

Chapter 8

Financial services firms' approach to UK financial sanctions (2009)



8.1 Introduction

- 8.1.1 **Who should read this chapter?** This chapter is relevant, and its statements of good and poor practice apply, to all firms subject to the financial crime rules in ■ SYSC 3.2.6R or ■ SYSC 6.1.1R and to e-money institutions and payment institutions within our supervisory scope.
- 8.1.2 In April 2009 the *FSA* published the findings of our thematic review of firms’ approach to UK financial sanctions. The *FSA* received 228 responses to an initial survey from a broad range of firms across the financial services industry, ranging from small firms to major financial groups, both retail and wholesale. Tailored surveys were sent to different types of firms to ensure that the questions were relevant to the nature and scale of the business of each firm. The *FSA* then selected a sub-sample of 25 firms to visit to substantiate the findings from the surveys.
- 8.1.3 The review highlighted areas where there was significant scope across the industry for improvement in firms’ systems and controls to comply with the UK financial sanctions regime. The *FSA* found that, while some firms had robust systems in place that were appropriate to their business need, others, including some major firms, lacked integral infrastructure and struggled with inappropriate systems for their business. In small firms in particular, the *FSA* found a widespread lack of awareness of the UK financial sanctions regime.
- 8.1.4 The report examined a number of key areas of concern which included an in-depth look at whether senior management were aware of their responsibilities and, if so, were responding in an appropriate manner. The *FSA* also identified issues over the implementation of policies and procedures, particularly those put in place to ensure that staff were adequately trained, were kept aware of changes in this area, and knew how to respond when sanctions were imposed. The *FSA* also had concerns about firms’ screening of clients, both initially and as an ongoing process.
- 8.1.5 The contents of this report are reflected in ■ FCG 2 (Financial crime systems and controls) and ■ FCG 7 (Sanctions and asset freezes).