

Efficiency vs. Effectiveness: Navigating the Shifting Global AML Landscape in a Period of AML Change

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Across major financial centres, AML/CFT expectations are undergoing a period of recalibration, with regulators adjusting their approaches to reflect evolving risks, resources, and policy priorities. Some rules are tightening, others are evolving, and the justifications vary; collectively, these shifts raise important questions about what constitutes “good” compliance.

Firms are being asked to deliver robust anti-money laundering outcomes while managing costs, complexity, and cross-border operations. In this context, the challenge is not simply compliance execution, but balancing efficiency with genuine effectiveness.

For firms operating across jurisdictions, these differences introduce practical tensions: what satisfies one regulator may not satisfy another. Striking the right balance requires considered approaches to risk management, internal controls, and ongoing scrutiny.

Drivers of Regulatory Change: Observing Divergent Regulatory Tones

AML regimes are evolving worldwide, but the pace, focus, and style of reform differ markedly across jurisdictions. Regulators are signalling new priorities, and multinational firms must interpret these tones to ensure compliance remains both effective and efficient.

Program Modernisation & Risk-Based Tailoring
Some regions emphasise flexibility and proportionality, encouraging institutions to focus resources on higher-risk areas. Others, particularly in Europe, signal that harmonised approaches and clear thresholds are necessary to maintain credibility and prevent gaps in oversight.

Technology & Innovation
Regulators are increasingly open to technology-driven approaches, including AI, machine learning,

and advanced analytics, provided they maintain transparency, auditability, and strong governance.

In the U.S., the tone encourages innovation for efficiency without compromising program effectiveness, while jurisdictions in Europe and across Asia, including Singapore’s MAS and Hong Kong’s HKMA, emphasise explainability, accountability, and structured guidance for responsible AI use in financial services.

Governance & Oversight Expectations
Strong oversight is universally emphasised. Some jurisdictions focus on local accountability and board-level approval; others emphasise centralised supervision and harmonised governance structures to reinforce consistent compliance across all subsidiaries and business units.

Global Competition & Alignment
Regulatory signals also reflect a balance between fostering innovation and maintaining consistent standards. While some regulators aim to reduce procedural burden to support competitiveness, others endorse harmonisation to prevent regulatory arbitrage.

For multinational firms, varying regulatory emphases create practical complexities, with some jurisdictions imposing lighter procedural requirements while others maintain more prescriptive expectations.

US in Focus: 2025 Updates
The U.S. AML/CFT landscape in 2025 reflects a period of targeted recalibration. Regulators are emphasising risk-based approaches, streamlined processes, and practical alignment with operational realities, while maintaining robust oversight of high-risk activities.

The following updates highlight key developments affecting financial institutions and investment advisers.



Postponed RIA AML Rule

The long-anticipated Investment Adviser AML rule, which mandates that Registered Investment Advisers (RIAs) and Exempt Reporting Advisers (ERAs) establish risk-based AML/CFT programs and file SARs, has been postponed from January 1, 2026, to January 1, 2028.

- The delay allows FinCEN to review scope and align the rule with SEC Customer Identification Program (CIP) requirements.
- When effective, RIAs and ERAs will need robust, risk-based AML/CFT programs, designate compliance officers, provide training, and maintain controls in line with BSA and USA PATRIOT Act Sections 314(a) and 314(b).

Beneficial Ownership Reporting (Corporate Transparency Act)

In 2025, FinCEN issued an interim final rule narrowing the Corporate Transparency Act (CTA) reporting requirements:

- Domestic companies are now exempt from filing beneficial ownership information (BOI).
- Foreign reporting companies remain subject to BOI reporting, with deadlines based on registration dates.
- The U.S. Treasury determined that focusing on

foreign entities better serves national security and law enforcement.

Critics note that several U.S. states, including Delaware, Nevada, and Wyoming, still allow domestic entities to incorporate without disclosing beneficial owners. Combined with the federal BOI exemption, this effectively permits anonymity for most U.S. companies and can be exploited for illicit activities, including money laundering and sanctions evasion.

FinCEN SAR Guidance

In October 2025, FinCEN issued updated guidance on Suspicious Activity Reports (SARs) under the Bank Secrecy Act (BSA). Key points include:

- Structuring SARs are required only when there is knowledge, suspicion, or reason to suspect that activity is intended to evade reporting requirements.
- Continuing Activity SARs no longer require manual review beyond the institution's risk-based policies. A 90-day monitoring period plus a 30-day filing window is now standard, allowing a maximum of 120 days between filings.
- Documentation is limited to internal compliance and risk management needs; institutions are not required to document decisions not to file.

The guidance reflects a more risk-based and efficient approach, helping institutions focus on high-value reporting for law enforcement while reducing unnecessary filings.

Together with the RIA rule postponement and changes to BOI requirements, these updates reflect a U.S. regulatory approach that aims to balance operational efficiency with effective controls. The question is, do these measures sufficiently mitigate the risks posed by anonymous ownership and uneven state-level requirements?

EU in Focus: Harmonisation and Risk-Based Expectations

In Europe, AML/CFT reform is increasingly driven by harmonisation and the need for consistent supervision across Member States. The European Commission and the newly operational European Anti-Money Laundering Authority (AMLA) are centralising oversight to reduce discrepancies between national regimes, standardise reporting, and ensure that high-risk activities do not fall through regulatory gaps.

Risk-based approaches remain key, but European regulators emphasise that proportionality must be balanced with clear minimum standards. Programs are expected to incorporate robust customer due diligence (CDD) measures, ongoing monitoring, and formalised reporting channels to Financial Intelligence Units (FIUs). Enhanced due diligence (EDD) is particularly emphasised for politically exposed persons (PEPs), high-risk jurisdictions, and complex cross-border structures.

Technology adoption is encouraged, including automated monitoring, data analytics, and AI-assisted controls, provided that systems are auditable, explainable, and governed within a structured compliance framework. Europe places strong emphasis on accountability and regulatory traceability, particularly in cross-border group operations.

Regulators are also signalling the importance of cross-border cooperation. Firms operating across multiple EU jurisdictions must ensure that local adaptations do not compromise harmonisation objectives, and that group-wide programs are demonstrably effective in managing risk everywhere they operate. The European focus reinforces the principle that efficiency must serve effectiveness, not replace it.

Why Global Firms Should Care

For multinational firms, varying regulatory approaches create challenges for cross-border compliance. Operations in one jurisdiction may face lighter procedural requirements, while counterparts elsewhere are held to prescriptive expectations. Firms seeking efficiency must ensure that local effectiveness is never compromised.



Ensuring Cross-Border Compliance

Local operations face distinct criminal typologies, regulatory expectations, and supervisory practices. Programs designed for global efficiency must still allow these operations to identify, escalate, and manage risks effectively.

Operational Risks and Accountability

Streamlining processes or centralising controls can inadvertently create gaps if local nuances are overlooked. Regulators continue to hold firms accountable for governance failures, monitoring gaps, and inadequate escalation, regardless of where control decisions originate.

Strategic Flexibility

The most resilient global AML frameworks recognise this reality and embed structured flexibility rather than rigid uniformity. Programs succeed when they are designed to be adaptable, allowing local operations to articulate risk, escalate concerns, and influence compliance design.

These cross-border challenges are not confined to the U.S. and Europe. Across Asia-Pacific and other regions, regulators are similarly recalibrating



expectations, balancing proportionality, risk-based oversight, and technology-driven approaches. Understanding these trends is essential for global firms seeking to maintain both efficiency and local effectiveness in every jurisdiction where they operate.

AML Trends Beyond the U.S. and EU

Outside the U.S. and Europe, regulatory expectations continue to evolve as jurisdictions balance global standards with local priorities. While approaches differ, several themes are shaping supervisory activity across major financial centres, underscoring that efficiency must always support, not replace, local effectiveness.

FATF remains a strong external driver of reform, with mutual evaluation cycles prompting jurisdictions to strengthen frameworks for beneficial ownership transparency, supervisory effectiveness, and enforcement follow-through. The emphasis is increasingly on measurable outcomes rather than technical compliance alone.

As a result, many countries are refining legislative frameworks, restructuring FIUs and supervisory

bodies, and placing greater pressure on firms to demonstrate risk-based decision-making in practice.

Across APAC, the direction of travel is similarly forward-leaning. Singapore, Hong Kong, and South Korea continue to promote data-driven, risk-sensitive approaches, with supervisors expecting firms to justify key decisions and document the rationale behind control design.

China and Japan maintain more prescriptive expectations, particularly around onboarding, customer verification, and transaction reporting, though both continue to enhance governance and oversight requirements.

Taken together, the region is characterised by early supervisory intervention, structured guidance on responsible technology use, and sustained focus on board-level accountability.

These developments reinforce that recalibration is not confined to Western jurisdictions. While the intensity and style of supervision vary, the global trend is clear: regulators increasingly want AML/CFT programmes that are both proportionate and demonstrably effective, underpinned by strong governance, credible risk assessment, and meaningful outcomes.

Balancing Efficiency with Local Effectiveness

For multinational firms, the challenge is clear: deliver robust AML outcomes while managing costs and complexity across diverse jurisdictions. Efficiency is increasingly possible through automation, centralised processes, and streamlined programmes – but only if it does not come at the expense of local effectiveness.

Regulatory optimisation can be tempting, but the real test lies in the details: local risk profiles, domestic criminal patterns, and jurisdiction-specific obligations cannot be smoothed over by a single global framework. Firms that succeed will be those that build flexible, adaptable compliance programmes that harness efficiency where it makes sense while allowing local operations to express genuine risk-based judgement.

Efficiency is not the enemy of effectiveness – but effectiveness can never be outsourced to efficiency. Firms that strike this balance will not only satisfy regulators but also strengthen their resilience against financial crime in an increasingly complex global environment.