

Payments and Digital Assets Authorisations Video Transcript - Expectations of an MLRO

Kelly-Ann Coulter

The NCA estimates that money laundering costs the UK economy a hundred billion per year. The latest National Risk Assessment deemed payments and digital assets firms to be particularly susceptible to money laundering. So it's really important for you as payment and digital asset firms to take note of this video to help support your quality application to the FCA. Welcome to our MLRO video in our series aimed at supporting applicant firms in the payments and digital assets sector. Hello, my name is Kelly Coulter, and I'm a Technical Specialist in the payments and digital assets department. Today I'm joined by my colleague, Sam. Welcome, Sam.

Sam Robbins

Good morning. Hi, I'm Sam Robbins. I work in the authorisations, payments, and digital assets department as a lead associate.

Kelly-Ann Coulter

So Sam, could you start us off telling us how companies fall foul of money laundering in the first place, please? And bring it to life for us.

Sam Robbins

Yeah, three things. So firstly, firms do not understand the money laundering and terrorist financing risks, to which they're exposed. You as the money laundering reporting officer may lack acknowledge and experience to perform your role effectively. And thirdly, firms do not equip their employees with relevant examples of what suspicious activity looks like.

Kelly-Ann Coulter

Okay, so you mentioned the MLRO there, the Money Laundering Reporting Officer. Could you tell us what an MLRO is and what they're responsible for?

Sam Robbins

So this is a role I feel really passionate about. I was an MLRO for five years before I joined the FCA, so I get it's a really challenging role. You will be a real pivotal person in the fight against financial crime prevention. So you will be the go-to person for all things anti-money laundering. You'll be responsible for

designing your firm's anti-money laundering control framework and for reporting suspicious activity as well.

Kelly-Ann Coulter

Thank you. So in terms of an MLRO's background then, what would we expect in terms of their background and experience?

Sam Robbins

So we wouldn't expect you to have any formal qualifications, but we have seen better applications where the MLRO has undertaken external training, a quite detailed level in anti-money laundering. If you didn't have external training qualifications, then we'd expect you to have a really good knowledge and understanding of the UK money laundering regulations. And we'd often test that knowledge and experience through a fitness and proper interview as part of the assessment too.

Kelly-Ann Coulter

So that fitness and proper interview then, what sort of questions might you ask a proposed MLRO?

Sam Robbins

Three key questions here. So tell us how money laundering and terrorist financing might occur in your firm. And secondly, explain how your products and services could be used to facilitate money laundering. And then lastly, explain to me how your controls work and how they're designed to prevent money laundering.

Kelly-Ann Coulter

Thank you, so now let's move on to the business models and linked risk assessment. Could you tell us about the MLRO's role here and what the FCA expects?

Sam Robbins

So we expect the MLRO to be able to clearly articulate all the product service offerings and functionality. We'd also expect you to be able to talk confidently to the inherent risk covering your target customers, your geographical locations, where your customers and your firm is based, where the transactions are undertaken through your customers and the delivery channels and how customers are onboarded.

Kelly-Ann Coulter

Thank you. So you mentioned there, the inherent risks. So let's move on to the control framework. So firstly, what is it? And secondly, what role does the MLRO play?

Sam Robbins

Essentially, a control framework is a structured set of policies and procedures which are designed to detect, prevent, and mitigate money laundering. They help with compliance with regulatory rules and requirements. And as MLRO, you'll play a key role in designing and evaluating the effectiveness of your control framework. It will often comprise things such as customer due diligence, risk assessments, transaction monitoring, screening, and training.

Kelly-Ann Coulter

Thank you, and are there any other considerations for an MLRO before making an application to the FCA?

Sam Robbins

Yeah, four things really spring to mind here. Firstly is independence. So do you have any conflicts of interest in your role? So, are you responsible for bringing business into the firm and also acting as the compliance officer? Time would be the next thing. So, do you have sufficient time to be able to fulfil your duties effectively? Thirdly, horizon scanning. So, are you aware of emerging risks and threats to your firm? And what about changes in regulatory rules? How might they impact your firm? And then lastly, training. So how do you keep your own knowledge and experience up to date? And what about the training of your employees? How do you keep that refreshed so they remain vigilant to the threat of financial crime?

Kelly-Ann Coulter

Thank you for really important factors for MLROs to think about there. I'd like to thank you for your time today, Sam. It's been really helpful. As I mentioned earlier in the video, money laundering is particularly high in the payments and digital assets sector. So do think about how you as the MLRO can mitigate them through your control framework. Please do see the other videos in our series aimed at supporting applicant firms.

Read: [Applying to become an e-money or payments institution](#)

Read: [What we expect to see in your cryptoasset application](#)