

## **Payments and Digital Assets Authorisations Video Transcript - Financial Crime**

### **Kelly-Ann Coulter**

The NCA estimates that money laundering costs the UK economy 100 billion per year. Financial services firms spend 38 billion on compliance measures alone. The national risk assessment has deemed payments and e-money firms as particularly susceptible to financial crime. Fighting financial crime is a priority for the FCA, an essential pillar in authorisations decisions. 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 Matteo. Welcome, Matteo.

### **Matteo O'Mahoney**

Hi, I'm Matteo O'Mahoney, and I'm a senior associate in the payments and e-money team.

### **Kelly-Ann Coulter**

Great, so to get started, Matteo, could you talk us through the relevant legislation that governs payments and e-money firms?

### **Matteo O'Mahoney**

Sure, so there's three key pieces of legislation, those being: the payment services regulations, the electronic money regulations, and the money laundering regulations, which we often call the MLRs. And we expect firms to be familiar with all three pieces of legislation before applying to the FCA. It's also important to check whether you need to be supervised by HMRC for AML purposes, for example, if you're a money service business. And, if you are, you should provide evidence of that application in the application to the FCA. For more information with regard to this, please see the payment services approach document.

### **Kelly-Ann Coulter**

Thank you. So you mentioned the MLRs there. Being compliant with the MLRs is key to a successful application at the FCA. What are the FCA's expectations when it comes to AML policies and procedures from a firm?

## **Matteo O'Mahoney**

So, at a absolute minimum, we would expect firms to submit policies and procedures that detail their onboarding they do of customers, how they do their transaction monitoring and sanction screening, how and when they submit SARs, and the AML training they provide to their employees. Obviously, this isn't an exhaustive list, but it is the absolute bare minimum that we would expect. Firms should really make sure that they read through their policies and procedures, and think, "Does this demonstrate to the FCA that we take our anti-money laundering obligations seriously?" We actually have some really helpful information that firms can use to draught their policies and procedures in the FCA's financial crime guide, and then there's also the JMLSG guidance. So we would encourage firms to read through both these documents and all the legislation before they start preparing their application.

## **Kelly-Ann Coulter**

Thank you, so that covers the AML component of the application. Now, let's move on to another component, which is the BWRA, or the Business Wide Risk Assessment. Could you explain to us what the BWRA is and why it's important?

## **Matteo O'Mahoney**

So the BWRA is really one of the key documents that we look at when we're assessing the firm's compliance with the money laundering regulations. And that document should really tell the end-to-end story of how you identify, assess, and mitigate the money laundering risks to your firm. Obviously, there's the specific risk factors that you have to include in your BWRA as per the money laundering regulations, but it's really about that document being specific to your firm. So, for example, if you're sending money to high-risk jurisdictions, that's obviously a high risk, and you should call that out, and you should have clear controls in place to mitigate that risk. Often, when firms submit BWRAs that aren't comprehensive, or tailored to their firm, that means that their application is very unlikely to be successful. We have some further information specifically on BWRAs in the financial crime guide also.

## **Kelly-Ann Coulter**

Thank you, so that covers the AML and BWRA component of an application. Now, let's talk about people in the firm, talk about senior management. So what are the senior management responsibilities for the AML framework and controls within a firm?

## **Matteo O'Mahoney**

So really we expect senior management to take top-down responsibility for mitigating the firm's money laundering risks. And, as part of that, obviously,

the role of the money laundering reporting officer is really key, and we would really expect them to be the focal point for the firm's AML activity. As part of this, we've produced a separate video specifically on the expectations that the FCA has of an MLRO. So we would really encourage applicant firms to watch that video also.

### **Kelly-Ann Coulter**

Thank you, some really helpful information there. So we know that money laundering is one aspect of financial crime. The latest national risk assessment found that fraud is the most common crime in the UK, and APP fraud, otherwise known as authorised push payment fraud, is actually part of that. So could you tell us a little bit more about what APP fraud is?

### **Matteo O'Mahoney**

Sure, so, for clarity, APP fraud is when someone is tricked into sending money to a scammer posing as a genuine payee. So, for example, a romance scam would be a really clear example of APP fraud. Someone thinks they're sending money to a romantic partner, but, in fact, they're a scammer taking that person's money. And, in 2024, 450 million was lost to victims of APP fraud in the UK. So a really substantial amount. In response to this, the payment systems regulator has introduced mandatory reimbursement for losses of APP fraud. And what that essentially means is that sending and receiving firms involved in APP fraud scam are liable 50/50 to reimburse victims of APP fraud up to £85,000. And so, potentially, there could be large payouts that firms need to pay if they're experiencing large amounts of APP fraud.

### **Kelly-Ann Coulter**

So what you're telling me, Matteo, is that it pays for firms to get this right first time. What else can firms do to mitigate the risk of APP fraud in their firm?

### **Matteo O'Mahoney**

Sure, so I think, to mitigate the risk, we'd really expect firms to have a clear understanding of how the APP rules apply to their particular business model. They should have people that really understand those rules and can articulate that to the FCA. We would also expect firms to have specific measures in place to mitigate the risks. So, for example, specific communications that detail, you know, how they would correspond with potential victims of APP fraud. And then, firms should also think about the projected financial losses from reimbursing victims, and how that might affect their financial projections, and also their wind-down planning.

### **Kelly-Ann Coulter**

Thank you, so we've covered a lot of ground there. We've spoken about designing a robust AML framework, the importance of the BWRA, ensuring that senior management take financial crime seriously from the top down, and how important it is to understand the threat that APP fraud poses to firms. But what is one key tip that you would give for firms applying to the FCA?

**Matteo O'Mahoney**

So I know I've mentioned this before, but I would say one key tip is getting the BWRA right. So that being a really comprehensive document that tells the end-to-end story, a living document that the firm is constantly updating with new risks and also where you reference controls in that document, you should also reference the controls in the application, and provide evidence of those controls to really demonstrate to us that you've taken appropriate steps to mitigate your money laundering risks.

**Kelly-Ann Coulter**

Thank you, that's really helpful. Thank you for your time today. Thank you for watching our video today on financial crime. We hope you found it helpful. Please do see the other videos in our series aimed at supporting applicant firms in the payments and e-money sector.

**Read:** [Payment Services and Electronic Money – Our Approach \(PDF\)](#)

**Read:** [Our Financial Crime guide](#)

**Read:** [The JMLSG guidance](#)

**Read:** [Our Financial Crime Guide – Risk Assessment](#)

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