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## AFME response to the Basel Committee Consultative Document on Introduction of Guidelines on interaction and cooperation between prudential and AML/CFT supervision

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The Association for Financial Markets in Europe (AFME)<sup>1</sup> is pleased to respond to the Basel Committee Consultative Document on 'Introduction of Guidelines on interaction and cooperation between prudential and AML/CFT supervision'<sup>2</sup>. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

We consider that the guidelines (set out in paragraph 96 and Annex 5) will be helpful to supervisory authorities as they develop efficient and effective cooperation and exchange of information.

We set out below some brief comments on specific parts of the guidelines.

### General comments

#### Comments on Paragraph 96

We suggest that paragraph 96 should follow more closely the wording in paragraphs 1, 2 and 5 of Annex 5.

We propose the following drafting:

"Prudential and AML/CFT supervisors should establish efficient and effective cooperation and exchange of information, regardless of the jurisdictional institutional arrangements, as set out in Annex 5, to ensure that ML/FT risks are appropriately supervised in the domestic and cross-border context."

This drafting includes a reference to *efficient (para 2 of Annex A)* and effective cooperation *and exchange of information (para 1 of Annex A)*. The use of 'efficient' means that the wording 'without unduly duplicating efforts' is not needed. This drafting also focuses on the overall objective of ensuring that ML/FT risks are *appropriately (para 5 of Annex A)* supervised, rather than the narrower purpose of being for the benefit of the two supervisory functions.

#### Comments on Annex 5

We consider that paragraphs 1 to 11 (Section A of Annex 5) provide a clear overview.

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<sup>1</sup> AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is registered on the EU Transparency Register, registration number 65110063986-76.

<sup>2</sup> [Introduction of guidelines on interaction and cooperation between prudential and AML/CFT supervision](#)  
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We support in particular the statement in paragraph 5 that “Supervisors are expected to adopt practices, from applicable Financial Action Task Force (FATF) Recommendations and the Committee’s principles and guidelines on the role and powers of supervisors...”. We note from paragraph 10 that the principles and examples of practices should be considered according to a risk-based approach as set out in paragraphs 86 and 87 of the Committee’s guidelines (which themselves are consistent with the risk-based approach set out in the FATF Recommendations<sup>3</sup>).

We consider that the principles and recommendations for information exchange and cooperation in conducting representative supervisory functions: authorisation-related procedures, ongoing supervision, and enforcement actions are useful illustrations (Sections B, C, D in Annex 5). In particular, it is helpful to set out examples of specific information sources which could be valuable (paragraph 16 and 17 in Section C of Annex 5).

We note one point of interpretation: when reading the terms ‘Prudential supervisor’ and ‘AML/CFT supervisor’ in sections B and C of Annex 5, is it intended that these should refer to domestic supervisors? We believe this to be the case, noting that paragraph 21 in Section D of Annex 5 states that “Prudential and AML/CFT supervisors should share relevant information with domestic *and international counterparts...*” If that is correct, we suggest it may be worth clarifying.

We note also the example of practice: AML/CFT Supervisory colleges (after paragraph 26 in Section E of Annex 5) which refers to the work of the European Supervisory Authorities (ESAs) Joint Guidelines on cooperation and information exchange between competent authorities<sup>4</sup>. The example was drafted before the finalisation of the ESAs guidelines on 16 December 2019, and therefore needs to be amended to refer to the ESAs final report and guidelines.

We trust that these brief comments are helpful, and look forward to contributing to the work of the Committee on this important matter as the guidelines are implemented.

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<sup>3</sup> [The FATF Recommendations](#)

<sup>4</sup> [Joint guidelines on cooperation and information exchange for the purpose of Directive \(EU\) 2015/849 between competent authorities](#)