



**Vicky Saporta**

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Dear CEO,

**Money Laundering/Terrorist Financing risks in prudential supervision**

I am writing to draw your attention to the recently published European Banking Authority (EBA) Opinion on the above issue (EBA-OP-2019-08).<sup>1</sup>

We fully support the EBA Opinion and will continue to consider money laundering and terrorist financing (ML/TF) concerns in our prudential assessments of firms, especially those stemming from Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) authorities' assessment of these risks. We will also continue to consider the extent to which ML/TF concerns may have an impact on our prudential objectives and act on those concerns. Recognising the importance of these issues, we will continue to co-operate closely and share information with the Financial Conduct Authority (FCA) and other AML/CFT authorities concerning individual firms (including their branches) and groups.

It is the responsibility of firms to ensure that members of the management body and senior management are, at all times, of sufficiently good repute, and possess sufficient knowledge, skills and experience to perform their duties ('fit and proper').<sup>2</sup> Firms are reminded that, in line with Prudential Regulation Authority General Organisation Requirements (GOR) Rule 2.1, a firm must have robust governance arrangements. This includes a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks it is or might be exposed to, including ML/TF risks, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems. Furthermore, it is important that the FCA-prescribed senior management responsibility for financial crime is allocated to individuals of sufficient seniority to perform the role effectively.

Our supervisors will consider the points raised in the EBA Opinion and this letter as part of our ongoing supervisory engagement. If you have any queries about the content of this letter, please contact your usual supervisory contact.

Yours sincerely

Vicky Saporta

**Executive Director, Prudential Policy**

<sup>1</sup> <https://eba.europa.eu/documents/10180/2622242/Opinion+on+Communication+of+ML+TF+risks+to+supervised+entities.pdf>.

<sup>2</sup> As set out in Capital Requirements Directive IV (Art 91) and transposed into the PRA Rulebook (General Organisation Requirements Part).