

AML enforcement trends

Tracey Bourne, AML Investigations Manager
Sarah Jones, AML Senior Investigations Officer

Aims

- Share background and general trends seen in enforcement action.
- Provide example case studies.
- Share the common issues that lead to enforcement action being taken.
- Tips for helping to perfect your AML control environment.

Background

- 75% of our work is referred by the AML Proactive Supervision team.
- Last year we took enforcement action in 74 matters- 29% of the matters we dealt with.
- Conveyancing is still the greatest area of risk.

Types of Outcomes

- Closure no further action.
- Closure with guidance.
- Letter of Advice.
- Warning.
- Financial penalty via RSA or notice.
- Conditions on firm authorisation/Practising Certificates.
- Referral to the SDT.

Levels of fines

Value of financial penalty	Number of fines	%
0 - £2,000	5	11
£2,001 - £5,000	9	20
£5,001 - £10,000	7	16
£10,001 - £20,000	18	41
£20,001 - £24,999	4	10
£25,000 - £50,000	0	0
£50,001 plus	1	2

Case studies

Firm A

- No FWRA at all and then partially complaint until 2019.
- No PCPs at all and then partially compliant until 2023.
- No independent audit until 2023.
- Five files without CMRA.
- 2 files with inadequate SOF.

Fine £46,447

Case studies

Mr B

- No CMRAs on any files.
- No CDD on two files.
- No SOF on two files.

Fine £2,398

Case studies

Firm C

- No CMRA October 2011 and June 2017.
- No CMRA process 2017 to July 2023.
- Failed to document CMRAs between 2023 and April 2024.

Fine £24,498

Case studies

Firm D

- Failure to have in place compliant FWRA.
- Failure to conduct adequate CMRA - the firm had a file opening form.

Letter of advice

Most common AML referrals

- Client and Matter Risk Assessments (CMRAs).
- Policies, Controls and Procedures (PCPs).
- Source of Funds (SoF).
- Firm-Wide Risk Assessments (FWRAs).

What is a CMRA?

Regulation 28 of the MLRs 2017

CMRAs – Issues and Tips

Issues

- Not having a process.
- Partially or incorrectly completed forms.
- Form doesn't meet requirements.
- Not done in time.

Tips

- Written process.
- Training.
- Templates.
- Timing.
- Revisit.
- Check sample files.

What are PCPs?

Regulation 19 MLRs 2017

PCPs – Issues and Tips

Issues

- No PCPs.
- PCPs with areas missing.
- Noncompliance with PCPs.
- No monitoring of PCPs.

Tips

- In writing.
- Review and record.
- Management approval.
- Training.
- Look out for changes.

What is SOF?

Regulation 28 of the MLRs 2017

SoF – Issues and Tips

Issues

- Lack of scrutiny.
- Not requesting information.
- No paper trail.
- Third parties.

Tips

- Document everything including rationale.
- Understand risk and need.

What is a FWRA?

Regulation 18 of the MLRs 2017

FWRA – Issues and Tips

Issues

- No FWRA.
- Lacks detail.
- Not tailored.
- Proliferation financing.
- Lexcel accreditation.

Tips

- In writing.
- Keep under review.
- Proportionate.
- Keep previous versions.
- Assess all risk areas including PF.