Beneficial Ownership Transparency under the New EU Anti-Money Laundering Framework

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Has the European Union struck the right balance between transparency and privacy?

The role of beneficial ownership information in banking compliance, financial transparency and the protection of fundamental rights

Financial institutions play a crucial role in preventing money laundering, yet their ability to identify illicit financial activities depends significantly on understanding who ultimately owns or controls their corporate customers: for example, complex ownership structures, even if frequently established

for legitimate commercial purposes, may also conceal individuals seeking to transfer or hold assets without revealing their identities. Due to these issues, beneficial ownership transparency has become an essential component of the European Union's Anti-Money Laundering (AML) framework (European Parliament & Council of the European Union, 2015, Art. 13).

However, making ownership information accessible raises fundamental questions concerning privacy and personal data protection: within this framework, a central role is played by the Court of Justice of the European Union (CJEU) which, in November 2022, invalidated the requirement granting the general public unrestricted access to beneficial ownership registers (Court of Justice of the European Union, 2022). The EU subsequently adopted a revised regulatory framework, introducing differentiated access rights under Directive (EU) 2024/1640 (European Parliament & Council of the European Union, 2024a).

This raises a fundamental question: has the EU achieved an appropriate balance between financial transparency and the protection of fundamental rights?

The article argues that the revised framework provides a more proportionate legal solution by distinguishing the regulatory needs of financial institutions from broader public access; nevertheless, its effectiveness will ultimately depend on the accuracy of beneficial ownership information and the practical accessibility of registers.

1. Beneficial Ownership Transparency as a Banking Compliance Instrument

Beneficial ownership transparency is closely connected to customer due diligence (CDD), through which financial institutions identify their customers, understand their business activities and assess potential money laundering risks.

Under the existing EU's AML framework, banks must identify the natural persons ultimately owning or controlling legal entities: these obligations were established under Directive (EU) 2015/849, while the subsequent reforms sought to strengthen their effectiveness (European Parliament & Council of the European Union, 2015, Art. 13). Regulation (EU) 2024/1624, generally applicable from 10 July 2027, further harmonises CDD requirements. Among the main provisions there are: Article 20, which establishes the principal due diligence measures, and Article 22, which regulates the identification and verification of customers and beneficial owners (European Parliament & Council of the European Union, 2024b, Arts. 20, 22, 90). These obligations are particularly relevant where corporate customers operate through multiple entities or jurisdictions: in these cases, identifying the immediate shareholder may not reveal the individual exercising ultimate control; consequently, financial institutions must examine owner-

ship structures and assess whether the information obtained is sufficiently reliable.

The Regulation also introduces an important mechanism for addressing inconsistencies: under Article 24, obliged entities must generally report discrepancies between information obtained during due diligence and information recorded in central registers without undue delay and, in any event, within 14 calendar days of detection; it also establishes specific exception and corrective procedures (European Parliament & Council of the European Union, 2024b, Art. 24). Nevertheless, reliance on registers cannot replace independent verification. The regulatory value of beneficial ownership transparency depends not simply on the availability of information, but on its accuracy and usefulness for financial risk assessment.

2. The Constitutional Limits of Financial Transparency

The increasing importance of beneficial ownership initially encouraged broader disclosure.

Directive (EU) 2018/843 expanded access to specified beneficial ownership to any member of the general public, without requiring proof of legitimate interest (European Parliament & Council of the European Union, 2018, Art. 1(15)). The objective was to strengthen scrutiny beyond financial institutions and public authorities, enabling investigative journalists and civil society organisations to contribute to detecting suspicious corporate arrangements.

However, unrestricted access also exposed personal information to individuals without any connection to preventing financial crime.

In WM and Sovim SA v Luxembourg Business Registers, the CJEU held that general public access constitutes a serious interference with the rights protected by Articles 7 and 8 of the Charter of Fundamental Rights, concerning private life and personal data. The Court's reasoning centred on proportionality: although combating money laundering represents an objective of general interest, unrestricted disclosure was considered neither limited to what was strictly necessary nor proportionate to that objective (Court of Justice of the European Union, 2022, paras. 39-44, 74-85; European Union, 2012, Arts. 7, 8, 52).

Importantly, the judgement did not invalidate beneficial ownership registers themselves; rather, it established limits on the circumstances in which personal information could be disclosed.

The academic debate following the judgement reflects the complexity of this distinction. Pantazatou (2023) examines the relationship between the Court's reasoning, transparency and data protection, including its potential consequences for tax-related information. Siems (2023) similarly addresses the implications of the judgement for shareholder transparency and international anti-money laundering efforts.

The challenge is to ensure legitimate access without compromising privacy.

3. The New EU AML Framework: Differentiating Access Rights

The 2024 AML package addresses this challenge through differentiated access rights.

Regulation (EU) 2024/1624 establishes harmonised substantive requirements concerning beneficial ownership, while Directive (EU) 2024/1640 regulates national mechanisms, including central registers and access to their information (European Parliament & Council of the European Union, 2024a, 2024b).

Article 11 of the Directive distinguishes access by competent authorities from that granted to obliged entities. Competent authorities benefit from direct access, whereas banks and other obliged entities obtain access under arrangements connected to their AML responsibilities.

Articles 12 and 13 establish a separate framework for persons demonstrating a legitimate interest in preventing or combating money laundering, its predicate offences and terrorist financing; the legislation expressly recognises categories including journalists, relevant civil society organisations and academic researchers (European Parliament & Council of the European Union, 2024a, Arts. 11-13).

This distinction is particularly significant for banking regulation: on one hand, a bank identifying the beneficial owner of a corporate customer performs a statutory due diligence function; on the other hand, an investigative journalist examining a suspicious corporate network pursues a different public-interest objective. Both activities may contribute to preventing financial crime, but they do not require identical access conditions.

4. From Legal Transparency to Effective Financial Supervision

4.1. Data Reliability and Cross-Border Financial Activity

Where financial institutions encounter inaccurate or outdated register entries, their ability to verify ownership structures may be weakened.

The comparative perspective developed in *Beneficial Ownership Registers: the STEP Handbook for Advisers* illustrates the diversity of legal arrangements and registration systems across jurisdictions (Panico, 2021). Although the volume predates the 2024 reforms, the underlying concern remains relevant: harmonisation of legal requirements does not automatically eliminate practical differences between national systems.

Regulation 2024/1624 and Directive 2024/1640 seek to improve this situation through harmonised rules governing information and central registers, but their effectiveness depends on the quality of the data available to

obliged entities and supervisory authorities: a register containing inaccurate information may provide limited investigative value even where access is unrestricted; at the same time, reliable information may remain ineffective if obtaining it involves disproportionate administrative obstacles.

4.2. Legitimate Interest and Administrative Barriers

The practical operation of legitimate interest access presents a separate challenge.

In September 2025, *Transparency International* examined beneficial ownership access arrangements in fourteen EU Member States; the organisation identified difficulties including administrative delays, documentation requirements, fees and rejected applications (Transparency International, 2025). Reported refusals in Ireland and Hungary illustrate difficulties in demonstrating legitimate interest.

Such requirements risk creating a procedural contradiction: investigators may be expected to demonstrate a connection with suspected wrongdoing before obtaining the information necessary to establish whether such connection exists.

Nevertheless, these findings must be considered in light of the Directive's staggered implementation. Article 74 of Directive (EU) 2024/1640 had already required Member States to provide access for persons demonstrating a legitimate interest by 10 July 2025; consequently, Transparency International's September 2025 findings revealed difficulties arising after an initial binding EU obligation had taken effect (European Parliament & Council of the European Union, 2024a, Arts. 74, 78; Transparency International, 2025). The significance of these difficulties is reinforced by the European Commission's decision to initiate infringement proceedings against 11 Member States in September 2025 for failing to notify complete transposition (European Commission, 2025). Still, the more detailed provisions governing verification and mutual recognition under Articles 11-13 and 15 had a separate transposition deadline of 10 July 2026 (European Parliament & Council of the European Union, 2024a, Art. 78).

The revised Directive addresses several of these concerns by recognising specific categories of legitimate-interest applications and establishing procedures for verification and mutual recognition (European Parliament & Council of the European Union, 2024a, Arts. 12-13).

5. Assessing the Balance: Proportionality and Regulatory Effectiveness

The framework must balance fundamental rights with effective AML regulation.

From a privacy perspective, differentiated access is more closely aligned with the CJEU's proportionality reasoning than unrestricted public disclosure. From a financial regulation perspective, the framework must also

enable banks to fulfil their due diligence obligations and allow legitimate actors to investigate potentially illicit financial activities.

Article 78 of Directive 2024/1640 required the transposition of Articles 11-13 and 15 by 10 July 2026, before the general deadline of 10 July 2027 (European Parliament & Council of the European Union, 2024a, Art. 78). Italy, for example, transposed these provisions through Legislative Decree No. 122/2026, effective from 23 July 2026 (Italian Republic, 2026). However, its beneficial ownership register remained suspended in October 2026, with access unavailable pending a decision by the Consiglio di Stato (Camera di Commercio di Cuneo, 2026).

This restriction affects banks conducting customer due diligence and applicants demonstrating legitimate interest.

Beyond Italy, as of 26 October 2026, only nine Member States had notified full transposition, while infringement proceedings remained pending against 18 (European Commission, 2026).

Nevertheless, formal transposition does not necessarily demonstrate effective access: an appropriate assessment should consider whether national authorities apply clear eligibility criteria, process applications promptly and ensure the ownership information remains sufficiently reliable.

The 2024 framework provides a stronger legal foundation, but its practical operation must preserve the financial transparency objectives underlying the reform. This suggests that proportionality should be understood not only as a constraint on unnecessary disclosure, but also as a guiding consideration in designing effective access procedures.

Conclusion

The EU's revised beneficial ownership framework represents a more proportionate approach to reconciling financial transparency and fundamental rights; by differentiating access according to regulatory functions and legitimate interests, the new legislation responds to the constitutional limits identified in *WM and Sovim*.

Nevertheless, the effectiveness of the framework depends on more than restricting public access; banks require reliable information to fulfil their AML obligations, while investigative actors need procedures that permit meaningful financial scrutiny.

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