

## **Cleaning up**

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The FSA published its review of firms' implementation of a risk-based approach to anti-money laundering recently. In August 2006, the FSA replaced the detailed rules contained in the Money Laundering Sourcebook with high-level rules in the Systems And Controls section of the Handbook, backed up by the industry written Joint Money Laundering Steering Group guidance.

The review predated the implementation of the Money Laundering Regulations 2007 which came into effect on 15 December and which introduced the risk-based approach into UK AML law by requiring relevant persons to establish and maintain single appropriate and risk-sensitive policies.

The FSA visited 43 firms in total, categorised into large, medium and small firms. In addition, it surveyed about 90 small firms posing high-level questions to the appointed money laundering reporting officers. The findings present useful guidance on what the FSA views as good and poor practice. It found that some small firms had produced inadequate annual officer reports. In one case, the officer stated there had been no perceived deficiencies in the suspicious activity reporting process, but the FSA found that he was unable even to describe that process and it was highly unlikely that he had ever reviewed the SAR process for possible deficiencies. In another case, the officer was unaware that the FSA had removed the Money Laundering Sourcebook and he was still using an outdated edition of the JMLSG guidance.

Although the FSA recognises smaller firms represent a lower risk and also have fewer resources, it found clear room for improvement in some firms, particularly in relation to adequate training for staff and ongoing monitoring of their policies and procedures.

On a more positive note, the FSA found that most small firms had carried out some kind of risk assessment. The majority of small firms had also classified the money laundering risk as low, although some identified certain products and client types as being of a high risk.

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