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**AFEP Risk and Compliance Executive Committee****Confidential Feedback on FCA Financial Crime Supervision Research****December 2019**

In late November & early December the FCA as part of their ongoing review of their financial crime supervisory strategy contacted a number of firms to discuss their anti-money laundering framework systems and controls.

Whilst members have found these calls to be fairly informal and the items covered standard elements of an AML program, we understand that this is the early part of a review of their supervision strategy possibly with a view to stepping up enforcement in 2020.

Please find below the areas that the FCA are looking at, and we encourage all members to consider these areas in their business, regardless of if they have had contact with the FCA. AFEP will be updating our Good Practice Guidance on AML and Risk Assessments and relaunching this in March.

**Business model and Governance**

- Who is ultimately responsible for AML?
- On what committee / forum / board is AML a standing agenda point and what MI are they given.
- Products, types of customer, locations and what products are offered that pose the greatest AML risk.
- Volumes of customers and transactions
- Is the agent model operating, and how do you get referrals i.e. affiliates, introductory brokers, partners
- % of high risk clients

**AML Strategy**

- What is the firms strategy for next year?
- What work if any has been done on 5MLD?

**AML Risk Management**

- What are the firms top risks
- Approach to deciding what the AML risk was – when was this last reviewed, was it documented?
- How were the perceived risks built into our systems, controls, procedures
- Do you have business wide AML risk assessment & how does it feed into the firms ERMF?
- How does the firm decide on country risk?
- Unacceptable countries and industry types – they were quite interested in the latter i.e. what would not accept
- Sanctions, PEPs and adverse media – which lists, frequency, handing of alerts, volumes of matches
  - How often does it approved & updated
  - What does the business wide risk assessment look at / cover
- Do you have a client risk assessment

- What does that assessment look at & are there any weightings, if so what are they.

### **Training**

- What training do you offer & how & is there any tailored training for those in the AML team.
- What training does the MLRO have & other senior compliance team get to make sure they stay abreast of new developments

### **Other**

- What is your KYC process?
- How many SAR's a year / a month do you submit?
- Automation of transaction monitoring and examples of rules
- Who investigates sanctions & transaction monitoring alerts
- What systems do you use for sanction checking & TM
- What does EDD look like in practice and what triggers EDD.
- Do you have an internal audit function – if not how are you audited
- Do you do internal testing of systems & controls
- If you have an external audit who is it conducted by & high level findings