

Regulation and Supervision of Financial Institutions

Countries should ensure that financial institutions (FIs):

- > Are subject to adequate regulation and supervision and are effectively implementing the FATF Recommendations.
- > Are prevented from having criminals or their associates as beneficial owners, holders of significant or controlling interest or management function through necessary legal or regulatory measures taken by competent authorities or financial supervisors. Competent authorities or financial supervisors should have:
 - ✓ sufficient operational independence and autonomy to ensure freedom from undue influence or interference;
 - ✓ processes to ensure that the staff (of these authorities) maintain high professional standards, including

standards concerning confidentiality, and are of high integrity and are appropriately skilled;

- ✓ adequate financial, human and technical resources;
 - ✓ the capability to apply a Risk-Based Approach (RBA) and shift resources to those areas that are perceived to present higher risk;
 - ✓ a clear understanding of the money laundering (ML) and terrorist financing (TF) risks present in a country; and
 - ✓ on-site and off-site access to all relevant information on the specific domestic and international risks associated with customers, products and services of the supervised institutions, including the quality of the compliance function of the FI or group (or groups, when applicable for Core Principles institutions).
- > That are established or continue operation as shell banks are not approved. 

- > Who are subject to the Core Principles, the regulatory and supervisory measures for prudential purposes, apply such measures in a similar manner for AML/CFT purposes, including applying consolidated group supervision for AML/CFT purposes.
- > Are licensed or registered and adequately regulated and subject to supervision or monitoring for AML/CFT purposes, having regard to the risk of ML or TF in that sector.
- > Where at a minimum they provide a service of money or value transfer, or of money or currency changing, are licensed or registered and subject to effective systems for monitoring and ensuring compliance with national AML/CFT requirements.