



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Andrea Enria

Chair of the Supervisory Board

Mr Sven Giegold
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 22 April 2020

Re: Your letter (QZ012)

Honourable Member of the European Parliament, dear Mr Giegold,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 20 March 2020.

Let me take this opportunity to reaffirm how strongly the ECB Banking Supervision is committed, within the bounds of its prudential mandate, to the common objective of ensuring robust governance of all risks – including those linked to combating financial crime – assumed by credit institutions.

Indeed, in the public statement I made when presenting the results of the 2019 Supervisory Review and Evaluation Process (SREP),¹ I emphasised that in this cycle, we would focus particularly on internal governance issues, including the governance of anti-money laundering/combating the financing of terrorism (AML/CFT) risk. I also pointed out that AML/CFT controls and procedures are still insufficient.

However, given the methodology we apply to determine Pillar 2 add-ons, under which the size of the add-on for a given bank is determined by the overall picture of its risk situation and governance, it is not possible to ascribe a particular number of basis points to any specific type of risk, including AML/CFT risk. To illustrate how seriously we take potential AML/CFT issues, more than 70 of the 109 SREP decisions issued in 2019 contained issues with potential relevance for AML/CFT supervision and hence also for our cooperation with AML/CFT authorities as set out in the agreement signed on 10 January 2019².

¹ <https://www.bankingsupervision.europa.eu/press/speeches/date/2020/html/ssm.sp200128-886dbc9984.en.html>

² Multilateral agreement on the practical modalities for exchange of information pursuant to Article 57a(2) of Directive (EU) 2015/849. The text of the agreement is available under this [link](#).

In the 2019 SREP, we enhanced our approach to identifying and reflecting AML/CFT concerns in prudential supervision to incorporate the assessments that the AML/CFT competent authorities share with us under the 2019 agreement regarding the adequacy of specific AML/CFT measures taken by banks. This methodology will be revisited to incorporate insights gained from practical experience and the expected amendments to the EBA's SREP Guidelines³ regarding AML/CFT risks, as well as the AML/CFT-related elements in the new Capital Requirements Directive (CRD V)⁴ that are currently being transposed into national law by Member States. Taken together, all this gives me confidence that the SREP process will be able to take better account of AML/CFT concerns in the future, leading to additional synergies with the competent authorities in this field.

Beyond the SREP issues, it is also important for me to underline that we are fully determined to use our prudential supervisory powers for matters related to AML/CFT whenever and wherever appropriate. To cite one example, several applications for new managers submitted for our fit and proper assessment were withdrawn after requests for self-assessment were issued or formal reassessments were initiated by the ECB. In addition, since the beginning of the SSM, at least 11 managers whose suitability was put into question by AML/CFT-related concerns, have resigned or their fit and proper applications have been withdrawn following initiatives by ECB Banking Supervision. Furthermore, the ECB has not hesitated to use its powers to withdraw authorisation in extreme cases where serious breaches of AML/CFT requirements identified by the competent AML/CFT supervisor were put forward as grounds for withdrawing authorisation.

You can thus rest assured that ECB Banking Supervision will continue to actively cooperate with the AML/CFT authorities in all areas of interaction and common concern.

Yours sincerely,

[signed]

Andrea Enria

³ Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) (EBA/GL/2014/13, as amended).

⁴ Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (OJ L 150, 7.6.2019, p. 253).