Anti-money laundering
Annual report 2016/17

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1 Foreword

The UK financial system is a major global hub that attracts investment from across the world. However, its size and openness also make it attractive to criminals seeking to hide the proceeds of crime among the huge volumes of legitimate business.

As the UK's 2015 National Risk Assessment of money laundering and terrorist financing made clear, the size and global nature of the UK financial industry mean that both money laundering, and the criminality that creates the need to launder money, present a significant risk to the UK.

The FCA has a key role in creating a hostile environment for criminal money. We do this by ensuring firms have adequate safeguards to prevent themselves from being used for financial crime, in particular money laundering. And we have particular responsibility for the anti-money laundering (AML) supervision of over 15,000 regulated firms that are subject to the Money Laundering Regulations 2007.

At the same time, it's important we ensure that firms' financial crime controls are proportionate and operated efficiently, and that any unintended consequences and avoidable costs are kept to a minimum.

That is why we made financial crime and AML one of our key priorities for 2015/16 and 2016/17, and have again for 2017/18.

Megan Butler
Executive Director of Supervision – Investment, Wholesale and Specialists Division

2 Introduction

In this, the FCA's fourth Anti-money laundering Report, we explain how we have sought to achieve our AML objectives in the last year. We cover:

- our risk-based approach to AML supervision
- developments in our AML supervision strategy
- findings and outcomes from our recent specialist supervision work
- policy developments in the last year
- how we cooperate with our partners both at home and overseas

3 Our risk-based approach to AML supervision

Our overall approach is risk-based and proportionate. To ensure this, we focus our resources on the firms that present the highest money laundering risk, together with risk assurance work to validate our judgements. This helps to make the UK more hostile to money launderers.

We apply the same principles to our AML supervision as to our other conduct supervision, and use the same supervisory tools. We supervise firms using different approaches, including:

- **Pillar 1** – proactive supervision for the firms presenting the highest money laundering risks, together with a programme of visits to randomly selected lower risk firms to ensure our risk judgements remain valid.
- **Pillar 2** – event-driven, reactive supervision of actual or emerging risks according to our risk appetite.
- **Pillar 3** – thematic work focusing on risks and issues affecting large numbers of firms or a sector as a whole.

We intervene early where we see poor conduct, taking action to prevent harm to consumers and markets, and secure redress where appropriate. AML is a responsibility for all supervisory staff, with our 700 line supervisors supported by a specialist department of 50 dealing with the highest priority and most complex issues. The specialist team has also made guidance and training material available to line supervisors to support and assist them in their AML work.

4 Our AML supervision strategy

Our supervisory programmes

Our rules require firms to have effective, proportionate and risk-based systems and controls to ensure they cannot be used for financial crime. Over 15,000 of the firms we regulate are also required to comply with the Money Laundering Regulations 2007 (the Regulations), which give effect to the Third EU Money Laundering Directive, which was in effect throughout 2016/17. We supervise those firms' compliance with the Regulations.

We have continued to implement and develop our AML supervision strategy. This includes our existing proactive AML supervisory programmes, which assess firms' controls against money laundering, terrorist financing and financial sanctions risks. References in this report to our AML supervision work encompass all three topics.

Our first programme is the Systematic Anti-Money Laundering Programme (SAMLP), a series of deep dives into 14 major retail and investment banks operating in the UK. The second is a programme of regular AML inspections for a group of firms presenting higher financial crime risk (mostly smaller banks). The population of these firms is dynamic, with firms moving in and out depending on risk. And we have recently introduced a programme of sample checking across all firms covered by the Regulations.

The quality of firms' AML systems and controls remains high on our agenda. Our financial crime specialist supervisors continue to carry out extensive work on both AML and anti-bribery and corruption, as these are the aspects of crime where the market incentives for firms are weakest. In the absence of legal or regulatory prohibition, money launderers and corrupt individuals could be attractive as potentially profitable customers, while firms and their employees could be tempted to pay bribes to secure business.

Our approach to AML supervision is risk-based, in line with our broader supervisory approach and international guidance on AML supervision. So we look for the most effective and proportionate means to ensure good AML standards in regulated firms, and allocate our resources to focus most closely on those firms and activities that present the highest risks of money laundering. Examples of higher risk activities include cross-border business with higher risk jurisdictions, or customers or services where money laundering risk is regarded as significant.

In some firms we found serious deficiencies in key areas of their systems and controls. In others the picture was more positive. In the firms with serious deficiencies we have taken steps to mitigate the risk, including early intervention through restrictions on the firm's business while improvements are made. We have also required substantial changes to be made to ensure firms are meeting the requirements and, in certain cases, required the appointment of Skilled Persons to ensure this is done.

(i) Systematic AML Programme (SAMLP)

The SAMLP is one of the three key tools we use for our Pillar 1 proactive firm-specific supervision work. We launched the SAMLP in 2012 and have now completed assessments of all the banks it covers. Assessments since 2014 have also included anti-bribery and corruption work where appropriate. We are now starting the second round of assessments.

The SAMLP is a programme of regular, thorough scrutiny that covers 14 major retail and investment banks operating in the UK, as well as their overseas operations with higher risk business models or strategic importance. Each review takes several months. In the second round of assessments we plan to reduce the length of each review to around four months, by adopting a more risk-based approach to the reviews and by finding more efficient ways of gathering and analysing information from the firm before the on-site phase.

We find the SAMLP to be a very effective means of proactive supervision, focusing resource where inherent risk is highest. We engage proactively with these firms between SAMLP reviews, to ensure that financial crime remains a top priority for them.

We identified significant risks in several of our SAMLP reviews, such as a weak governance framework with insufficient oversight, and weaknesses in systems and controls to identify and manage high risk clients. However some of the findings from some recent reviews were encouraging. In particular, in major banks we see recognition that AML is an issue that requires attention from top management, and a strong tone from the top. These recent findings serve to demonstrate that we are setting our standards correctly and that banks are responding to our messages and interventions.

We have also continued to see evidence of better senior management engagement across firms of all sizes. We often find a positive culture in firms, and a clear wish to do the right thing, but firms struggling to translate this into effective execution. For instance, we may find that policies and procedures are fit for purpose but execution, particularly in large and complex firms, has led to inconsistencies and an approach focused on process rather than effective judgements of financial crime risk.

(ii) Regular AML inspections of other high risk firms

The second key tool in our Pillar 1 proactive firm-specific supervision work is a programme of regular AML inspections of other high risk firms. We launched this in 2014.

The population of these firms is dynamic, with firms moving in and out of the programme depending on risk. This ensures that we inspect the firms posing greatest money laundering risk and, in time, will allow us to carry out trend analysis from our findings of both the money laundering risks in firms and how firms manage them. The programme originally envisaged inspecting 75 firms over two years. The scope of this programme has recently been broadened to 150 firms over four years.

We have been pleased to see similar improvements in the level of senior management engagement as we have observed in the SAMLP banks. We have also found a correlation between firms with the most positive AML culture and those with the strongest AML controls overall. This is particularly welcome, as it appears to demonstrate the positive effect of senior management engagement and the right tone from the top.

The most significant weaknesses we have identified within these firms have been in risk assessments and appropriate application of enhanced due diligence for high risk customers (eg politically exposed persons, or PEPs). We will continue to assess our findings to see whether we need to focus on particular sectors.

(iii) Financial Crime Risk Assurance Programme

In developing our supervision strategy, we have taken into account the conclusions of last year's review by the International Monetary Fund (IMF). The IMF were content with the intensity and scope of our supervision of the higher risk banks, but they had some concerns about the intensity and scope of our supervision of other banks.

We now have risk assurance work as a new element in our proactive supervision programme. We conducted a six-month pilot, between November 2016 and May 2017, covering a sample of firms outside our other proactive programmes. The pilot consisted of AML and sanctions visits to, or desk-based reviews of, 100 firms from sectors subject to the Regulations that we consider present lower inherent money laundering risk. The firms were selected largely randomly.

Our objectives were to benchmark progress since our 2009/10 small firms' thematic review, and to test the reliability of our risk assessment of firms. The programme is designed to:

- help raise standards by making clear that any firm we regulate, regardless of size, location or business model, could face a visit from our financial crime specialists
- give us a better picture of the risks posed by different sectors
- provide assurance that our assessment of risk is correct

The pilot will be followed by a rolling programme of similar assessments of approximately 100 firms per year, to start later in 2017. In addition, our Contact Centre is contacting firms across sectors to gather information on how firms understand money laundering risk and approach AML compliance. This work helps inform us of where we may need to target our external communications and guidance and contributes to our wider work.

Our key finding from the pilot was support for our assessment that most financial crime risk lies within the firms subject to our major proactive programmes, ie the SAMLP and our inspections of other higher risk firms. Of the 100 firms assessed, only one fell into the high net risk category. This firm was assessed as high risk because its inherent risk was high and, despite a previous visit as part of a thematic review, it had not made material improvements in response to the weaknesses we had identified.

(iv) Financial crime data return

Financial crime data is a useful tool, though only one of several key intelligence sources. However until recently our financial crime supervisory work relied on the use of ad hoc data requests to gather information about firms' AML systems and controls. We did not routinely gather information from firms about financial crime, the risks to which they were exposed, or how they managed those risks. At the end of 2016 we introduced a financial crime return for the first time. The firms required to complete the return are those subject to the Regulations, but with a proportionality rule excluding all firms with revenue of less than £5m, unless they are deposit takers. We received the first returns in March 2017.

We will use the data collected by this return to enhance our AML supervision strategy and give us greater confidence that we are focusing on the highest risk firms and issues. Analysing the data will enable us to conduct more desk-based supervisory work than is currently possible. This in turn will help us identify better both financial crime risks and trends and possible emerging issues. It will also ensure we have better quality and more consistent comparable data, allowing us to risk rate firms more accurately, and target our visits on firms posing the highest financial crime risk. This more efficient and effective risk-based approach will allow us to fulfil our statutory duties better, particularly in relation to money laundering, and will demonstrate an approach that is transparent and can be easily understood by industry and others.

We will also use the data to conduct proactive trend analysis and to identify emerging intra- and cross-sector risks. In addition, we expect the data return to reduce the need for us to make ad hoc data requests from firms.

(v) Real Time Gross Settlement (RTGS)

In June 2016 the Governor of the Bank of England announced that the Bank intended to extend direct access to RTGS beyond the current set of firms, to enable a range of non-bank payment service providers (PSPs) to compete on a level playing field with banks. The Government subsequently stated that: 'The FCA and HMRC, who together supervise these institutions, are committed to developing a strengthened supervisory regime for those who apply for an RTGS settlement account, to give assurance that non-bank PSPs can safely take their place at the heart of the payment system'. In line with that, we are committed to assessing the AML systems and controls of all the non-bank RTGS applicants we supervise, so that we can be assured that all new RTGS participants meet the necessary AML standards.

5 Findings and outcomes

1. Findings

Generally we have found that much day-to-day work designed to tackle money laundering works reasonably well, and that the steps the industry is taking to manage the risks presented by most of its standard risk customers are broadly adequate. These standard risk customers are the vast majority of customers overall. Any necessary follow-up work in the areas that we identify through our assessments is usually undertaken by the firm itself, as part of the normal supervisory relationship.

Common root causes we have seen have been weaknesses in governance, and longstanding and significant under-investment in resourcing. This under-investment may affect key tools in firms' control frameworks, such as transaction monitoring systems that are not kept up to date. In larger firms, we have seen this have adverse effects on the systems they use to identify, screen and monitor customer risk. This has often led to an ineffective risk-based approach with poor due diligence and monitoring standards, particularly for higher risk business. Managing complex legacy systems remains a challenge for a number of firms, but we are seeing continuing improvements.

With smaller firms, the challenge is often to ensure they understand their obligations and that their response is proportionate to the business models they operate. Where change is required, we frequently see this being implemented more swiftly than with larger firms, which is perhaps not surprising. In addition, the information we gather from the work of our Contact Centre with smaller firms across sectors will help us see how to develop our external communications and guidance, and where best to target it.

The most important challenges we see in smaller firms relate to resourcing, where key individuals may have multiple roles and competing priorities. This can affect their ability to keep up to date with screening and transaction monitoring output, particularly where they have third party providers or rely on manual screening. We have also seen backlogs in alerts generated and potential exposure to undisclosed suspicious activity or sanctions breaches because the alerts are not being discounted or escalated in good time.

In the course of our proactive work we have seen many firms engaging in extensive remedial programmes, supported by a much clearer tone from the top on the importance of managing financial crime risk. We have also found better understanding by senior management and across both business and control functions of what is needed to achieve effective outcomes. We see understanding and clear ownership of financial crime risk as key to managing this risk effectively. This is particularly true where financial crime risk forms part of a broader assessment of risk overall. Generally this is effective where firms consider properly the nature and purpose of business relationships, especially where there are indicators of high risk. We have seen some good judgements made as a result of this sort of approach, and a more measured and effective response by firms as a result. This has helped them manage both their risk and their customer relationships more effectively.

Much of the remedial work undertaken by firms where we found weaknesses is continuing and will take time. This is particularly so with larger firms that have to deliver the necessary improvements across complex global businesses. But we have found repeated weaknesses in some smaller firms too.

However, we also find firms make substantial improvements when we have found weaknesses in their AML systems and controls.

Case study

We visited a small retail bank in 2014 after law enforcement had raised concerns about one aspect of its business.

We found a number of serious deficiencies in the bank's AML controls, particularly in relation to foreign PEPs. We required the bank to engage consultants to advise it on remedial work and a subsequent attestation from the Money Laundering Reporting Officer (MLRO). We also asked the bank to put new and existing high risk and foreign PEP customers through an enhanced due diligence process.

Initially the bank was resistant to our proposals. But they did engage the consultants, and provided the required attestation.

In mid-2016 we visited the firm again. We were encouraged to find considerable progress since our last visit, the consultants' review and the subsequent attestation. We found that the bank had developed a positive AML culture with a strong tone from the top. There was evidence that the Board and senior management were committed to enhancing the AML control framework. There was clear visibility and oversight of financial crime at senior management level, and up to the Board, via the bank's committee structure.

Case study

As part of a 2014 thematic review of AML and sanctions controls, we visited the London branch of an overseas bank. At that time we found significant failings, including lack of knowledge of AML and sanctions requirements, and failure to implement adequate AML controls. We therefore asked the bank not to open any new accounts for high risk or foreign PEP customers until the bank had attested to us that the weaknesses had been addressed under the guidance of a Skilled Person.

In late 2016 we visited the bank as part of our risk assurance work. It was clear that a good deal of thought and work had been put into designing and implementing a much stronger financial crime control framework. We found a clear emphasis on financial crime, driven by a new MLRO, and a good tone from the top. We found that the bank was following a risk-based approach, with risk ratings based on the type of client and the client's activity. The customer due diligence files were well organised to support this. While the bank still had work to do to ensure that the improvements were sustainable in the long term, this was an encouraging outcome.

Event-driven work

In addition to our proactive supervision programmes, we also receive intelligence and information about financial crime risks and events from a variety of sources including whistleblowers, law enforcement agencies and other regulators. We assess this information against what we already know about the firm or individual and use a risk-based approach to decide what action, if any, we need to take.

In 2016/17 we considered over 150 referrals of this sort and took action in nearly 90 cases. In most of these cases, we used close ongoing supervision, including some on-site visits, to mitigate and monitor the risks. In six cases we took more formal action, for example restricting the firms' business.

Case study

In August 2016 we visited a small firm where we found significant deficiencies in its financial crime systems and controls and had serious concerns about its governance and resourcing arrangements. We therefore requested the firm to agree to restrictions on its business, which led to the closure of all its client accounts by the end of March 2017.

This restriction will remain in place until we are satisfied that the firm has appropriate governance and resourcing arrangements, has implemented appropriate AML systems and controls, and has undertaken up-to-date and risk-sensitive due diligence on customers in accordance with the Regulations.

2. Outcomes

We take a risk-based approach to using our wide range of regulatory tools to achieve the best outcomes. In recent years, we have achieved positive results through the use of remedial tools and business restrictions, restricting firms' high risk business until weaknesses in AML controls are corrected. In 2016/17 we took action of this sort in six instances, restricting the firms' business.

We have also used our powers under section 166 of the Financial Services and Markets Act 2000 (FSMA) to require firms to commission reports from Skilled Persons to give us an independent assessment of either firms' financial crime systems and controls where we have concerns, or their remediation work. In 2016/17 we commissioned five of these reports.

We also make use of our enforcement tools. Where we find possible serious breaches of our rules or of the Regulations, in both large and smaller firms, we seek to take swift action to investigate and, where appropriate, to impose sanctions on both firms and individuals for misconduct. The number of enforcement cases in relation to AML has increased in 2016/17. We have a number of formal investigations underway, with several others being considered for referral.

Case study

In January 2017 we fined Deutsche Bank AG (Deutsche Bank) over £163m for failing to maintain an adequate AML framework between 2012 and 2015.

Deutsche Bank exposed the UK financial system to the risks of financial crime by failing to oversee properly the formation of new customer relationships and the booking of global business in the UK.

As a consequence of its inadequate AML control framework, Deutsche Bank was used by unidentified customers to transfer approximately $10 billion of unknown origin from Russia to offshore bank accounts in a manner that was highly suggestive of financial crime. We found significant deficiencies throughout Deutsche Bank's AML control framework.

This is the largest financial penalty for AML control failings ever imposed by us or the Financial Services Authority, the predecessor regulator. The size of the fine reflects the seriousness of Deutsche Bank's failings, which were unacceptable. We expect other firms to take notice of it and look again at their own AML procedures to ensure they do not face similar action.

Case study

In October 2016 we fined Sonali Bank UK (SBUK) £3.25m and prevented it from accepting deposits from new customers for 168 days. We also fined the bank's former MLRO £17,900 and prohibited him from performing the MLRO or compliance oversight functions at regulated firms.

Despite having previously received clear warnings about serious weaknesses in its AML controls, SBUK failed to maintain adequate AML systems between 2010 and 2014. We found serious and systemic weaknesses affecting almost all levels of its AML control and governance structure, including its senior management team, its money laundering reporting function, the oversight of its branches and its AML policies and procedures. This meant that the firm failed to comply with its obligations in respect of customer due diligence, the identification and treatment of politically exposed persons, transaction and customer monitoring and making Suspicious Activity Reports.

The bank's former MLRO failed to put in place appropriate monitoring arrangements, or to identify serious weaknesses, and gave SBUK's board and senior management misleading assurances about the firm's AML controls.

We expect all regulated firms to promote a culture that supports sound AML controls and impresses on all staff the importance of complying with them.

6 Policy developments

The UK is introducing new laws related to money laundering in order to implement the requirements of the EU's Fourth Anti-Money Laundering Directive.
We are working with the Government, industry bodies and other regulators, at home and abroad, to bring these changes into effect, for example by updating our guidance, and feeding into the European Supervisory Authorities' guidance material.

The new Money Laundering Regulations will also give us powers to apply a 'fit and proper' test to firms we supervise solely under the Regulations, also known as Annex I institutions. These will allow us to take enforcement action against firms where we have significant concerns about the probity of the business or its controllers.

In July 2016 the European Commission published targeted amendments to the Fourth Anti-Money Laundering Directive. In the past year we have been supporting the Government on implementing these measures.

Section 333U of FSMA requires us to publish guidance to firms we supervise for AML purposes on how they should treat customers who meet the definition of a politically exposed person (PEP) under these new rules. We published draft guidance for consultation on 16 March 2017.[1]

Office for Professional Body AML Supervision (OPBAS)

The Treasury has announced that we will become responsible for monitoring the AML supervision carried out by professional bodies like the Institute of Chartered Accountants in England and Wales and the Association of Taxation Technicians. We are due to be given formal powers to do this towards the end of 2017, and are working with the Treasury and professional bodies to agree how it will operate in practice.

The professional bodies supervise their members' efforts to, for example, check their clients' identities and report suspicions of money laundering to the National Crime Agency. We will inspect this, becoming a 'supervisor of supervisors' called the Office for Professional Body AML Supervision (OPBAS) within the FCA. This work will be funded through a new fee on the professional body supervisors.

New technology and effectiveness

We are keen to encourage the industry to take steps to lessen compliance burdens. Firms and technology providers are exploring many innovative methods of streamlining AML activity in the financial sector. We are keen to stay abreast of this exciting field, so we have commissioned a consulting firm to survey the landscape. We are grateful to all those from firms, technology companies, academics and trade associations who agreed to take part in this initiative.

1 www.fca.org.uk/publications/consultation-papers/gc17-2-treatment-politically-exposed-persons-peps-money-laundering

We have also supported innovation in how firms tackle financial crime through our regulatory sandbox initiative. This provides a 'safe space' where businesses can test innovative products, services, business models and delivery mechanisms in a live environment. Many applications have been from businesses with new ideas about customer due diligence or transaction monitoring.

In November 2016, the theme of how to make AML measures more effective was explored during the speeches[2] and panel sessions at our Financial Crime Conference. The conference brought together those at the forefront of the fight against financial crime to discuss their approaches and to inform debate on the wider financial crime political landscape.

De-risking

Concern has been raised by the Treasury Committee and others that banks' efforts to contain the risks of money laundering and sanctions breaches have the unintended consequence of denying some customers access to the financial system. Customers such as overseas correspondent banks and charities operating in war-torn regions are said to be particularly affected.

Following our *Drivers and impacts of derisking* report[3] last year looking into this problem, we have continued to work with industry to encourage better communication with customers when exiting or rejecting banking relationships.

There has been a particular focus on the loss of correspondent banking relationships because of the danger that cross-border trade in some parts of the world would become difficult to finance. We have worked with the Government to ensure that Financial Action Task Force (FATF) guidance on applying risk-based AML measures to correspondent banking makes clear that there is no expectation that a correspondent bank needs to identify the customers of any respondent bank it provides services to. This guidance was published by FATF in October 2016.[4]

We also worked as part of the Anti-Money Laundering Expert Group of the Basel Committee to update guidance on managing the risk in correspondent banking, and participated in the Financial Stability Board's correspondent banking co-ordination group.

Improving the UK's AML regime

We also work closely with the Government to enhance financial crime regulation in the UK, in particular AML regulation. For example, we made proposals to the Home Office in late 2016 to make changes to the Criminal Finances Bill (now the Criminal Finances Act 2017) aimed at reducing the number of defensive Suspicious Activity Reports (SARs), fostering cost-saving steps and more effective AML work by enabling greater information sharing by financial services firms, and to explore some level of centralisation of transaction monitoring.

2 www.fca.org.uk/news/speeches/effectiveness-proportionality-financial-crime-priorities
3 www.fca.org.uk/publication/research/drivers-impacts-of-derisking.pdf
4 www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Correspondent-Banking-Services.pdf

On information sharing, we proposed that the thresholds for the use of information sharing channels should be low enough to allow firms to share information with each other if this aided their efforts either to confirm or to remove suspicion. This would enable firms to discuss lower level concerns that might develop into a SAR (in which case it would probably be a SAR of high value to law enforcement) or enable them to avoid making a 'defensive' SAR.

We also raised the issue of amending the provisions that allow firms to rely on due diligence performed by other regulated firms, to change the requirement that the legal responsibility remains with the relying party. This would require changes to the current international standards, but we believe it could help foster cost-saving measures and innovative approaches to lessen the burden on firms and streamline account opening for law-abiding customers.

On transaction monitoring, we thought that centralisation would allow better identification and detection of crime by enabling banks and law enforcement to analyse the basis of their suspicions more easily and see the bigger picture behind transactions. It could also reduce the number of SARs that turn out not to be related to crime, and thus avoid clogging up the system.

These are all live debates within the industry. We remain keen to engage with all concerned to reach the outcomes most likely to contribute to our common goal of reducing crime.

7 Working with partners at home and overseas

At home

Money laundering activity is often global, and any case may affect a number of jurisdictions. Both domestic and international co-operation are essential to combat them. We therefore put substantial efforts into developing and maintaining relationships with domestic partners and international counterparts, and with other organisations with common interests and objectives.

Domestically, we work closely with law enforcement agencies and Government, and with other regulators. For example, we continue to be a core member of the Joint Money Laundering Intelligence Taskforce (JMLIT). JMLIT is a public–private partnership with law enforcement and the financial sector that aims to combat money laundering and financial crime, and ensure the cleanliness of UK financial markets through operational, strategic and developmental partnership.

We have also seconded staff to the Joint Financial Analysis Centre (JFAC), a taskforce launched in April 2016 to analyse information from the Panama Papers data leak. The taskforce is investigating people and companies for criminal or serious civil offences linked to tax fraud and financial wrongdoing.

Overseas

We have continued to work closely with overseas regulators and law enforcement agencies. In particular, we have visited Hong Kong and Singapore to discuss intelligence sharing on money laundering and we continue to work closely with US partners to maximise our understanding of money laundering threats.

There is a particular concern about so-called 'high end' money laundering, which is especially relevant to major frauds and serious corruption involving very large amounts of money.

We continue to work with UK law enforcement and international partners to maintain an up-to-date picture of developments, so that we and the industry have the best possible understanding of the risks and can work together to mitigate them.

International standard setting

In addition, we participate actively in FATF work to forge robust standards in the global efforts to tackle money laundering and the financing of terrorism. For example, we provided experienced assessors to join the international teams evaluating FATF member countries' AML defences.

The Basel Committees and European Supervisory Authorities also shape expectations on AML relevant to both industry and supervisors. Over the past year we helped prepare guidance on how regulators can introduce a risk-based approach to their supervision[5], and on steps financial firms should take to ensure a risk-sensitive approach to their efforts to tackle money laundering.[6]

5 www.eba.europa.eu/regulation-and-policy/anti-money-laundering-and-e-money/guidelines-on-risk-based-supervision

6 These guidelines are still being finalised but the consultation version is available: www.eba.europa.eu/documents/10180/1240374/JC+2015+061+%28Joint+Draft+Guidelines+on+AML_CFT+RFWG+Art+17+and+18%29.pdf

8 Looking ahead

Over the coming year, AML and financial crime will continue to be one of our key priorities. We will continue to review our supervision strategy, using the information from our new data return to target our work on the highest risk firms and sectors. We also aim to have OPBAS operating on an initial basis by the end of 2017.

We are now working closely with the Treasury and other partners to prepare for the evaluation by the FATF of the UK's AML regime, which will take place in late 2017 and early 2018. As the biggest AML supervisor in the UK, we will play a major part in this assessment.

We and all the other stakeholders in the UK's AML regime will continue to do all we can to improve the UK's defences against money launderers. However, what we see of developments around the world, and the importance that the Government attaches to economic crime, suggest that serious organised crime will continue to be a major threat.

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