

Chapter 5

Review of firms' implementation of a risk-based approach to anti-money laundering (AML) (2008)

5.1 Introduction

- 5.1.1** **Who should read this chapter?** This chapter is relevant, and its statements of good and poor practice apply, to all firms for whom we are the supervisory authority under the *Money Laundering Regulations*.
- 5.1.2** In March 2008 the *FSA* conducted a review of firms' implementation of a risk-based approach to anti-money laundering. This followed the move to a more principles-based regulatory strategy from August 2006, when we replaced the detailed rules contained in the Money Laundering sourcebook with high-level rules in the Senior Management Arrangements, Systems and Controls sourcebook (*SYSC*) of the *Handbook*.
- 5.1.3** The *FSA* visited 43 firms in total and gathered additional information from approximately 90 small firms with a survey. The report explored in depth a number of key areas that required improvement, including a review of staff training and the need to ensure staff are aware that it is a constant requirement to ensure AML policies and procedures are up to date and effective.
- 5.1.4** Due to the wide range of firms the *FSA* visited, there were a number of different findings. There were many examples of good practice, particularly in the way the larger firms had fully embraced the risk-based approach to AML and senior management's accountability for effective AML. The *FSA* also recognised that smaller firms, which generally represent lower risk, had fewer resources to devote to money laundering risk assessment and mitigation.
- 5.1.5** The contents of this report are reflected in ■ **FCG 2** (Financial crime systems and controls) and ■ **FCG 3** (Money laundering and terrorist financing).