

Chapter 16

How small banks manage
money laundering and
sanctions risk – update
(2014)



16.1 Introduction

- 16.1.1 **Who should read this chapter?** This chapter is relevant, and its statements of good practice apply, to **banks** we supervise under the *Money Laundering Regulations*. It may be of interest to **other firms** we supervise under the *Money Laundering Regulations*.
- 16.1.2 In November 2014 we published the findings of our thematic review of how small banks manage AML and sanctions risk. We assessed the adequacy of the AML and sanctions systems and controls of 21 small banks. We also looked at the extent to which the banks had considered our regulatory AML guidance, enforcement cases and the findings from our 2011 review of ‘banks’ management of high money laundering risk situations’. To this end, our sample included five banks that had also been part of our sample in 2011.
- 16.1.3 A small number of banks in our sample had implemented effective AML and sanctions controls. But, despite our extensive work in this area over recent years, we found significant and widespread weaknesses in most of the sample banks’ AML systems and controls and some banks’ sanctions controls. We also found that AML resources were inadequate in one-third of all banks in our sample and that some overseas banks struggled to reconcile their group AML policies with UK AML standards and requirements.
- 16.1.4 The contents of this report are reflected in ■ FCG 1-■ 3.