examples but encourages a proportionate, context-driven evaluation of the specific circumstances surrounding the entity to accurately determine where control resides. This approach ensures that control is recognised based on substantive influence rather than formal ownership or voting rights alone.

Control via Other Means includes, **in any case, the ability to exercise:**

- The majority of voting rights, whether or not shared by persons acting in concert.
- The right to appoint or remove a majority of the members of the board or the administrative, management or supervisory body or similar officers of the legal entity.
- Relevant veto rights or decision rights attached to the share of the corporate entity.
- Decision rights regarding profit distribution or material asset shifts.

In addition, Control via Other Means **may be exercised** depending on the particular situation of the legal entity and its structure and can, for example and among others, derive from:

- Formal or informal agreements, including voting arrangements, with other owners or legal entities, or nominee agreements.
- Provisions in the articles of association or partnership agreements or similar agreements.
- Voting arrangements
- Relationships between family members
- Formal or informal nominee agreements

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Coexistence of Ownership Interest and Control (AMLR Article 54)

Article 54 of the AMLR covers the coexistence of Ownership Interest and Ownership through Control in multi-layered ownership structures of legal entities and addresses situations where Ownership Interest and Control coexist in different parts of the ownership chain. In essence, Article 54 of the AMLR aims to close loopholes for beneficial ownership by ensuring that Banks look beyond Ownership interest thresholds and assess control mechanisms so that individuals with real influence in multi-layered structures cannot hide behind technical arrangements. In this context, multi-layered typically refers to corporate ownership arrangements which involve one or more successive layers of intermediate legal entities through which Ownership Interest or control must be traced.

Article 54 is likely to emerge as the overarching principle for identifying beneficial owners in multi-layered ownership structures. It addresses situations where ownership-based and control-based criteria intersect across different levels of the chain, clarifying how these elements must be assessed together. The provision distinguishes two categories:

- **Article 54(a):** Beneficial owners are natural persons who, directly or indirectly, exercise control over legal entities in the sense of Art. 53 that – individually or collectively – hold a direct Ownership Interest pursuant to Art. 52 in the company. This applies when control at higher levels translates into qualifying ownership at lower levels.
- **Article 54(b):** Beneficial owners are natural persons who, individually or collectively, directly or indirectly hold an Ownership Interest in the sense of Art. 52 in a company that itself exercises control – whether directly or indirectly – through ownership or other means (see Art. 53).

In practice, Article 54 requires Banks to evaluate ownership-based and control-based criteria independently and simultaneously when dealing with multi-layered structures, rather than treating them as alternative routes to identifying beneficial ownership.

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Unidentifiable UBOs: Obligations and Best Practices

There are many legitimate situations in which no UBO can be identified. Normal circumstances mostly relate to the nature and legal form of the entity (lack of individuals who control the entity, or widely dispersed Ownership Interest), state ownership, or complex structures that obscure natural persons exercising control despite Banks having made every reasonable effort to determine natural persons who ultimately own or control the entity. Alternatively, there may be legitimate doubts about the identity of the UBO(s) declared by the legal entity.

Banks must apply due diligence proportionate to the risk and complexity of the customer profile but are not expected to undertake disproportionate investigative efforts beyond reasonable inquiry. If, after all diligent efforts, no UBO can be formally identified or substantiated, or valid doubts about the declared UBO(s) remain, Banks must:

- record a detailed account of all investigative steps taken, findings, and reasons preventing positive UBO identification or causing doubt in the internal due diligence file based on Article 22(2) of the AMLR.
- identify the persons holding the position of senior management officials (SMOs) and verify their identities. SMOs are, according to AMLR Article 63(4), point b), *“the natural persons who are the executive members of the management body, as well as the natural persons who exercise executive functions within a legal entity and are responsible, and accountable to the management body, for the day-to-day management of the entity”*.

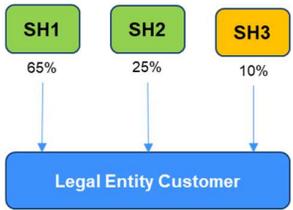
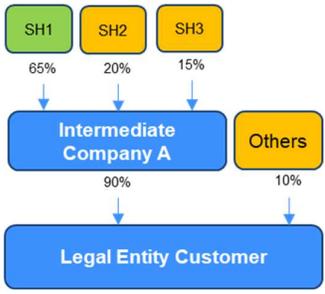
It should be noted that SMOs are not considered to be UBOs (see Recital 125 of AMLR), however, if no UBO can be identified, Banks must identify and verify (AMLR Article 22(2)) all SMOs in a similar manner as applied to UBOs (draft RTS Article 13) for the purposes of compliance. Banks may, however, decide to obtain the address of the registered office of the legal entity customer instead of an SMO’s residential (private) address.

- assess whether the verification of SMOs, triggered by doubt regarding the identity of UBOs, could inadvertently tip off the customer about the Bank’s concerns.
 - If there are no grounds to believe that such verification would result in a tip-off, the Bank must proceed to identify and verify the SMOs in accordance with Article 22(2).
 - If the Bank concludes that verifying SMOs could tip off the customer that there are doubts about the identity of its UBOs, it shall refrain from doing so and instead document all steps taken to identify the UBOs and/or SMOs.

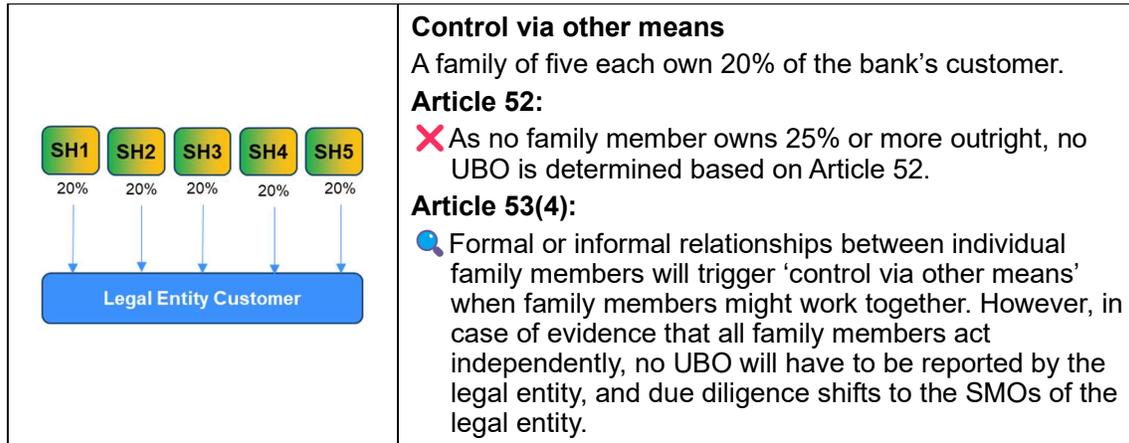
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Examples of UBO Identification in different legal entity hierarchy situations

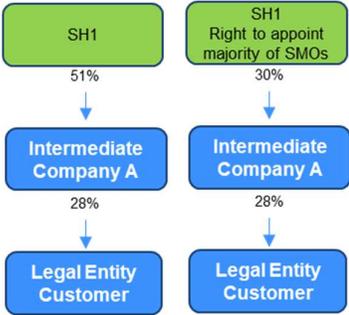
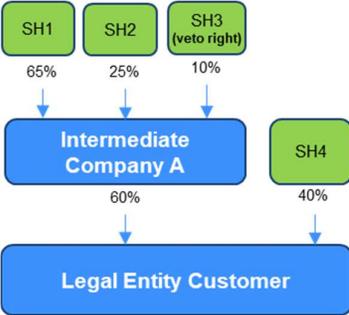
The following examples aim to demonstrate how “beneficial ownership through ownership interest” and “beneficial ownership through control” are to be assessed independently and in parallel, and what needs to be observed when Banks identify UBOs of the legal entity customers under AMLR. It is important to understand that there is no “hierarchy” in Articles 52-54 as they have to be observed independently of each other. This means that a natural person might be identified as a UBO based on Ownership Interest or based on control indicators, or both. The respective findings have to be recorded (ownership percentage / type of control) as laid out in the draft RTS Article 11.

Sample Structure	Description	UBO Rationale
	<p>One ownership level, three shareholders: SH1 holds more than 50% of ownership interest.</p> <p>No indication of special agreements in respect to voting rights or other means of control.</p>	<p>AMLR Article 52 applies:</p> <ul style="list-style-type: none"> ✔ SH1 and SH2 are both UBOs as their ownership interest meets the 25% threshold (Article 52(1)). ✘ SH3 is not a UBO. <p>AMLR Article 53 applies:</p> <ul style="list-style-type: none"> ✔ SH1’s direct ownership interest of 60% exceeds the threshold of 50% plus one share set out in Article 53(2). Therefore, SH1 also controls the bank’s customer through ownership interest.
	<p>Two ownership levels: Three shareholders own an intermediate Company A which owns 90% of the bank’s customer entity (the rest of its shares are widely held).</p> <p>No indication of special agreements in respect to voting rights or other means of control.</p>	<p>AMLR Article 52 applies:</p> <p>Ownership has to be calculated by multiplying the ownership interests throughout the layers of the ownership hierarchy:</p> <ul style="list-style-type: none"> ✔ SH1: $65\% \times 90\% = 58.50\%$ (meets the threshold of 25%, Article 52) ✘ SH2: $20\% \times 90\% = 18\%$, ✘ SH3 <p>AMLR Article 53 applies:</p> <ul style="list-style-type: none"> ✔ SH1 controls Company A, which in turn controls the customer. Therefore, SH1 also controls the bank’s customer as defined in AMLR Art 53 (= continuous chain of control)

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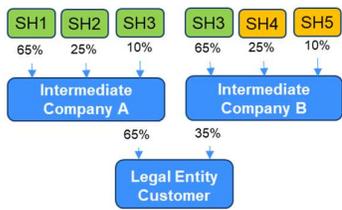


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Sample Structure	Description	UBO Rationale
	<p>Article 54: The parallel assessment of ownership and control This provision makes it possible to identify UBOs when ownership and control co-exist on the ownership chain. Control can either be present as “control through ownership interest” (Article 53(2), point c), or as “control via other means” (Articles 53(3) and 53(4), <u>both having the same impact on UBO identification</u>):</p> <p>Article 52: ✗ SH1’s indirect ownership interest is below 25%, SH1 is not a UBO based on ownership interest.</p> <p>Article 53: 🔍 In both scenarios, SH1 has direct control over the Intermediate Company A (control via ownership interest, left side), or control via other means (right to appoint board members, right side). However, Company A has no control over the Bank’s customer as its ownership interest is below 50% plus one share, meaning that SH1 is not a UBO of the Bank’s customer based on control alone.</p> <p>Article 54: ✔ SH1 controls an entity which has an ownership interest of 25% or more in the Bank’s customer. SH1 is UBO based on Article 54(a).</p>	
	<p>Two chains of ownership, with natural persons directly and indirectly owning the Bank’s customer.</p> <p>An intermediate Company A has ownership interest in 60% of a legal entity customer, and SH3 has a relevant veto right in respect to all major decisions taken at Company A attached to its shares (as defined in Art 53 (3) c)). These veto rights go beyond minority blocking rights. The residual 40% of the customer entity are owned by SH4.</p>	<p>Articles 52 applies: ✔ SH1: $65\% * 60\% = 39\%$ (indirectly) ✔ SH4: 40% (directly)</p> <p>Article 53(2), point c) applies: 🔍 SH1’s ownership interest in Company A is above the ownership-control threshold of 50% 🔍 Due to SH1’s ability to control Company A which in turn controls the customer entity, SH1 is a UBO (= continuous chain of control).</p> <p>Article 53(3), point c): 🔍 SH3 does not meet the indirect ownership threshold of 25% in the customer entity but is able to control Company A via other means (the relevant veto right). 🔍 Company A exercises ownership-control over the customer entity as it owns 60%. 🔍 Due to SH3’s ability to control Company A via other means, which in turn controls the customer entity, SH3 also</p>

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		<p>controls the customer entity and is a UBO.</p> <p>Article 54 applies:</p> <ul style="list-style-type: none"> ✓ SH2's direct ownership interest in Company A meets the threshold of 25%, and Company A controls the customer in the sense of Article 53(2), point c), AMLR. Consequently, SH2 is a UBO of the customer entity based on Article 54, point b).
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Sample Structure	Description	UBO Rationale
 <pre> graph TD SH1[SH1 65%] --> ICA[Intermediate Company A] SH2[SH2 25%] --> ICA SH3_1[SH3 10%] --> ICA SH3_2[SH3 65%] --> ICB[Intermediate Company B] SH4[SH4 25%] --> ICB SH5[SH5 10%] --> ICB ICA -- 65% --> LEC[Legal Entity Customer] ICB -- 35% --> LEC </pre>	<p>Two ownership levels with two separate chains of ownership: The two intermediate companies jointly own the Bank's customer entity, and SH3 is involved in both.</p> <p>No indication of special agreements in respect to voting rights or other means of control.</p>	<p>AMLR Article 52(1) applies:</p> <p>Ownership has to be calculated by multiplying the ownership interests throughout the individual layers of the ownership hierarchy and adding together stakes owned in various chains. SH1 and SH3 are both UBOs:</p> <ul style="list-style-type: none"> ✓ SH1: $65\% * 65\% = 42.50\%$ ✓ SH3: $(10\% * 65\%) + (65\% * 35\%) = 29.25\%$ (=via two chains), BUT Article 54 applies! ✗ SH2, SH4 and SH5 do not meet the (indirect) ownership interest threshold of 25%. <p>AMLR Article 53 applies:</p> <ul style="list-style-type: none"> ✓ SH1's ownership interest in Company A is above the ownership-control threshold of 50%. Due to SH1's ability to control Company A, which in turn controls the customer entity due to its ownership stake of 65%, SH1 is a UBO (= continuous chain of control). <p>AMLR Article 54 applies:</p> <ul style="list-style-type: none"> ✓ SH2 meets the ownership interest threshold of 25% in Company A, which in turn controls the customer. Due to this combination of ownership and control, SH2 is a UBO based on Article 54(b). ✓ SH3 controls Company B as

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		the Ownership Interest is above 50%+1 share. Company B meets the ownership threshold of 25% in the Bank's customer. Due to this combination of control and ownership, SH3 is a UBO based on Article 54(a).
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Practical Application Notes:

- **Harmonisation of Ownership Interest calculation methodology:**

Due to the different implementations of previous AML Directives by EU Member States, the existing methodologies to identify UBOs vary across the EU. At a direct ownership level, current thresholds might be higher than 25%, whilst indirect ownership can be calculated using different methodologies (e.g. domination or accumulation approach, or other country specific methodologies). The refined calculation method imposed by AMLR is one of the reasons why Banks will be required to re-assess all legal entity customer ownership structures using the new harmonised approach. Thresholds and/or calculation methods may need to be adjusted, which may also impact – if used – the design or use of automated systems which are capable of mapping and calculating ownership over complex, multi-branched corporate structures.
- **Simultaneous and independent assessment of ownership and control:**

Compliance and KYC teams should develop and embed processes that explicitly require independent and concurrent evaluation of both ownership interests and control rights or indicators, not only at the entity's direct ownership layer but also at all relevant intermediate layers in more complex structures. This dual-path assessment must be formalised in policies and procedures to ensure no criterion is overlooked or treated as secondary.
- **Training on Control Indicators:**

Given the nuanced nature of “control via other means”, Banks should train staff to identify and evaluate various control factors beyond shareholding. This includes training related to the understanding of governance structures, contractual arrangements, veto powers, and informal influence, and the ability to perform well-documented qualitative assessments. Staff trainings should be supported by internal guidelines that provide examples and thresholds for escalation or further investigation.
- **Information requirements regarding the ownership and control structure of the customer:**

The minimum data/information gathering requirements related to the ownership and control structure of legal entity customers are covered in the draft RTS on AMLR Article 28(1). The risk-based information gathering requirements are laid out in Article 11 and 12 in the proposed draft RTS (which may change!) covering situations where the ownership and control structure of legal entity customers contains more than one other legal entity or legal arrangement and/or must be considered a complex corporate structure. Once the final RTS has been published, Banks are recommended to adjust and map their internal systems, files or databases accordingly.
- **The legal obligation of legal entity customers to provide ownership information:**

Article 63 of the AMLR requires all legal entities established in the EU to obtain and maintain accurate and up-to-date information on their UBOs. Legal entity customers must also provide this information to their relationship Banks for due diligence purposes. Compared to the current directive-based framework, the AMLR strengthens and harmonises these obligations across Member States.

While Banks have no obligation or right to demand additional documentation unless the complexity of the customer's ownership structure warrants it, it may be prudent –

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under a risk-based approach and on a voluntary basis – to request organisational or ownership charts, or further descriptions of the ownership and control structure. Such information can help Banks better understand the customer’s governance and ownership arrangements, even where the structure is not formally considered complex.

- **Collecting data on SMOs:**

In situations where no UBO can be identified and due diligence shifts to the senior managing officials (SMOs), Banks have no legal right or obligation under the AMLR to demand further documentation from the customer. However, under a risk-based approach they may request from their legal entity customers a copy of the full evaluation and supporting documentation referenced in Article 63(4), including a list of the actions taken to identify UBOs and the justification for why identification was not possible. Any documentation provided on this voluntary basis can serve as a useful foundation for the Bank’s own assessment.

- **Enhancing the data-collection process:**

Under draft RTS Article 10, Banks are required to include at least one source from a specified list of sources considered as being reliable and independent sources of information for UBO verification pursuant to AMLR Article 22(7), lit. b), (“reasonable measures”). This list currently consists of reliable data from official registries or competent authorities. In addition, draft RTS Article 10 allows Banks to supplement their assessments with further external information including third-party sources including reputable credit agencies and/or comparable reputable data services providers or confirmations from other credit and financial institutions. The inclusion of data service providers or other credit and financial institutions as appropriate verification sources could give obliged entities more leeway and flexibility and facilitate the verification of UBO data. The advantage of using third-party information is to enhance the accuracy of beneficial ownership identification, provide independent verification, and strengthen the robustness of due diligence processes.

- **Cooperation with, and education of, legal entity customers:**

Banks are obliged to inform non-EU foreign legal entities and foreign legal arrangements about their requirement to register beneficial ownership where specific conditions are met as defined in AMLR Article 67(1), point a), and as laid out in AMLR Article 67(4). They require a certificate of proof of registration or an excerpt of the beneficial ownership information held in the central register as a prerequisite to commencing the business relationship or proceeding with the occasional transaction. However, there is no legal obligation under the AMLR for Banks to inform or educate their EU-based legal entity customers about the new UBO identification and calculation rules. Nevertheless, Banks may wish to highlight the requirement in AMLR Article 63 for customers to maintain accurate and up-to-date beneficial ownership information and offer to provide further guidance on the requirement. This can help customers understand the need to regularly review and update their ownership data, and ensure clarity regarding the definitions, thresholds and approaches for identifying ultimate beneficial owners. This proactive approach could help to avoid delays during the CDD process, reduce compliance risks, and have an impact on the number of discrepancy reports which might otherwise have to be filed.

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Requests for guidance or best practice recommendations

The interpretation of “doubt” (Article 22(2)) and the inability to apply due diligence (Article 21):

The AMLR introduces a procedural shift in Article 22(2) whereby, in cases of doubt regarding the identification of the UBO, Banks must redirect due diligence efforts towards SMOs. However, this redirection is constrained by a critical caveat: SMOs must be identified but shall not be verified if doing so could alert the customer to the existence of such doubts. This creates a paradox – due diligence is mandated but simultaneously prohibited if it risks tipping off the customer.

Compounding this issue, AMLR Article 21 requires Banks to refuse the establishment of a business relationship if CDD cannot be performed. Yet, the interplay between AMLR Article 22(2)'s prohibition of SMO verification and AMLR Article 21's refusal obligation leaves Banks without a clear operational trigger. Specifically, it is unclear whether the inability to identify either UBOs or SMOs – in general but also due to the tip-off safeguard – constitutes a failure to perform CDD under AMLR Article 21, thereby requiring refusal of the relationship.

This regulatory tension creates uncertainty for Banks in determining when due diligence is considered unperformable and in consequence AMLR Article 21 must be invoked.

A clarification of this issue would be welcomed.

The definition of SMOs according to AMLR Article 63(4), point b):

In situations where no UBO can be identified, or where there are legitimate doubts about the identity of the UBO(s) declared by the legal entity, due diligence shifts to the SMOs of the customer. Article 63(4) last sentence defines SMOs as follows: “For the purpose of this paragraph, ‘senior managing officials’ means the natural persons who are the executive members of the management body, as well as the natural persons who exercise executive functions within a legal entity and are responsible, and accountable to the management body, for the day-to-day management of the entity.” However, it should be noted that AMLR Article 2(38-40) defines various types of “management body” for obliged entities but does not include a precise equivalent definition for the “management body” of its legal entity customers.

Given this context, the KYCEG interprets the wording of AMLR Article 63(4) as follows:

- **Primary application (executive members of the management body):**

The first limb of AMLR Article 63(4), point (b) – “executive members of the management body” – should be treated as the default reference point. Where a legal entity has a formally constituted management body with executive members, due diligence must focus on those individuals only.

- **Supplementary application (natural persons exercising executive functions):**

The second limb – “natural persons who exercise executive functions ... responsible and accountable to the management body for day-to-day management” – is not an equal alternative in all cases. It applies only where the entity does not have a formally constituted executive management body, or where the governance structure makes the identification of executive members impracticable. In such cases, due diligence shifts to those individuals who, in practice, carry executive responsibility.

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The KYCEG acknowledges that the phrase “as well as” in AMLR Article 63(4) last sentence could be read as requiring cumulative application. However, to avoid disproportionate obligations in the identification and verification of SMOs and recognising that non-executive employees typically do not bear overall responsibility for the day-to-day management of the entity in the same way as members of the management body, but instead perform more limited executive functions, the KYCEG interprets the second limb as supplementary. This approach safeguards proportionality and reflects the fact that SMO identification serves as a substitute for UBO identification, which warrants a narrow reading. It would be neither feasible nor consistent with the principle of proportionality to require obliged entities to identify both categories of individuals simultaneously, particularly when contrasted with situations where a genuine UBO can be established.

A confirmation of this interpretation would be welcomed.

The interpretation of Beneficial Ownership through Control via other means: relevant veto rights or decision rights attached to the share of the corporate entity as per Article 53(3), lit. a), AMLR:

To ensure a consistent and effective application of control concepts, the interpretation of the KYCEG related to such terms is that “rights that can influence a decision” should be understood as equivalent to an owner holding 50.1% ownership. This approach prevents the concept of control “via other means” from undermining the established framework of control “via ownership interests”.

A confirmation of this interpretation would be welcomed.

The interpretation of Beneficial Ownership through Control via other means: relationships between family members as per Article 53(4), lit. b), AMLR:

The AMLR is not clear how “family relationships” should be interpreted when assessing whether influence is exercised jointly or indirectly through family ties. While AMLR Article 2(35) defines “family member” in relation to politically exposed persons – covering spouses, children, parents, and, under certain conditions, siblings – it remains unclear whether this definition should be applied, adapted, or expanded for the purposes of UBO classification based on control. To ensure accurate and consistent application, it is recommended to interpret “family relationships” strictly, confining the scope to the immediate family members explicitly defined in AMLR Article 2(35). This interpretation should not be extended to include extended family, domestic partners, cohabitants, or individuals with close personal ties beyond this explicit definition.

Additionally, it is our understanding that such relationships should not trigger UBO status where Banks have obtained evidence of family disputes, legal separations, or formal governance arrangements to rebut presumptions of shared control (see wording of Article 53(4) AMLR “may include” which indicated discretion of the obliged entities). This is particularly relevant in cases where family members hold separate roles in a legal entity but are presumed to act in concert due to their relationship.

A confirmation of this interpretation would be welcomed.

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Appendix

Versioning History

Version	Status	Name	Approved by	Date
V1.0	Final	The Definition and Identification of Ultimate Beneficial Owners	EBA Board	26.02.2026

Sources used in this document

ⁱ Regulation (EU) 2024/1624 of the European Parliament and of the Council of 31 May 2024 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing

<https://eur-lex.europa.eu/eli/reg/2024/1624/oj/eng>

ⁱⁱ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing

<https://eur-lex.europa.eu/eli/dir/2015/849/oj/eng>

ⁱⁱⁱ Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing; <https://eur-lex.europa.eu/eli/dir/2018/843/oj/eng>

^{iv} Directive (EU) 2024/1640 of the European Parliament and of the Council of 31 May 2024 on the mechanisms to be put in place by Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing; <https://eur-lex.europa.eu/eli/dir/2024/1640/oj/eng>

^v Consultation on the draft RTS on Customer Due Diligence On draft Regulatory Technical Standards under Article 28(1) of Regulation (EU) 2024/1624;

https://www.aml.europa.eu/policy/public-consultations/consultation-draft-rts-customer-due-diligence_en