Transforming Asset Recovery Offices (AROs) to Enhance Their Role in Combating Money Laundering

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Purpose – This paper critically examines the recent legislative initiative of the European Union (EU)—the new Directive 2024/1260 on asset recovery and confiscation. It focuses particularly on the provisions that revamp Asset Recovery Offices (AROs) as part of the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) strategy. The paper explores why the reform of AROs was considered necessary, highlights the key objectives, rules, and principles governing AROs, and discusses the challenges and opportunities that arise as AROs are strengthened.

Design/methodology/approach – This paper draws on reports, legislation, legal scholarship and other open-source data on the EU legislative initiative to enhance the role and effectiveness of AROs in AML/CFT.

Findings – The new Directive 2024/1260 on asset recovery and confiscation establishes a comprehensive framework for AROs, aimed at improving their effectiveness and cooperation. If organizational challenges are properly addressed, AROs will greatly strengthen the EU's capabilities in the field of AML/CFT.

Originality/value – This study is the first to explore the new roles and powers of AROs under Directive 2024/1260 on asset recovery and confiscation, providing a critical analysis of how the Directive addresses longstanding inefficiencies in asset recovery. It examines the harmonization of AROs' powers, enhanced mechanisms for cross-border cooperation, and improved access to data resources. The study assesses the challenges and opportunities related to AROs operation, offering insights into the Directive's transformative potential for combating crime within the EU.

Keywords – money laundering, European Union, Asset Recovery Offices (AROs), asset tracing, confiscation, criminal proceeds.

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1. Introduction

Criminals and criminal organizations often operate across borders and use sophisticated methods to launder their substantial earnings, estimated at a minimum of €139 billion annually (European Commission, 2022) within the European Union (EU). However, the true scale of the problem remains uncertain due to the

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inherently opaque nature of money laundering (Nazar *et al.*, 2024). EU-wide investigations, with the support of Europol and Eurojust, give us a glimpse to the scale of the problem, which appears to be much greater than we dare estimate. For example, the EncroChat, Sky ECC, and AN0M investigations let to the confiscation of hundreds of million Euros in cash and assets, including vehicles, boats, airplanes, and luxury goods (Europol, 2020; Europol, 2021b).

Since financial gain is a primary motivator for criminal organizations (Naylor, 2017), asset recovery serves as a powerful tool to disrupt their operations and prevent them from infiltrating the legal economy. The EU Strategy to Tackle Organized Crime (2021-2025) emphasizes the importance of depriving criminals and criminal organizations (European Commission, 2021b), by reinforcing asset recovery and confiscation mechanisms and implementing the principle that 'Crime Does Not Pay' (European Commission, 2020a). Important anti-money laundering (AML) initiatives of the EU, such as the AML Directives [1], the Confiscation Directive [2] and the Regulation on the Mutual Recognition of Confiscation Order [3] have composed a dynamic legal framework. A notable recent addition to this framework is Directive (EU) 2024/1260 on asset recovery and confiscation [4], which, among other significant provisions, revitalizes the role of Asset Recovery Offices (AROs).

AROs are a central component of the asset recovery process and merit closer examination. Since the adoption of the ARO Council Decision in 2007 [5], the EU has promoted the establishment of AROs as central hubs within each Member State, responsible for coordinating the tracing, freezing, and confiscation of criminal assets. Tracing assets involves collaboration between AROs and law enforcement, financial institutions, and other entities, across multiple member states. This facilitates freezing and confiscating assets of criminal origin, improving the efficiency of asset recovery and ultimately disrupting the financial lifeblood of organized crime. Despite its innovative philosophy, the 2007 ARO Decision suffered from serious shortcomings, which undermined its effectiveness. This paper aims to examine these shortcomings (section 2), as well as the steps taken by the EU to reboot AROs, as part of the new Directive (EU) 2024/1260 on asset recovery and confiscation (section 3). It also examines the key functions, responsibilities, principles and cooperation mechanisms of AROs under the new legislative framework (section 4), identifying challenges and opportunities for the future of AROs (section 5). Thus, this study provides a comprehensive analysis that underscores the importance of AROs in the fight against organized crime and their potential to enhance cross-border cooperation and safeguard the integrity of the EU's financial systems.

2. Challenges of the AROs and Limitations of the Former Framework

To update the EU legal framework on asset recovery, the Commission evaluated the 2014 Confiscation Directive and the 2007 ARO Decision. This process involved consulting a wide range of stakeholders, including EU institutions and agencies, ARO representatives, law enforcement, NGOs, civil society, and international organizations. Feedback was collected through public consultations, semi-structured interviews, stakeholder workshops, and an impact assessment study. Most participants agreed on the need to strengthen the powers and data access of AROs and supported a new legislative initiative to address these issues.

This need was confirmed by the ex-post evaluation and fitness check of the current system, which found that while the 2007 ARO Decision contributed to increased cooperation between AROs, it did little to improve the effectiveness of confiscation. Indeed, confiscation rates remained too low, failing to significantly disrupt criminal profits; there are estimates that 98.9% of criminal proceeds are not confiscated and remain at the disposal of criminals at EU level (Europol, 2016; Bakowski, 2021). A series of factors, some of which had already been identified prior to the adoption of the 2014 Confiscation Directive, continued to hinder asset recovery and the work of AROs (European Commission, 2021a; Stephenson *et al.*, 2011). First, the roles and powers of AROs varied significantly across EU member states, as 2007 ARO Decision failed to prevent such differences. Some AROs were granted extensive freezing and seizing powers, while others primarily focused on information sharing and best practices. Second, AROs have frequently faced delays or limited direct access to crucial information and databases, such as company and land registries. Third, many AROs lacked essential operational powers like urgent freezing authority. Fourth, many AROs were constrained by insufficient financial resources, limited staffing, and inadequate training. The Financial Action Task Force (FATF), the leading international standard-setter in AML/CFT (Cassani, 2020), also highlighted the need for its member states to address these issues in its Recommendations 30 and 31.

Another ongoing issue in asset recovery is that investigations are not consistently initiated early enough, particularly in cross-border cases where there are indications of criminal assets (Van Duyne and Levi, 1999; Pavlidis, 2019). One of the underlying causes is the lack of standardized rules for conducting financial investigations, particularly for cross-border situations. In this context, AROs were not always granted adequate powers, for example they were often unable to follow up on financial investigations after a conviction. The need for coordinated financial investigations has become evident in the context of EU targeted sanctions regimes (Pavlidis, 2023), especially the unprecedented sanctions triggered by the Russian invasion of Ukraine (Stephan, 2022). Such measures, while not criminal in nature, rely on asset freezes as targeted sanctions, requiring strong international cooperation among AROs. Cooperation remains a recurring challenge in targeted sanctions, emphasizing the importance of robust mechanisms to address these persistent gaps.

Information exchanges are important for effectively tracing and identifying assets (Kennedy, 2007) and AROs need enhanced authority in this area. In urgent situations where assets are at risk of disappearing, information requests should be responded to as quickly as possible. Nevertheless, many AROs in EU Member States were facing operational challenges in identifying the correct international counterparts and obtaining timely feedback or follow-up on requests and investigations. This is a recurring problem in international asset recovery (Wibowo, 2023). Furthermore, information sharing presupposes secure communication, such as through the Secure Information Exchange Network Application (SIENA), managed by Europol in accordance with Regulation (EU) 2016/794 [6](De Bolle, 2020). However, the use of SIENA was not mandatory, and not all AROs in EU Member States had direct access.

Finally, challenges in data collection and access have hindered the effectiveness of asset recovery efforts across the EU. Despite the obligation under Article 11 of the 2014 Confiscation Directive for Member States to collect statistics on frozen and confiscated assets—such as the number of yearly freezing and confiscation orders executed and the estimated value of frozen and recovered property—the collected data often lacked comparability. Furthermore, AROs often lacked access to this data, within their own country or from other Member States. The absence of centralized databases on frozen assets made it difficult for AROs to identify assets that may have already been frozen or confiscated elsewhere. Finally, ARO data protection practices were not always aligned with the Directive 2016/680 [7], even though Article 5 of the 2007 ARO Decision acknowledged the need for data protection in information exchange procedures.

3. The Dawn of ARO's Transformation under Directive (EU) 2024/1260 on Asset recovery and Confiscation

3.1. Charting a New Course: Policy Options for Rebooting Asset Recovery Offices

Recognizing these challenges, the EU has been considering the idea of restructuring AROs and potentially granting them additional powers since 2020 (Council of the EU, 2020). Several policy options were under review in this context. The baseline scenario was to maintain the status quo, relying on existing legislative instruments, such as the 2007 ARO Decision, thus allowing for the roles and competence of AROs to vary widely between Member States. The second option focused on non-legislative measures like training of competing authorities, exchange of best practices, information sharing, increasing the number of AROs meetings, and the development of appropriate EU guidance. The third option proposed a legislative overhaul, including broader confiscation powers, improved cross-border cooperation between AROs, enhanced access of AROs to databases, and extended freezing powers. This option was complemented by the establishment of specialised asset management offices (Bostwick et al.2024), the expansion of the non-conviction-based and extended confiscation provisions of the 2014 Confiscation Directive, and the introduction of an unexplained wealth confiscation model (Brun *et al.*, 2023; Kolarov, 2021). Ultimately, this approach was chosen as the preferred option in the Commission's May 2022 proposal, as it was deemed the most effective for strengthening AROs and increasing the confiscation rate of criminal assets (European Commission, 2022), leading to the adoption of Directive (EU) 2024/1260 on asset recovery and confiscation.

3.2. The Directive (EU) 2024/1260 on asset recovery and confiscation

Directive (EU) 2024/1260 on asset recovery and confiscation sets out provisions for AROs, previously regulated in the 2007 ARO Decision, as well as provisions for confiscation, previously regulated in the 2014 Confiscation Directive and in Council Framework Decision 2005/212/JHA. The new Directive consolidates these legislative instruments into a single, unified framework, thereby establishing standards for every stage of the asset recovery process. Measures on asset tracing and identification or cooperation between AROs contribute to effective cross-border cooperation in relation to the prevention, detection and investigation of criminal offences; they fall as such under the scope of Article 87(2) TFEU.

3.3. Subsidiarity, Proportionality and Choice of Instrument

From the outset of AML initiatives, it became clear that a multilateral approach was crucial, as purely national or bilateral efforts were inadequate in tackling the issue of money laundering (Crutchfield and Lacey, 2003). Indeed, it has been reported that 70% of criminal groups operating in the EU are active in more than three Member States and use the EU's internal market to conceal and re-invest their criminal proceeds (Europol, 2021a). They rely on sophisticated money laundering schemes, including intricate networks of bank accounts and front companies scattered across different countries (Levi and Soudijn, 2020). This makes it difficult to track the movement of money and ultimately conceals who owns it and where it comes from. Criminal groups are known to specifically target Member States with less robust systems for recovering illicit proceeds (European Commission, 2016). Recognizing the limitations of individual Member States' actions in addressing the transnational nature of criminal organizations, the EU has acted through its initiatives. Directive (EU) 2024/1260 on asset recovery and confiscation follows this principle by enhancing the role of AROs and facilitating cross-border cooperation, in line with the principle of subsidiarity.

Directive (EU) 2024/1260 does not go beyond what is necessary and proportionate to implement a common minimum standard on confiscation and asset recovery across the EU. This is in accordance with the principle of proportionality, set out in Article 5(4) TEU. The new Directive aims to provide legal clarity and remove obstacles in cross-border cooperation, while the necessary resources and required amendments to national frameworks are justified by the benefits in terms of improved asset tracing capabilities. For example, the systematic launch of financial investigations is limited to offences that generate substantial economic benefits. At the same time, new measures are paired with new safeguards, such as enhanced data protection.

Regarding the choice of instrument, the EU opted for a Directive to ensure a common minimum standard for confiscation and asset recovery across Member States. This leaves sufficient flexibility to Member States to implement the provisions of the Directive in accordance with national legal traditions and organisational settings (Zbiral *et al.*, 2023). The Directive achieves a careful balance between harmonisation and flexibility, enhancing the EU's collective capacity to combat crime while simultaneously upholding fundamental rights and fostering trust and cooperation among Member States.

4. Deconstructing the AROs: Key Provisions of Directive (EU) 2024/1260 on Asset recovery and Confiscation

4.1. Establishment of AROs

The creation of AROs under Article 5 of Directive (EU) 2024/1260 represents a significant step in building a coordinated framework for tracing and recovering assets across the EU. More specifically, Article 5 (1) of Directive (EU) 2024/1260 requires that each Member State establish at least one ARO to facilitate cross-border cooperation in asset-tracing investigations. This mandate ensures that all Member States have dedicated public bodies equipped to track down and recover instrumentalities, proceeds of crime, or other property involved in illicit activities. The establishment of AROs is central to creating a uniform European framework for tracing and recovering criminal assets. This aligns with the European Union's broader objective of ensuring effective cooperation between national authorities to tackle complex, transnational criminal networks (European Commission, 2021b). The core tasks of the AROs are outlined in Article 5(2) of Directive (EU) 2024/1260. First, AROs assist national authorities in tracing and identifying assets linked to criminal activity. This ensures that domestic investigations are supported by AROs' specialized knowledge and cross-border capabilities. Second, AROs are tasked with identifying assets that are, or may become, subject to freezing or confiscation orders issued by competent authorities in other Member States. Thus, there is a cross-border focus, which highlights the EU's commitment to ensure that criminals cannot evade justice by moving assets to different jurisdictions (Europol, 2021a). Third, AROs cooperate with other Member States' AROs and the European Public Prosecutor's Office (EPPO) in the tracing and identification of assets. This facilitates the efficient exchange of information and strengthens the cross-border enforcement of asset recovery measures, effectively tackling the challenges posed by criminals who exploit legal and geographical boundaries to conceal their assets.

To support their tasks, AROs are entitled to request cooperation from relevant competent authorities under Article 5(3) of Directive (EU) 2024/1260. This includes cooperation from law enforcement bodies and other entities involved in asset recovery efforts. While AROs operate at an EU level, their success relies on strong cooperation with national authorities, who are often the primary custodians of crucial investigative resources. For its part, Article 5(4) of Directive (EU) 2024/1260 enables AROs to play an important role in enforcing restrictive measures imposed by the EU, by empowering them to trace and identify the property of persons and entities subject to such restrictive measures. Most importantly, Article 5 of Directive (EU) 2024/1260 provides for safeguards and procedural requirements, clarifying that the tracing powers granted to AROs are subject to national procedural safeguards, including judicial authorizations where necessary. This ensures that AROs' activities respect fundamental rights and procedural guarantees, particularly the protection of private property and the need for judicial oversight in sensitive investigations. The balance between granting AROs effective powers and ensuring compliance with national legal frameworks is critical to maintaining the rule of law while enabling the effective recovery of assets (Stephenson, K. *et al.*, 2011).

4.2. Access to Information

Access to information is a prerequisite of effective asset tracing investigations and to swift cross-border cooperation (Pavlidis, 2022; Brun *et al.*, 2011, Kennedy, 2007). To establish the existence, ownership, or control of assets, AROs must have access to several types of databases and registers. Directive (EU) 2024/1260 clarifies the type of information that must be made directly accessible to the AROs, which was an aspect not regulated in the 2007 ARO Decision. More specifically, Article 6(1) of Directive (EU) 2024/1260 mandates that Member States must ensure that AROs have access to the information necessary for tracing and identifying instrumentalities, proceeds of crime, or other property. This access is crucial for

AROs to perform their core functions, as outlined in Article 5 of the Directive. The key principle here is that information access must be provided to the extent necessary for carrying out AROs' tasks, reflecting a proportionality requirement. Member States must ensure that AROs have immediate and direct access to key centralised or interconnected databases or registers held by public authorities. The specified sources, described in Article 6(2) of Directive (EU) 2024/1260, include national real-estate registers, national citizenship and population registers, national vehicle, aircraft, and watercraft registers, commercial registers providing access to company ownership and structure, as well as national beneficial ownership registers and centralised bank account registers. By ensuring such access, Member States can significantly enhance the effectiveness of asset tracing operations, ensuring timely and accurate identification of criminal proceeds.

In addition to centralised data, AROs must also have swift access, either directly or upon request, to other important information, under Article 6(3) of the Directive. This includes fiscal data, national social security data, data held by law enforcement, information on mortgages, loans, and securities, customs data, crypto-asset information and information from EU systems (Visa Information System-VIS, Schengen Information System-SIS II, Entry/Exit System-EES, European Travel Information and Authorisation System-ETIAS, and European Criminal Records Information System for Third-Country Nationals-ECRIS-TCN). Such broad scope of accessible information ensures that AROs can uncover criminal assets in various sectors. Most importantly, safeguards are in place for accessing sensitive information under Article 6(5) of Directive (EU) 2024/1260. Requests can be denied if access jeopardizes an ongoing investigation, is disproportionate to the legitimate interests of the individual or entity involved, or involves information shared by another Member State or third country without the required consent. Therefore, while AROs are empowered to perform their tasks, the rights of individuals and third parties are protected. This was an important issue of concern under third pillar instruments (European Commission, 2020b; Spaventa, 2006). Access to information by AROs must respect national procedural safeguards, including, where necessary, obtaining a judicial authorisation. National authorities access the information on a need-to-know basis within necessary security and confidentiality rules (Article 7 of Directive (EU) 2024/1260), while the Directive also establishes a monitoring framework for access to information by the competent national authorities (Article 8 of Directive (EU) 2024/1260), to prevent any misconduct or inadequate access to information.

4.3. Exchanges of Information between AROs

Directive (EU) 2024/1260 regulates the exchange of information among AROs, both spontaneously and upon request (Article 9), providing further details in comparison with the 2007 ARO Decision (articles 2, 3, and 4). It sets out the purposes of such exchanges, the minimum information to be included in cross-border requests, the channel for exchanging information (Secure Information Exchange Network Application) and grounds for refusal, which include national security, risk to ongoing investigations or intelligence operations, or threat to life, as well as the disproportionality or irrelevance of the request. The information shared must be necessary for the performance of the tasks outlined in Article 5. Crucially, the article allows for the exchange of personal data, but only the categories listed in Section B(2) of Annex II to Regulation (EU) 2016/794, with the exclusion of forensic identification data, such as fingerprints or DNA profiles. This limitation aligns with the principles of data minimization and necessity in cross-border cooperation (Mouzakiti, 2020), ensuring that only the relevant personal data is exchanged. When a request of information is introduced, it must clarify the object and the reasons of the request, including reasons for the urgency of the request, the type of the proceedings and of the criminal offence, the link to the requested Member State, details on the asset sough or the natural or legal persons presumed to be involved. Member States are required to ensure that their AROs provide information without a formal request when they are aware of relevant data that may assist the asset recovery efforts of another Member State. This obligation to proactively share information strengthens cross-border asset recovery. Article 9(4) of Directive (EU) 2024/1260 specifies that information provided may be used as evidence in national courts or before competent authorities in criminal proceedings, unless the providing ARO indicates otherwise. Most importantly, the reference to the Charter of Fundamental Rights of the EU and the obligations of Member

States as set out in Article 6 TEU, ensures that the use of shared information complies with broader EU obligations on fair trials and human rights. Time limits to respond to information requests (Article 10) are not different from deadlines set in the 2007 ARO Decision, which in its turn refers to the deadlines of the Council Framework Decision 2006/960/JHA [8]. Thus, three scenarios apply: normal requests, which should be responded to within seven days; urgent requests, which must be handled within eight hours; and urgent requests involving information not directly accessible to AROs, which should be addressed within three calendar days. The detailed framework established by the Directive highlights the EU's commitment to ensuring both the effectiveness of cross-border asset recovery and adherence to fundamental rights, and the principle of proportionality thereby fostering trust among Member States in mutual legal assistance.

4.4. Cooperation between AROs and EU Bodies, Agencies and Third Countries

Given the transnational dimension of organised crime, international cooperation is a key component of effective asset recovery (Brun *et al.*, 2011). Directive (EU) 2024/1260 imposes a general obligation on Member States to ensure asset tracing investigations with a view to facilitate cross-border cooperation (Article 4) to combat profit-generating criminal activities, as well as the violation of Union restrictive measures. Cooperation between AROs in different Member States is covered by Article 5 of Directive (EU) 2024/1260. In addition to this, the Directive introduces a new obligation for Member States to ensure cooperation between AROs and other bodies, such as EPPO, Europol and Eurojust (Article 30). Another new obligation under Article 31 requires Member States to ensure cooperation between AROs and their counterparts in third countries, including the investigation of offenses related to violations of EU restrictive measures. This was an important issue of concern given the increase in sanctions regimes within the EU (Finelli, 2023). Moreover, given the high number of incoming requests for asset recovery cases, AROs must prioritize cases, taking into consideration factors such as the urgency of the risk of asset dissipation, the seriousness of the offense, the net value of the involved assets, the perceived effect of the case on the public interest, etc. (Betti et al, 2021). As explained in Recital 58 of the Directive, AROs must make use of existing frameworks for cooperation and are encouraged to develop or adjust existing bilateral agreements, to accede to existing multilateral conventions or, where no other arrangement is in place, to establish new bilateral agreements. Similar international networking can help build trust and cross-border lines of communication, though resource challenges, cultural differences and language barriers may continue to hinder collaboration between investigators (FATF, 2023; World Bank, 2019). Other obstacles, inherent in state cooperation, include a tendency to prioritize form over substance, inadequate planning, overlapping initiatives, and inadequate implementation (Williams, 2001).

4.5. Temporary Urgent Freezing Measures

The confiscation order, which represents a permanent deprivation of property, is one of the final steps in the asset recovery process. Prior to this, the preservation of property through freezing is a necessary prerequisite (Ochnio, 2021; Lelieur, 2015). Nevertheless, the risk of property dissipation exists even before a freezing order is issued. In that case, AROs should be empowered to take immediate action to secure such property. Article 11 of Directive (EU) 2024/1260 provides the legal basis for such measures to ensure that illicit assets can be frozen quickly and, where necessary, with immediate effect. This includes the possibility for AROs to order temporary urgent freezing of assets until a formal freezing order can be issued. The freezing order remains in place only for as long as necessary and the property must be returned immediately if it is not confiscated.

4.6. Centralized Registers

Member States are required to establish a central register for frozen, managed, and confiscated assets to enhance oversight of such actions (Article 27 of Directive (EU) 2024/1260). These registries, at the national level, are intended to streamline the management of these assets, aiding relevant authorities in the process, as well as to collect the necessary statistics on the implementation of the relevant measures (Vettori, 2021). Information in these registries should only be retained for as long as necessary for case management or statistical purposes, not beyond the final disposal of assets or after their return to the owner. Access to registry information should be restricted to authorities involved in asset recovery and management, such as AROs, as per national regulations. The primary goal is to provide accessible records of frozen, confiscated, or managed assets from the point of freezing until their final disposition. The secondary goal is to produce reliable and complete statistical data, which is communicated to the Commission on an annual basis (Article 28 of Directive (EU) 2024/1260), to facilitate the assessment of the Directive's effectiveness (Levi *et al.*, 2018).

4.7. The Asset Recovery Strategic Frameworks

A comprehensive asset recovery system necessitates collaboration among various authorities, including law enforcement, customs, tax recovery, judicial authorities, and AROs. The recent establishment of the EU's Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) adds another critical dimension to this intricate network. (Pavlidis, 2024). To ensure coordination among these bodies, it's important to establish a strategic approach to asset recovery and foster greater cooperation (Pavlidis, 2022). In this context, Article 25 of Directive (EU) 2024/1260 mandates Member States to adopt a national strategy on asset recovery and revise it at regular intervals of no longer than five years. This strategy must outline objectives, resource needs, training needs, and cooperation mechanisms among relevant national authorities. Furthermore, adequate resources must be allocated to competent authorities responsible for executing tasks outlined in the asset recovery strategy. In this regard, Article 26 of Directive (EU) 2024/1260 emphasizes the provision of necessary resources (qualified staff, appropriate financial, technical and technological resources, specialised training and the exchange of best practices) for AROs to fulfill their responsibilities effectively.

5. Reaping the Rewards, Sowing Challenges: The Impact and Implementation of the Directive

The reform of AROs under Directive (EU) 2024/1260 represents an important step towards realizing the EU's 'Crime Does Not Pay' principle. If effectively implemented, this legal framework not only strengthens the AML/CFT system but also serves as a model for global efforts in asset recovery and transnational crime prevention. Indeed, Directive (EU) 2024/1260 promises to deliver significant economic, social, and positive impacts.

First, the new Directive and the reform of the AROs have the potential to increase the rate of frozen and confiscated criminal assets. This will prevent criminals from reinvesting these ill-gotten gains back into legitimate businesses, fostering a more level playing field within the EU. Furthermore, the Directive can increase government revenue through the reintroduction of the confiscated funds into the legal economy (Bergstrom, 1990). Directive (EU) 2024/1260 allows for the reuse of confiscated assets for public interest or social purposes, such as funding schools or rehabilitation centers, which can have a long-term positive impact on education, social protection, and social inclusion (Vettori, 2018; Mazzanti *et al.*, 2016). The role of asset management offices, which falls outside the scope of this paper, will be crucial in this regard.

Second, if implemented successfully, the reform of the AROs has the potential to contribute to a decrease in crime rates by removing the financial resources and tools used by criminal organizations. This can lead to a safer and more secure society overall. Additionally, by demonstrating that crime does not pay through asset confiscation, the Directive can boost public confidence in law enforcement and the justice system. With the increased effectiveness of AROs, more confiscated assets can be allocated to compensate victims of crime, thereby promoting a greater sense of justice (Murphy, 2003).

On the topic of fundamental rights, several provisions of Directive (EU) 2024/1260 ensure the protection of fundamental rights, particularly property rights and data privacy. Strict safeguards are necessary to protect the right to property of the accused during asset confiscation (Pavlidis, 2017). This includes ensuring fair procedures and strong defense rights. Recognizing the importance of these safeguards underscores the Directive's commitment to balancing effective measures against crime with the preservation of individual rights.

In terms of implementation, Directive (EU) 2024/1260 clarifies its relationship with other legal instruments by replacing existing legal acts (Article 36). It consolidates and unifies asset recovery regulations into a single, comprehensive framework. Therefore, Member states, except Denmark (Klinge, 2023), will no longer be bound by the 2007 ARO Decision. By bringing previously scattered obligations together, the Directive promotes a more cohesive approach to asset recovery, fostering better cooperation among all stakeholders within the system (Table 1). Moreover, while this Directive sets minimum requirements, EU member states retain the flexibility to grant their AROs even broader powers. They can also implement further safeguards under national law, as long as these measures don't hinder the Directive's overall goals.

Regarding its future evaluation, the Directive entered into force on 22 May 2024. and must be transposed into national law by 23 November 2026 (Article 33). The Commission is required to report to the European Parliament and the Council on the implementation and subsequent evaluation of the Directive by 24 November 2028. This report will assess the extent to which Member States have adopted and implemented the necessary measures.

Table 1: SWOT Analysis of AROs Under Directive (EU) 2024/1260

Strengths	Weaknesses
▪ Enhanced powers and standardization of AROs across Member States ▪ Improved access to crucial data resources ▪ Stronger cross-border cooperation mechanisms ▪ Clear procedural safeguards ensuring compliance with fundamental rights	▪ Varied implementation readiness among Member States ▪ Potential resource constraints for some AROs ▪ Complexity of integrating new processes and systems ▪ Challenges in aligning national laws with the Directive
Opportunities	**Threats**
▪ Higher confiscation rates of criminal assets ▪ Potential to repurpose confiscated assets for public benefit ▪ Model for international best practices in asset recovery ▪ Strengthened public trust in law enforcement and the justice system	▪ Evolving tactics of organized crime ▪ Delays in Directive implementation across Member States ▪ Resistance or lack of political will in some jurisdictions for effective implementation ▪ Risk of insufficient funding for sustainable operations

(Source: Authors' own creation/work)

6. The Final Verdict: A New Era for Asset Recovery

Looking ahead, the future outlook for AROs and their role in combating organized crime appears promising yet complex. The study highlights that Directive (EU) 2024/1260 on asset recovery and confiscation addresses critical shortcomings of the prior framework, particularly by standardizing operational powers, improving cross-border cooperation, and ensuring access to essential databases. These advancements mark a significant evolution in the EU's fight against financial crime. As AROs are empowered under Directive (EU) 2024/1260, they are set to play a key role in disrupting the financial networks of organized crime. However, the effectiveness of AROs will depend on their ability to adapt to evolving criminal tactics and technological advancements. Successful implementation of the Directive could serve as a benchmark for similar reforms in non-EU jurisdictions, demonstrating the EU's leadership in combating transnational financial crimes.

Effective asset recovery has broader societal benefits. Beyond disrupting criminal enterprises, confiscated assets can be repurposed to fund public initiatives such as education, healthcare, or community development. This dual impact—economic and social—reinforces the importance of asset recovery as a key pillar of the EU's strategy to combat organized crime. The Directive's innovative provisions, such as mandatory national asset recovery strategies, access to centralized registers, and temporary freezing powers, highlight its potential to reshape the landscape of asset recovery in the EU. By fostering closer collaboration between AROs, Europol, and other EU bodies, the Directive ensures that the fight against organized crime remains cohesive and adaptable. Collaboration with international partners, access to information, and efficient exchanges will be essential in staying ahead of criminal operations. Furthermore, AROs must address organizational challenges, optimize the use of available resources, and overcome collaboration obstacles, while respecting the safeguards provided in EU legislation.

If these challenges are addressed, a proactive and coordinated approach by AROs and the optimal use of the provisions of Directive (EU) 2024/1260 hold the potential to significantly deter organized crime, safeguard the integrity of financial systems within the EU, and possibly serve as a model for the establishment and functioning of AROs in third countries as well (Bradford, 2020). Future research should focus on assessing the practical implementation of the Directive across Member States, particularly in measuring confiscation rates and evaluating the social utility of repurposed assets.

Notes

[1] The most recent one is the Sixth AML Directive; see 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, amending Directive(EU) 2019/1937, and amending and repealing Directive (EU) 2015/849 (Text with EEA relevance) [2024] OJ L, 2024/1640. This is part of the legislative package, also including the new 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 [2024] OJ L, 2024/1624, 19.6.2024, as well as the Regulation (EU) 2024/1620 of the European Parliament and of the Council of 31 May 2024 establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 [2024] OJ L, 2024/1620, 19.6.2024.

[2] Directive 2014/42/EU of the European Parliament and of the Council of 3 April 2014 on the freezing and confiscation of instrumentalities and proceeds of crime in the European Union [2014] OJ L 127/39.

[3] Regulation (EU) 2018/1805 of the European Parliament and of the Council of 14 November 2018 on the mutual recognition of freezing orders and confiscation orders [2018] OJ L ,2.5.2024.

[4] Directive (EU) 2024/1260 of the European Parliament and of the Council of 24 April 2024 on asset recovery and confiscation [2024] OJ L, 2024/1260, 2.5.2024.

[5] Council Decision 2007/845/JHA of 6 December 2007 concerning cooperation between asset recovery offices of the Member States in the field of tracing and identification of proceeds from, or other property related to, crime [2007] OJ L 332/103.

[6] Regulation (EU) 2016/794 of the European Parliament and of the Council of 11 May 2016 on the European Union Agency for Law Enforcement Cooperation (Europol) and replacing and repealing Council Decisions 2009/371/JHA, 2009/934/JHA, 2009/935/JHA, 2009/936/JHA and 2009/968/JHA [2016] OJ L 135/53.

[7] Directive (EU) 2016/680 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and on the free movement of such data, and repealing Council Framework Decision 2008/977/JHA [2016] OJ L 119/89

[8] Council Framework Decision 2006/960/JHA of 18 December 2006 on simplifying the exchange of information and intelligence between law enforcement authorities of the Member States of the European Union, [2006] OJ L 386/89.

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