Chapter 4

Automated Anti-Money Laundering Transaction Monitoring Systems (2007)

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4.1   Introduction

4.1.1   **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*.

4.1.2   The extent to which we expect a firm to use automated anti-money laundering transaction monitoring (AML TM) systems depends on considerations such as the nature and scale of its business activities. There may be firms, particularly, **smaller firms**, that monitor credibly and effectively using manual procedures. This chapter will not apply to such firms where they do not, and are not intending to, use AML TM systems, although it may still be of interest to them.

4.1.3   The *FSA* wrote a short report on automated Anti-Money Laundering Transaction Monitoring Systems in July 2007. This was in anticipation of the fact that transaction monitoring would become compulsory following the implementation of the Money Laundering Regulations 2007.

4.1.4   The report explains that the *FSA* did not anticipate that there would be major changes in firms' practice, as the new framework expressed in law what firms were already doing. Instead, it is to be read as feedback on good practice to assist firms in complying with the Money Laundering Regulations 2007.

4.1.5   The report confirms our expectation that senior management should be in a position to monitor the performance of transaction monitoring (TM) systems, particularly at firms that experience operational or performance issues with their systems, to ensure issues are resolved in a timely fashion. Particular examples of good practice include transaction monitoring and profiling; especially ensuring unusual patterns of customer activity are identified.

4.1.6   The contents of this report are reflected in ■ FCG 2 (Financial crime systems and controls) and ■ FCG 3 (Money laundering and terrorist financing).