Anti-money laundering (AML): latest updates and guidance

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To cover

- Overview of AML supervision in the last year
- What firms are getting right and issues we’re still seeing
- Trends in suspicious activity reports

In the last year…

- Three functions – proactive supervision, policy and investigations
- Doubled AML proactive work:
  - 545 AML inspections/reviews compared to 273 last year
  - increasing again this year
- 227 reports to us of AML breaches
- Started proactive sanctions inspections
- Thematic review – training
- Review of the results from independent audits

Financial sanctions

Letter of guidance	Sanctions inspections	Sanctions controls checks – AML inspection	Sanctions controls checks – Forensic Investigation
1,087	55	237	106

- Next round of sanctions inspections
- Look out for our webinar
- Sanctions risk assessment

Levels of compliance - AML

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	Compliant	Partially compliant	Not compliant
Desk-based reviews	29	160	69
Inspections	81	124	49
Total	**110**	**284**	**118**

- 254 inspections
- 258 desk-based reviews
- We helped 394 firms be compliant

Improvements seen

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- Client and matter risk assessments – 51% ineffective last year compared to 12% this year
- Adequacy of identification and verification checks increased from 88% to 96%
- Improvements seen but still some way to go:
  - firm-wide risk assessments increased from 53% to 60%
  - AML policies increased from 35% to 51%

Firm-wide risk assessments (FWRA)

- Reason why a firm would to be rated ‘not compliant’:
  - template that is not tailored
  - one or more of the mandatory risks missing
- Important control – feed into client and matter risk
- Updated our template and guidance
- 12 firms did not have a FWRA

Policies, controls and procedures – Common issues

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Out of date or not covering mandatory requirements

Area	Desk-based reviews	Inspections
5MLD - Assessment and mitigation of the risks associated with new products and business practices	54%	60%
5MLD - Reporting discrepancies to Companies House	48%	32%
Reliance	37%	30%
Simplified due diligence	37%	22%

Tip: Look at our annual report for common missing areas:

sra.org.uk/aml-annual-report-2022-23

Source of funds

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Next thematic review:

- 25% of files we reviewed did not contain information or evidence of source of funds
- Several firms were able to provide an explanation of the enquiries they made – but no audit trail
- In several cases, the transactions involved high risk work such as property purchases and cash transactions
- Both of which have been highlighted as high risk for money laundering in our sectoral risk assessment

Trends in suspicious activity reporting

- Submitted 23 SARs to the NCA involving money laundering, relating to funds amounting to over £75 million
- Conveyancing still the highest risk – 73% involved conveyancing. The majority related to residential properties, with a small number of commercial properties
- Lack of sufficient due diligence and source of funds was a key contributor

Trends in suspicious activity reporting

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- Some instances information obtained but not properly scrutinised

- Other trends (not exhaustive):
  - vendor fraud
  - client account used no underlying legal transaction
  - funds from high-risk jurisdictions and involvement of third parties

Guidance and resources

Visit our website:

sra.org.uk/aml-guidance

[sra.org.uk/aml](sra.org.uk/aml)