

By email: caroljsmit@jmlsg.org.uk

1 July 2024

Dear Ms Smit

Re: Consultation April 2024 – Part II Sector 18 (Wholesale markets)

The BVCA is the industry body and public policy advocate for the private equity and venture capital (private capital) industry in the UK. With a membership of over 600 firms, we represent the vast majority of all UK-based private capital firms, as well as their professional advisers and investors. In 2022, £27.5bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. There are over 12,000 UK companies backed by private capital which currently employ over 2.2 million people in the UK. Over 55% of the businesses backed are outside of London and 90% of the businesses receiving investment are small and medium-sized enterprises (SMEs).

We are grateful for the opportunity to provide feedback on the proposed revisions to Sector 18. We recognise the important role of the JMLSG guidance in assisting our industry to comply with its obligations in terms of UK anti-money laundering and counter terrorist financing legislation and regulations.

With this in mind, we are committed to providing constructive feedback on the proposed revisions to Sector 18, and it is in this spirit that we have provided our comments below.

We have only commented on the proposed revisions on which our members have specific views.

Who is and is not the customer requiring customer due diligence?

We agree with the proposed inclusion of paragraph 18.108, which accurately describes the ‘private fund’ as the customer for AML purposes where it is the contractual borrower under a primary market non-traded credit facility.

We strongly disagree with the proposed characterisations in 18.109 and 18.110 that a GP or investment manager who acts on behalf of a fund is a customer for AML purposes. It is our view that this position is inconsistent with UK AML regulations and conflicts with existing JMLSG guidance in Part II Sector 13. For example, paragraph 13.21 on ‘Who is the customer for AML purposes?’ says that in a private equity context, “customers” are either the investors in a private equity fund operated, managed or advised by a private equity firm; or persons transacting with a private equity fund operated, managed or advised by a private equity firm when making, managing and exiting from investments. The proposed inclusion of new paragraphs 18.109 and 18.110 is entirely inconsistent with the UK AML regulations and long-standing JMLSG guidance and should be deleted.

We also have significant concerns about the proposed inclusion of new paragraph 18.111. While it accepts that limited partners (LPs) are not customers for AML purposes, it nevertheless says that firms, “at a minimum”, should obtain the names of the LPs. This is not a requirement of the UK AML regulations or JMLSG guidance and it is not market practice. It represents an unnecessary extension and would conflict with GPs confidentiality obligations. GPs can and do provide assurance letters confirming that they have performed appropriate customer due diligence as per the template letter in Annex II of Part II. Full reliance on the GP is permitted in appropriate situations pursuant to Regulation 39 of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. The proposed inclusion of new paragraph 18.111 is not based on any AML requirement and should be deleted.

British Private Equity & Venture Capital Association

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Please do not hesitate to get in touch if you have any questions or if you would like to discuss any of the above in more detail (please contact Tom Taylor ttaylor@bvca.co.uk / Nick Chipperfield nchipperfield@bvca.co.uk).

Your sincerely



Tim Lewis

Chair, BVCA Regulatory Committee