FINAL NOTICE

To:	**Barclays Bank Plc**
Firm Reference Number:	**122702**
Address:	**One Churchill Place London E14 5HP**
Date:	**14 July 2025**

1. ACTION

1.1 For the reasons given in this Final Notice, the Authority hereby imposes on Barclays Bank Plc ("Barclays") a financial penalty of £39,314,700 pursuant to section 206 of the Act.

1.2 Barclays agreed to resolve this matter and qualified for a 30% (stage 1) discount under the Authority's executive settlement procedures. Were it not for this discount, the Authority would have imposed a financial penalty of £56,163,900 on Barclays.

2. SUMMARY OF REASONS

Overview

2.1 Financial services firms are at risk of being abused by those seeking to launder the proceeds of crime. The integrity of the UK financial system is endangered by weaknesses which risk allowing the system to be used for a purpose connected with financial crime. The Authority has the operational objective of protecting and enhancing the integrity of the UK financial system. The laundering of money through UK financial institutions undermines the integrity of the UK financial system. It is the responsibility of UK financial institutions to ensure that they minimise the risk of being used for criminal purposes, including the risks of being used to launder the proceeds of crime.

2.2 In particular, this involves a firm ensuring that it has established the identity and source of wealth of its customers as part of its Customer Due Diligence ("CDD") and, in respect of business customers, the nature of the customer's business and how it will use the firm's services. By establishing this accurately at the start of the relationship, the firm can assess the money laundering risks presented by the customer. Thereafter, the firm must monitor the activities of the customer, including monitoring transactions, to ensure that they remain consistent with the firm's understanding of its business and the associated money laundering risks. The extent and frequency of the monitoring in respect of each customer will depend on the particular risks presented by that customer. Where the risks of money laundering are higher, firms must conduct enhanced due diligence ("EDD") measures consistent with the risks identified.

2.3 Where a firm identifies that a customer's activities are inconsistent with the firm's understanding of its business, or that it may be engaged in suspicious activity, it must take prompt action to manage any money laundering risks this creates. This may include revisiting the risk rating for that customer, applying EDD and enhanced ongoing monitoring and/or terminating the relationship.

2.4 Barclays is a member of the Barclays Group, a British banking and financial services group headquartered in London and operating across 38 countries. The Barclays Group has approximately 48 million customers worldwide of which around 20 million are in the UK.

2.5 Between 9 January 2015 and 23 April 2021 ("the Relevant Period"), Barclays failed adequately to identify, assess, monitor and manage the money laundering risks associated with the provision of banking services to Stunt & Co Ltd ("Stunt & Co"), one of its corporate banking customers. Although Barclays established and maintained anti-money laundering ("AML") policies during the Relevant Period and was aware of the importance of CDD and EDD, it failed to apply an appropriate level of CDD on Stunt & Co or, at appropriate times consistent with the risks identified, apply EDD. Save for a period between March 2019 and May 2020 when Barclays assessed Stunt & Co as medium risk, Stunt & Co was assigned a low risk rating and Barclays failed to consider whether that risk rating remained appropriate. This was despite Barclays' awareness of multiple risks regarding the business relationship with Stunt & Co from the establishment and during the course of that relationship, including in respect of the nature of Stunt & Co's business and the source of wealth of its director and sole shareholder James Stunt (who was a personal banking customer at Barclays).

2.6 In particular, Stunt & Co conducted a close business relationship with Fowler Oldfield Ltd ("Fowler Oldfield"), a UK jewellery business which was not a Barclays customer. Stunt & Co received £46.8 million in electronic transfers into its Barclays account from Fowler Oldfield between July 2015 and August 2016. From 2016 Fowler Oldfield was the subject of a criminal investigation involving suspicions of potential money laundering, of which Barclays was made aware in August 2016. In December 2021, National Westminster Bank Plc ("NatWest") was fined £264.8 million following convictions for offences under the Money Laundering Regulations 2007 ("the 2007 Regulations") relating to its use by its customer Fowler Oldfield to facilitate money laundering (from which account Fowler Oldfield transferred funds to Stunt & Co). On 4 March 2025, Gregory Frankel and Daniel Rawson, who were both directors of Fowler Oldfield, were convicted of money laundering.

2.7 The Authority considers that the £46.8 million received by Stunt & Co from Fowler Oldfield represented the proceeds of crime and that Stunt & Co's account was used in part to launder the funds. On 4 March 2025, James Stunt was acquitted of money laundering charges in relation to monies received by Stunt & Co from Fowler Oldfield, on the basis that he had no knowledge or suspicion that those monies were criminal property.

2.8 Stunt & Co's accounts at Barclays were frozen from 29 August 2018 and closed in April 2020 and October 2020. In March 2021, when the Authority charged NatWest with offences under the 2007 Regulations, Barclays commenced an investigation into its own exposure to monies its customers received from Fowler Oldfield.

Barclays' misconduct

2.9 The Authority considers that Barclays breached Principle 2 during the Relevant Period by failing to conduct its business with due skill, care and diligence in respect of the identification, assessment, monitoring and management of the money laundering risks associated with the provision of banking services to Stunt & Co. In particular:

(a) in establishing a business relationship with Stunt & Co in January 2015 and assigning it a low risk rating, Barclays failed to obtain sufficient information from it on the nature of its business, including on its source of wealth and source of funds, in order to assess the money laundering risks appropriately. Having assigned the 'low' risk rating, Barclays failed to update it in light of relevant information which should have led to a re-assessment of whether the risk rating was accurate and whether EDD was necessary;

(b) following onboarding, Barclays failed to conduct appropriate ongoing monitoring of Stunt & Co and to scrutinise the transactions undertaken to ensure that they were consistent with Barclays' knowledge of its business. This included significant funds received by Stunt & Co from Fowler Oldfield from July 2015 that were inconsistent with Barclays' understanding of Stunt & Co's business and significantly in excess of the turnover Stunt & Co had informed Barclays was likely at account opening. Barclays also failed to consider, following receipt of information on 8 October 2015 that Stunt & Co and Fowler Oldfield had entered into a joint venture, whether the change in Stunt & Co's business model and turnover merited a reconsideration of its risk rating or a need to conduct EDD or enhanced ongoing monitoring;

(c) when Barclays refreshed its CDD in respect of Stunt & Co in January 2016, it failed to obtain and verify sufficient information to enable it to have a sound understanding of the nature of Stunt & Co's business and the money laundering risks presented by it;

(d) despite receiving significant information in August 2016 (via a request from law enforcement) that Fowler Oldfield may have been used to launder the proceeds of suspected money laundering and that Stunt & Co was one of the main recipients of electronic credits from Fowler Oldfield, Barclays failed to consider appropriately what effect this may have on the money laundering risks associated with Stunt & Co, including whether EDD or enhanced ongoing monitoring was required, or whether it should terminate the relationship;

(e) despite identifying adverse media in September 2016 that the premises of both Stunt & Co and Fowler Oldfield had been raided by the police in connection with money laundering, and despite its Intelligence, Monitoring and Investigation ("IMI") team separately conducting a review of Stunt & Co's accounts in September 2016 to understand the relationship between it and Fowler Oldfield as a consequence of news of the police raids and Production Orders received in August 2016, Barclays considered that the account activity was consistent with its understanding of Stunt & Co's business. This was also despite a further Production Order which had been received by Barclays in respect of Stunt & Co in November 2016. Although Barclays had received the request from law enforcement concerning Fowler Oldfield in August 2016, the IMI team were not made aware of the law enforcement request for its review. No change was made to Stunt & Co's risk rating and no EDD was applied;

(f) in January 2017, Barclays completed a KYC refresh in respect of Stunt & Co and certified that all necessary due diligence had been conducted. This was despite Barclays not having received responses to outstanding queries regarding Stunt & Co, Fowler Oldfield and the source of Mr Stunt's wealth, and despite being aware of a police investigation being conducted into Fowler Oldfield. No changes were made to Stunt & Co's risk rating and no EDD nor enhanced ongoing monitoring was applied;

(g) Barclays continued to assess Stunt & Co as low risk, save for a period between March 2019 and May 2020 when it was assessed as medium risk. As a result, no periodic annual review of Stunt & Co's accounts was conducted by Barclays in 2018 or 2019. This was despite Barclays receiving a number of court orders relating to Mr Stunt and Stunt & Co in 2018 and 2019. Barclays, noting that Stunt & Co's accounts were frozen from 29 August 2018, failed to conduct further reviews of its relationship with Stunt & Co or its risk rating or consider whether any EDD or enhanced monitoring should be applied or whether the relationship should be terminated; and

(h) the fact of Mr Stunt being charged with money laundering offences in May 2020 did not prompt any consideration of whether Barclays should review the account activity of Stunt & Co. It was only after Barclays learned in March 2021 of the Authority's decision to charge NatWest with criminal offences under the 2007 Regulations, in respect of NatWest's relationship with Fowler Oldfield, that Barclays commenced a significant investigation in respect of Stunt & Co and certain other Barclays customers who had received funds from Fowler Oldfield. Mr Stunt was acquitted of the money laundering charges on 4 March 2025.

2.10 Stunt & Co received a total of £46.8 million in electronic receipts from Fowler Oldfield between July 2015 and August 2016. The Authority considers that those monies represented the proceeds of crime and that Stunt & Co's account was used in part to launder the funds.

Seriousness

2.11 The Authority considers Barclays' breach of Principle 2 to be serious because:

(a) the Authority published, before and during the Relevant Period, guidance for firms on preventing financial crime in addition to a number of Notices against firms for AML weaknesses. This is in addition to the extensive guidance

published by the Joint Money Laundering Steering Group ("JMLSG") to assist banks in addressing these risks. These publications emphasise the importance of firms having robust controls in place to counter financial crime risks, particularly in respect of a customer's source of funds and the nature of their business. Firms are required to apply these controls with due skill, care and diligence; and

(b) In the Authority's view, the £46.8 million received into the account of Stunt & Co from Fowler Oldfield during the Relevant Period represents the proceeds of crime. The risk of damaging confidence in the UK market, in that Barclays was facilitating the movement of funds linked to financial crime, is consequently significant.

2.12 The Authority acknowledges that Barclays proactively reported its findings to the Authority in June 2021 following the Bank's review of its own exposure to Fowler Oldfield, in accordance with the Authority's expectations for authorised firms. Barclays has also cooperated fully with the Authority throughout the course of its investigation.

2.13 The Authority also acknowledges that Barclays continues to engage and invest in a significant remediation programme to enhance its AML control framework, which has resulted in structural changes.

Sanction

2.14 The Authority hereby imposes a financial penalty on Barclays of £39,314,700 for its breach of Principle 2 which reflects the settlement discount of 30%. Were it not for this discount, the Authority would have imposed a financial penalty of £56,163,900.

3. DEFINITIONS

3.1 The definitions below are used in this Notice.

"the 2007 Regulations" means the Money Laundering Regulations 2007, which were in force in respect of conduct beginning after 15 December 2007 and before 26 June 2017 inclusive;

"the Act" means the Financial Services and Markets Act 2000;

"AML" means anti-money laundering;

"the Assay Office" means an assay office in the UK granted the right to assay and hallmark precious metals;

"the Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority;

"Bank A" means a bank which Stunt & Co informed Barclays had provided to it a master bullion loan facility for use in Stunt & Co's business during the Relevant Period;

"Barclays" or "the Bank" means Barclays Bank Plc;

"Barclays Group" means the global financial services group of companies of which Barclays Bank Plc is a member;

"the Barclays AML Intelligence team" means the team in the Financial Intelligence Unit at Barclays responsible for dealing with enquiries from law enforcement relating to money laundering;

"BIC" means Barclays Industrial Classification;

"CDD" means customer due diligence, the measures a firm must take to establish and verify the identity of its customers and the purpose and intended nature of the business relationship;

"DEPP" means the Decision Procedure and Penalties Manual, part of the Handbook;

"EDD" means enhanced customer due diligence, the measures a firm must apply in certain circumstances, including where the customer presents a higher risk of money laundering;

"Financial Crime Analyst A" means an Analyst in Financial Crime Analytics at Barclays;

"FIU" means the Financial Intelligence Unit at Barclays;

"Fowler Oldfield" means Fowler Oldfield Ltd;

"the Handbook" means the Authority's Handbook of rules and guidance;

"HMRC" meant during the Relevant Period Her Majesty's Revenue and Customs;

"HNW" means High Net Worth;

"the IMI Manager" means a Manager in the IMI team from late 2015 (who was formerly the WIM EDD Analyst);

"the IMI team" means the Intelligence, Monitoring and Investigation team at Barclays;

"JMLSG" means the Joint Money Laundering Steering Group, a private sector body made up of the leading UK trade associations in the financial services industry;

"JMLSG Guidance" means the guidance issued by the JMLSG and approved by a Treasury Minister on compliance with the legal requirements in the 2007 Regulations, regulatory requirements in the Authority's Handbook and evolving practice within the financial services industry. The JMLSG Guidance sets out good practice for the UK financial services sector on the prevention of money laundering and combatting terrorist financing;

"KYC" means know your customer;

"KYC Manager A" means a KYC Manager in the London KYC & Account Opening team at Barclays;

"KYC Manager B" means a KYC Manager in the KYC Remediation and Refresh team at Barclays;

"MLRO" means Money Laundering Reporting Officer, an individual with responsibility for oversight of a firm's AML systems and controls whose role is to act as the focal point for all AML activity within the firm;

"Mr Stunt" means James Robert Frederick Stunt;

"NatWest" means National Westminster Bank plc;

"PACE" means the Police and Criminal Evidence Act 1984;

"POCA" means the Proceeds of Crime Act 2002;

"the Principles" means the Authority's Principles for Businesses;

"Production Order" in this Notice means an order made under section 345 of POCA which requires the production of material to an appropriate officer in a law enforcement investigation or to give an appropriate officer access to that material;

"the Relationship Director" means the Relationship Director at Barclays responsible for the relationship between the Bank and Stunt & Co;

"the Relevant Period" means the period 9 January 2015 to 23 April 2021;

"Stunt & Co" means Stunt & Co Ltd;

"Supplier A" means a company based in Burkina Faso which was to supply gold to Stunt & Co for use in its business during the Relevant Period;

"the Tribunal" means the Upper Tribunal (Tax and Chancery Chamber);

"UBO" means Ultimate Beneficial Owner;

"UHNW" means Ultra High Net Worth;

"the WIM banker" means a private banker in the WIM team;

"the WIM EDD Analyst" means an EDD analyst in the WIM team during 2015 (who from late 2015 was the IMI Manager); and

"the WIM team" means the Wealth and Investment Management team at Barclays.

4. FACTS AND MATTERS

Barclays

4.1 Barclays is a member of the Barclays Group, a British banking and financial services group headquartered in London and operating across 38 countries. It has approximately 48 million customers worldwide of which around 20 million are in the UK. Barclays has been authorised by the Authority to provide regulated products and services since 1 December 2001.

Legal and regulatory obligations

4.2 All authorised firms have legal and regulatory obligations to establish and maintain appropriate and risk-sensitive policies and procedures in order to minimise the risk of being used to further financial crime, including money laundering. These must include systems and controls that enable it to identify, assess, monitor and manage money laundering risk and which are comprehensive and proportionate to the nature, scale and complexity of the firm's activities. These obligations are set out in the Authority's Handbook and, during the Relevant Period, the 2007 Regulations

which were supported by the JMLSG Guidance together with statements from the Authority.

4.3 The 2007 Regulations, as supported by the JMLSG Guidance, required that firms undertake CDD by gathering documents, data or other information about their customers. This is in order to identify and verify the identity of the customer or (in the case of corporate entities, trusts and other arrangements) the customer's ownership and control structure, and to establish the purpose and intended nature of the business relationship. Subject to certain exceptions, the circumstances in which firms must apply CDD include when the business relationship is established, when money laundering is suspected, and when the firm doubts the veracity or adequacy of documents, data or information previously obtained for the purposes of identification or verification.

4.4 Firms were also required to apply CDD measures at appropriate times to its existing customers on a risk-sensitive basis under the 2007 Regulations. The JMLSG Guidance stated that a range of trigger events, such as an existing customer applying to open a new account or establish a new relationship, might prompt a firm to seek appropriate evidence.

4.5 Firms were also required under the 2007 Regulations to conduct ongoing monitoring of the business relationship with customers on a risk-sensitive basis. This involves scrutiny of transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure that the transactions are consistent with the relevant person's knowledge of the customer, the customer's business and risk profile. This also involves keeping the documents, data or information obtained for the purpose of applying CDD measures up-to-date.

4.6 The 2007 Regulations, as supported by the JMLSG Guidance, further required that in a situation which by its nature can present a higher risk of money laundering, firms must conduct EDD and enhanced ongoing monitoring measures on a risk-sensitive basis. The JMLSG Guidance provided examples of EDD measures that could be applied for higher risk business relationships, including:

(a) obtaining, and where appropriate verifying, additional information on the customer and updating more regularly the identification of the customer and any beneficial owner;

(b) obtaining additional information on the intended nature of the business relationship;

(c) obtaining information on the source of funds or source of wealth of the customer;

(d) obtaining information on the reasons for intended or performed transactions; and

(e) conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

4.7 The JMLSG Guidance stated that where appropriate and practical, and where there are no data protection restrictions, firms should take reasonable steps to ensure that where they have CDD information in one part of the business, they are able to link it to information in another.

4.8 Relevant extracts from the Authority's Handbook, the 2007 Regulations and the JMLSG Guidance are set out in Annex A to this Notice.

Fowler Oldfield

4.9 Fowler Oldfield was a UK jewellery business which was not authorised by the Authority. Fowler Oldfield was not a customer of Barclays. It entered liquidation on 14 October 2016.

4.10 From 2016 Fowler Oldfield was the subject of a criminal investigation involving suspicions of potential money laundering. In December 2021, NatWest was fined £264.8 million following convictions for offences under the 2007 Regulations relating to its use by its customer Fowler Oldfield to facilitate money laundering. On 4 March 2025, Gregory Frankel and Daniel Rawson, who were both directors of Fowler Oldfield, were convicted of money laundering.

Account opening for James Stunt

4.11 James Stunt opened a personal account at Barclays in September 2005. Mr Stunt was rated as standard risk at account opening. Mr Stunt remained a standard risk customer until 23 March 2021, with his account subject to a restraint order from August 2018 (see paragraph 4.132 below). As a result of Barclays' ring-fencing, Mr Stunt became a customer of another entity within the Barclays Group on 1 April 2018.

Account opening for Stunt & Co

4.12 On or around 9 January 2015, Stunt & Co applied to open an account at Barclays. The account was opened on 16 January 2015. Mr Stunt was a director and the sole shareholder of Stunt & Co.

Barclays' CDD and EDD policies

4.13 When Stunt & Co's account was opened, Barclays' 2013 AML policy ("the 2013 AML policy") applied. This set out minimum standards that applied to Barclays' lines of business. Initially, the CDD procedure at customer take-on included:

(a) identification;

(b) verification;

(c) understanding the purpose and nature of the relationship (including source of wealth and source of funds); and

(d) understanding the control and ultimate ownership of clients/customers (for private companies, due diligence on controllers and UBOs was required).

4.14 Barclays' due diligence and onboarding procedures for client relationships within Corporate Banking dated 15 December 2014 ("the 2014 Due Diligence and Onboarding Procedures") stated that CDD was about understanding who the Bank's clients were and the risks they might pose to its business, and that the purpose of effective CDD was, amongst other things, *"to ensure a banking relationship is not established or maintained that may be used as a vehicle for money laundering* […]." It stated that effective CDD required that there was "*a sound understanding of the client's business before entering into a relationship with them*". It listed examples of effective CDD as capturing and analysing information about the client to understand:

> *"what business activities they are involved in who they trade with (customers, suppliers, partners) who controls and owns the business*
> […]
> *which countries or jurisdictions the clients or any related party operate in source/origin of funds*
> *the client's risk profile - so that appropriate consideration can be given to the possible actions that can be taken to mitigate the risks that have been found."*

The procedures also stated that the information gathered at new client take on played a key role in the ongoing monitoring of the business relationship.

4.15 The procedures also referred to certain client relationships requiring EDD before the relationship was established, stating that the purpose of EDD was to provide the firm with an understanding of the risks associated with an entity or individuals, and to allow the firm to make risk-sensitive commercial decisions. The procedures stated that an EDD review may result in requests for additional information regarding, amongst other things, the nature and details of the business, and the source and origin of funds.

4.16 Barclays' Corporate Bank used the Risk Scoring Tool ("RST") as a risk rating system. The methodology for the RST remained the same from 1 December 2014 to 31 December 2020 and considered four different components related to each customer, namely: product, geography, industry and entity. Each component was scored. Each component had a number of risk criteria which were analysed and used to give the overall component score. The system provided a total monthly score for the customer and assigned a risk rating accordingly. A client was categorised as low, standard or high risk based on the following factors: client/ customer risk (including industry and reputational risk); product risk (including susceptibility to money laundering); and delivery channels (including third party introducers and distributors).

4.17 A customer's risk rating was used to determine the level of due diligence that was to be undertaken. The 2013 AML policy provided that low risk customers may be subject to simplified due diligence and high risk customers were subject to EDD and enhanced ongoing monitoring. In 2016, an additional level was introduced, so that low risk customers were subject to simplified due diligence, standard risk customers were subject to standard due diligence and high-risk customers were subject to EDD.

4.18 Business units were required to perform EDD during take-on for higher risk customers. This included where a client was engaged in any business activity connected to any restricted countries. The policy also stated that EDD must be considered for other high risk situations. The 2013 AML policy stated that EDD may lead to a conclusion that a particular client/customer did not ultimately pose a high risk to the business, meaning that EDD may not lead directly to the high risk

categorisation of a client/customer; if that was the case, business-specific procedures were required to define clearly the related categorisation process.

Onboarding of Stunt & Co

4.19 The Barclays KYC team and the Relationship Director for Stunt & Co took steps to gather KYC information on Stunt & Co by obtaining material directly from Stunt & Co and in meetings with Stunt & Co.

4.20 The account opening application, dated 9 January 2015, noted:

(a) Stunt & Co's nature of business was described as "*Gold Refining & Trading*";

(b) the business was to be funded by an initial investment of £1,500,000 paid into the account from various accounts of Mr Stunt;

(c) the company's anticipated turnover was expected to be £500,000, although this was manually amended to £3 million; and

(d) the company would not trade outside of the EU.

4.21 When the account was opened, Barclays allocated the Stunt & Co account the Barclays Industrial Classification "*5240 Jewellery",* which "*Includes the following activities: Clocks (retail) Jewellery (retail) Watches and clocks (retail).*" This was not an accurate reflection of the anticipated nature of Stunt & Co's business, which was stated to be "*Gold Refining & Trading*".

4.22 The 2014 Due Diligence and Onboarding Procedures stated that "*BIC/BTA code details*" were mandatory fields to complete to facilitate the transfer of data to Shared Data Services, which was Barclays' main client reference database. This linked customer records to a unique single customer identifier and allowed KYC teams to view client data held by all parts of the Bank. Corporate KYC was required to verify any BIC provided by the Origination team and submit a screenshot to the Account Opening team to be recorded on Barclays' systems.

4.23 Moreover, guidance relating to Barclays' Alacra system (see paragraph 4.36) indicated that if a high risk industry was identified at account opening, then "*Commercial Director/Deputy Notification 1st level sign off*" was required via email. If a new risk was identified, the Relationship Director was required to decide whether to accept the risk.

4.24 The relationship team met with representatives of Stunt & Co on 27 January 2015 to discuss the account opening application, the nature of its business and its banking requirements. Barclays was informed on that occasion that Stunt & Co's business plan was for gold to be sourced from West Africa. Stunt & Co planned to use secondary sources for gold, principally in Ghana and Burkina Faso. The relationship team recorded in its note of the meeting, *"It is not clear why they will not be using main stream* [sic] *suppliers."* Having sourced the gold, Stunt & Co intended to process it and sell it to HNW individuals in the Middle East. The customers were expected to be primarily "*James's Middle East contacts (Jordan, Kuwait, Doha & UAE* […])". The relationship team further noted, "*We have stressed that if they are seeking to market to the general public then we will need to undertake further DD*".

4.25 During that meeting, Stunt & Co also informed Barclays that it had acquired the lease of a foundry situated at the Assay Office, and would move in in April 2015.

4.26 On 28 January 2015, Barclays opened a Euro currency account for Stunt & Co. The stated nature of business was "*Gold Refining and Trading*" and the stated reason for opening the account was *"Operations in Europe"*. This indicated a change in the geographic region of the business. The Authority considers that this should have triggered a review of the risk rating of Stunt & Co.

4.27 On 3 February 2015, the Relationship Director received documents from a representative of Stunt & Co relating to Stunt & Co. These included a draft sale and purchase agreement for the purchase of 24kg of gold by Stunt & Co from Supplier A (a company based in Burkina Faso), to be delivered to the UK and shipped to the Assay Office.

4.28 On 9 February 2015, the Relationship Director asked Stunt & Co's representative for further information about Stunt & Co's business plan, including information on the industry risk regarding the West African gold mining industry and on their KYC and AML procedures in respect of suppliers. The representative of Stunt & Co responded that Stunt & Co would be selling to UHNW and HNW individuals, family offices, wholesalers (with a UK-based wholesaler given as an example), private banks and institutions, and stated that procedures for AML and KYC for all their customers would be *"followed closely*". The representative of Stunt & Co stated that they had provided to Barclays all of the KYC information regarding Stunt & Co's suppliers and were also using the services of *"Focus-Africa*" which was undertaking their due diligence procedures in Africa.

4.29 On 12 February 2015, the representative of Stunt & Co sent Barclays Stunt & Co's business plan, which was dated 12 February 2015 and set out details of the refinery located within the Assay Office. The revenue forecast for 2015 was stated as approximately £11.1 million, which did not accord with the anticipated turnover of £3 million recorded in the account opening document dated 15 January 2015, less than one month earlier. The representative of Stunt & Co stated that, whilst they were working with Supplier A as their initial supplier, they "*will be looking to diversify* [their] *bona fide sources*".

4.30 On 16 February 2015, a US Dollar currency account was opened for Stunt & Co at Barclays. The nature of the business was stated as "*Precious metal refinery"*. When asked to disclose the countries with which Stunt & Co would be trading, the response was: *"TBC. Customers not yet identified. Early pre production phase of business".*

4.31 On 26 February 2015, the relationship team met with Stunt & Co again. Stunt & Co reiterated their desire to progress their first importation from Africa and "*to show intent to their African supplier"*.

Barclays' response to risks at onboarding relating to the nature of Stunt & Co's business

4.32 At account opening, Stunt & Co was treated as a Corporate Banking customer. Given the level of expected turnover of £3 million per annum, Stunt & Co did not fall within the parameters of Corporate Banking. However, given Mr Stunt's close association with another Barclays corporate customer, Barclays allocated to Stunt & Co the same Corporate Banking Relationship Director as other entities in the associated group of companies.

4.33 The account opening form for Stunt & Co stated that it would not trade outside of the EU. However, the business plan discussed with the Relationship Director, and concerning which they made written enquiries with the firm, stated that gold would be sourced in West Africa and sold to HNW individuals in the Middle East. The Bank failed to address those inconsistencies in the KYC undertaken at account opening. Moreover, the business plan stated that Stunt & Co was to trade in gold, a high value product with suppliers in certain countries in West Africa, which were assessed by Barclays as presenting a high risk for the purposes of assessing money laundering risk, to be sold to HNW individuals in the Middle East, a high risk region. This proposed trading with suppliers and customers in high risk jurisdictions ought to have been a trigger for the application of EDD according to the 2013 AML policy

(see paragraph 4.18). Further, Barclays had allocated Stunt & Co the industry classification of "*5240 Jewellery*" (see paragraph 4.21). Notwithstanding that the classification should have been Gold Refining and Commercial, the 2013 AML policy classified jewellers as presenting a "*higher risk*" and required business units to consider conducting EDD for such customers.

4.34 On 15 January 2015, KYC Manager A asked the Relationship Director to confirm whether they should complete standard due diligence or EDD on Stunt & Co (due to the nature of its business). The Relationship Director stated that they were comfortable to undertake standard due diligence at that stage and that they were was going to speak to Mr Stunt to discuss the business in more detail in order to decide whether or not to undertake further due diligence. Barclays failed to record its rationale for deciding that EDD was not necessary for Stunt & Co.

4.35 Notwithstanding the financial crime risk factors around the nature of Stunt & Co's business which were apparent at account opening, Barclays classified Stunt & Co as low risk and did not record its rationale for this. The Authority considers that the Bank should have given closer attention to the information provided by Stunt & Co and that the inconsistencies in that information ought to have been identified and responded to effectively.

Barclays' policies and procedures regarding adverse media

4.36 The 2014 Due Diligence and Onboarding Procedures required that an adverse media search be performed as part of the onboarding process and that any adverse media identified required further investigation. The Onshore KYC Manager was required to complete an Alacra screening at onboarding. Alacra was a client research and data aggregation tool used to highlight any relevant or detrimental information within all necessary regulatory watch lists, premium databases, news and web resources for potential clients and its officials. The relevant Alacra guidance stated that public domain searches should be completed on individuals and entities to highlight any involvement in adverse activities, which was crucial to protect the bank from reputational and financial risks. The guidance also stated that Google searches (including of adverse terms within Alacra) acted as a control for highlighting these risks.

Barclay's adverse media checks on Stunt & Co

4.37 Stunt & Co's account opening document records adverse media checks conducted on 15 January 2015. The Authority has seen no evidence that the adverse media

results were reviewed and if so, why they were discounted. This lack of further investigation into the adverse media results or consideration by the Relationship Director of whether to accept the risk was contrary to Barclays' policies regarding adverse media (as set out at paragraph 4.36).

KYC sign-off of Stunt & Co at onboarding

4.38 The 2014 Due Diligence and Onboarding Procedures stated that an attestation by the Relationship Director had to be completed detailing all relevant red flags, and that all investigations, escalations and EDD must be completed and resolved before the case was submitted to the Offshore team for account opening.

4.39 The Stunt & Co account opening document included the attestation form which required the Relationship Director to indicate the automatic compliance referrals and red flags which applied to the client, which included "*Trade with High-Risk Jurisdictions/Countries*".

4.40 Had Barclays conducted effective CDD to enable it to have a sound understanding of the nature of Stunt & Co's business prior to the account opening according to its own policies (see paragraph 4.14), it would have ascertained that Stunt & Co's stated business model involved trading gold with suppliers and customers in high-risk jurisdictions (West Africa and the Middle East), and that the red flag "*Trade with High-Risk Jurisdictions/Countries*" on the attestation form was therefore applicable. Instead, Barclays obtained this information after the account opening, on 27 January 2015 (see paragraph 4.24).

4.41 The form noted that if the Relationship Director identified that one or more of those compliance referrals or red flags applied to the client, they must provide supporting material to evidence that mandatory EDD had been applied. Although the information available to Barclays at onboarding indicated that certain of the compliance referrals and red flags applied to Stunt & Co, no EDD was undertaken and there was no rationale recorded to explain the absence of EDD.

4.42 On 15 January 2015, KYC Manager A and the Relationship Director each signed the attestation. The attestation signed by the Relationship Director confirmed the following:

> *"As the Relationship Director with ultimate responsibility for the due diligence completed for the client, I confirm that there are no Automatic Compliance Referrals (ACRs) or Red Flags associated with this client.*
> […]

Consequently, I am satisfied that the overall due diligence conducted for this client adequately reflects the risk of on-boarding and/or maintaining the client relationship."

4.43 The attestation form included a section where the Relationship Director was required to provide detailed comment as to why they were supportive of the client onboarding or relationship retention notwithstanding the automatic compliance referrals/red flags that had been triggered for the client, and to indicate the automatic compliance referrals/red flags to which their comments referred. The Relationship Director did not record any comments in respect of Stunt & Co, despite the automatic compliance referrals / red flags that applied based on the information available to Barclays at that time and despite lacking a sound understanding of Stunt & Co's business.

4.44 Had Stunt & Co been given a high risk rating at onboarding, the relationship would have been subject to annual KYC reviews under Barclays' policies.

4.45 Barclays' failure to conduct EDD on Stunt & Co at onboarding, notwithstanding the high risk nature of its business and the high risk jurisdictions of the proposed suppliers and customers, was contrary to the JMLSG Guidance, which stated that where the risks of money laundering are higher, firms must conduct EDD measures consistent with the risks identified (see Annex A).

Review of Mr Stunt as a potential Wealth customer in 2015

4.46 On 25 April 2015, the WIM banker emailed the Relationship Director stating they had been introduced to Mr Stunt who wished to open a Wealth account (this was further to the personal bank account Mr Stunt already held with Barclays). The WIM banker stated they needed to *"make a full and detailed KYC and analysis of his SOW* [Source of Wealth]" and asked the Relationship Director if they could assist. On the same day the WIM banker emailed the WIM team to ask them to assist with an EDD report, focussing on potential concerns around Mr Stunt's source of wealth. On 29 April 2015, the WIM EDD Analyst tasked with the open source EDD report emailed the WIM banker noting potential concerns. They agreed to put the EDD report on hold until Mr Stunt provided information around his source of wealth. The WIM MLRO was copied into that email.

4.47 On 1 May 2015, the WIM EDD Analyst confirmed to the WIM banker that they understood that they would not be proceeding with this relationship, following the

WIM banker's contact with Mr Stunt's office. The WIM banker confirmed that this was correct and that they had updated the Relationship Director in Corporate.

4.48 On 22 May 2015, the WIM team finalised its report using open source material only. Barclays was not able to obtain adequate evidence of Mr Stunt's source of wealth. The report noted four potential sources of wealth for Mr Stunt: his relationship with wealthy individuals; his corporate interests; trading in high value goods; and family money. The report suggested that Mr Stunt's wealth derived from an association with a publicly listed company but there was little evidence of Mr Stunt receiving money from the firm or any connected initial public offering. The report also identified media reports relating to Mr Stunt seeking injunctions against journalists enquiring into his source of wealth.

4.49 The report concluded that Mr Stunt's source of wealth was unclear from open source research and that it had not been possible to establish verifiable evidence of "*any independent and self-generated source of wealth*"; it stated that the only "*immediately apparent and credible source of his wealth*" derived from his association with wealthy individuals. The Wealth relationship was not pursued with Mr Stunt.

4.50 The WIM team's concerns in respect of Mr Stunt's source of wealth were not relayed to the Relationship Director at the time or other Barclays staff responsible for assessing the money laundering risks associated with Stunt & Co. As a result, those concerns did not inform any consideration of whether the risk rating for the Stunt & Co account remained appropriate or whether EDD or enhanced monitoring should be applied. This was contrary to the JMLSG Guidance which stated that where appropriate and practical, firms should take reasonable steps to ensure that where they have CDD information in one part of the business, they are able to link it to information in another (see paragraph 4.7).

4.51 Further, Barclays did not seek to obtain more information on Mr Stunt's source of wealth at that time despite the WIM team concluding that this was unclear from open sources. This was despite the JMLSG Guidance stating that an existing customer applying to open a new account might be a trigger event for a firm to seek appropriate evidence on its customers for the purposes of applying CDD (see paragraph 4.4).

Relationship between Stunt & Co and Fowler Oldfield

4.52 On 10 June 2015, a Stunt & Co representative emailed the relationship team to explain that they were expecting to make a payment to Fowler Oldfield and stated that Fowler Oldfield was "*an established UK refinery* [….] *who have been introduced to us by the* […] *Assay Office*."

4.53 The Barclays account of Stunt & Co received 561 electronic payments totalling £46.8 million from Fowler Oldfield between July 2015 and August 2016. The first remittance from Fowler Oldfield was £100,000 on 22 July 2015. Between 22 July 2015 and 8 October 2015, there were 105 payments totalling £8,934,591.55 remitted by Fowler Oldfield to Stunt & Co. Those payments were, at the time, outside of the expected business activity of Stunt & Co as set out in the KYC information held by Barclays (see paragraphs 4.20 and 4.29) in terms of both the value of the payments into the account and the source of those payments.

4.54 On 8 October 2015, the relationship team held a third meeting with Stunt & Co's management. Stunt & Co informed Barclays at this meeting that the UK refinery was now operating but it had found that buying directly from African suppliers hadn't been successful. Stunt & Co further informed Barclays that it had established a joint venture with Fowler Oldfield, which was 70% controlled by Stunt & Co with the remaining 30% controlled by Fowler Oldfield, and that they intended to merge their refinery operations. The joint venture entity was not a Barclays customer.

4.55 Barclays was also informed at the meeting that through connections of Mr Stunt, Stunt & Co had arranged a $10 million master bullion facility with Bank A. The facility was described as enabling Stunt & Co to sell/buy gold or finance the acquisition of scrap gold. Stunt & Co stated that with that facility in place, it had achieved revenue of £5 million in September and expected to increase that to £10 million in December.

4.56 Until 8 October 2015, Barclays' knowledge of the business plan of Stunt & Co was that it would buy gold from entities in West Africa and sell it to HNW individuals in the Middle East. The account activity and the value of the transactions in the 22 July 2015 to 8 October 2015 period did not reflect the expected account activity of Stunt & Co. Barclays had, until 8 October 2015, no information as to the intended conduct of the joint venture with Fowler Oldfield. This notwithstanding, Barclays took no immediate steps to verify the information provided relating to the new relationship between its customer and Fowler Oldfield to enquire further into the

business arrangement with Fowler Oldfield, nor to consider whether the change in business model and turnover merited a reconsideration of Stunt & Co's risk rating or a need to conduct EDD. Further, the payments made by Fowler Oldfield did not trigger any transaction monitoring alerts.

Adverse media in November 2015

4.57 On 30 November 2015 the WIM banker forwarded to the WIM team a recent media article which questioned the source and size of Mr Stunt's wealth.

4.58 In response to this adverse media, the WIM EDD Analyst referenced the WIM team's review in May 2015 of Mr Stunt, noting that they had considered his source of wealth to have been "*opaque*" and "*deeply unclear*". Whilst it had not identified any criminality relating to Mr Stunt's source of wealth, the WIM team contacted the Barclays Financial Crime team and described Mr Stunt as "*potentially a person of interest to corporate fin crime*" and re-attached its "*coverage of Stunt*" with "*the details of the Stunt & Co. Relationship re: gold from West Africa*".

Further transfers from Fowler Oldfield to Stunt & Co

4.59 On 31 December 2015, Fowler Oldfield sent a round sum payment of £1 million to Stunt & Co's account. This payment was ten times the previous largest payment into the account from Fowler Oldfield. Notwithstanding the unusualness of the value of that transaction, no monitoring alert was triggered and the account was not subject to review.

4.60 By the end of January 2016, Stunt & Co had received £20 million from Fowler Oldfield in 200 round sum payments of £100,000.

KYC refresh of Stunt & Co in 2016

4.61 In January 2016 due to adverse media the Financial Crime Advisory team requested that the KYC team perform an out-of-cycle KYC review of Stunt & Co. The Financial Crime Advisory team also specifically required that Mr Stunt confirm the source of his wealth, how it was acquired and the source of funds into the business.

4.62 In May 2016 Mr Stunt was subject to a Standard Risk Refresh which was an electronic identification and verification review using credit rating agency information. The standard risk rating for Mr Stunt was maintained.

The KYC refresh – policy requirements and actions taken

4.63 Barclays' procedures for a KYC refresh dated November 2015 set out a range of trigger events which could prompt either a full or partial KYC refresh, including "*Significant spike or sustianed* [sic] *increase in turnover / change to source of funds / significant adverse media*", stating that a combination of changes and triggers may indicate a wider issue or influence a change to the client's risk profile. The procedures also set out the requirement to escalate adverse media relating to financial crime to the Corporate Banking Financial Crime team.

4.64 In the case of Mr Stunt and his associated entities, KYC Manager B and the Financial Crime Advisory team were responsible for arranging the KYC refresh. At the start of the KYC refresh on 7 January 2016, the Financial Crime Advisory team liaised with the Relationship Director's team and advised them that the focus should be on Mr Stunt's source of wealth and the source of funds into their businesses. When the refresh started on 7 January 2016, Stunt & Co had a risk rating of "Low" and Mr Stunt had a standard risk rating.

KYC information gathering

4.65 The KYC refresh team asked the Relationship Director's team to obtain information from Stunt & Co including:

(a) whether Mr Stunt was the sole key official, the only individual on the executive board and whether any other individual had control over the running of the business;

(b) the company's business activity and nature of its business; and

(c) the source of funds for the company, including the expected annual turnover though the account, and whether the origin, destination and value of funds passing through the account were consistent with what was anticipated and the client's nature and purpose of business.

The Relationship Director was also asked to comment on the risk that proceeds of crime might be transacted through the Stunt & Co account.

4.66 To conduct these KYC checks, the Relationship Director contacted Stunt & Co and also Mr Stunt's accountant, as set out below.

4.67 Around early February 2016, the Relationship Director had a call with a representative of Stunt & Co regarding the provision of Stunt & Co's accounting

information, in which they were informed that the initial set of audited accounts for Stunt & Co were being prepared for the period ending 31 March 2016. Barclays appears to have received the audited accounts for Stunt & Co on 7 February 2017 (see paragraph 4.120).

4.68 On 11 February 2016, the Relationship Director asked Stunt & Co to provide details of the CDD that it had undertaken on Fowler Oldfield prior to the establishment of commercial arrangements with it. That information was important to obtain to understand the relationship between Stunt & Co and Fowler Oldfield with which Stunt & Co had had entered into a profit sharing arrangement, given the risks around that relationship. Barclays' procedures stated that CDD was about understanding the risks clients may pose to their business and listed examples of "*effective CDD*" as capturing and analysing information about the client to understand "*who they trade with (customers, suppliers, partners)*" (see paragraph 4.14). The Relationship Director specifically asked Stunt & Co to provide: copies of the latest audited accounts of the Fowler Oldfield group entity; details of Fowler Oldfield's KYC and AML practices on customers that Fowler Oldfield acquired gold from and to whom Fowler Oldfield sold gold that had been refined at Stunt & Co's refinery; and documentary evidence to show that the HMRC inspections, which Stunt & Co had informed Barclays that Fowler Oldfield were subject to regularly, were satisfactory from the perspective of HMRC.

4.69 On 26 February 2016 Stunt & Co provided to the Relationship Director what it described as "*relevant KYC information*". That consisted of a copy of a certificate of incorporation on a change of name for Fowler Oldfield, a copy of the VAT registration form which listed the trade classification of Fowler Oldfield as "*Retail Predom. Food, drink or tobacco*" and copies of the driving licences for two directors of Fowler Oldfield. Stunt & Co also provided an unaudited set of accounts for Fowler Oldfield for the year ending 31 December 2014.

4.70 Barclays failed to identify and enquire about the discrepancy in the trade classification for Fowler Oldfield in the VAT registration form, nor did it follow up on that point with Stunt & Co. Further, the requested documentary evidence of HMRC inspections was not provided, nor the requested copies of the AML processes of Fowler Oldfield. No further information demonstrating the legitimacy of Fowler Oldfield's business was obtained. The documents provided by Stunt & Co therefore did not address the KYC requirements of Barclays required from Stunt & Co and the information was never provided.

4.71 The Relationship Director also requested a copy of the master bullion agreement between Stunt & Co and Bank A; Stunt & Co attached a copy of that agreement to its response. The copy provided was unsigned and undated; no steps were taken by Barclays to verify its legitimacy.

4.72 The Relationship Director identified at that time that Fowler Oldfield remitted between £300,000 to £900,000 per day to Stunt & Co, giving an annual turnover estimated to be £150 million - £200 million.

The Relationship Director's view on financial crime risk

4.73 As part of the KYC review, the KYC team also asked the Relationship Director how high the risk was that the proceeds of crime could be included in the traffic they saw. The Relationship Director responded on 8 February 2016:

> "G*iven the nature of the company's activity, the risk must be considered medium but this is mitigated by the fact that the majority of the company's stock is sourced via* [Bank A] *and the CDD undertaken on Fowler Oldfield (further details are being sought). Fowler Oldfield are responsible for the AML processes relating to the ultimate vendor of scrap gold and we understand that they are subject to regular and satisfactory HMRC reviews.*"

4.74 The Relationship Director had not however obtained, or where appropriate, verified, evidence supporting the factors which he considered mitigated the financial crime risk presented by Stunt & Co.

Mr Stunt – Attempted verification of source of wealth

4.75 On 8 January 2016 the Relationship Director was informed by the KYC team that Barclays' Financial Crime Advisory team required evidence of Mr Stunt's source of wealth. To assist the Relationship team, Barclays' financial crime team provided the "*Permissible Source of Wealth*" guidance accepted by Barclays. This document provided guidance on the categories of documents that might be requested to assess a customer's source of wealth. These included: a copy of a contract of sale of assets in the client's name; proof of employment; copies of wills and trust deeds and/or a grant of probate letter; evidence of legal settlements (for example, a divorce); copies of latest company reports; tax returns; and investment valuations, portfolio of holdings and evidence of how this had been accumulated.

4.76 On 11 February 2016, the Relationship Director requested that Mr Stunt's accountant provide to Barclays evidence of Mr Stunt's source of wealth for internal KYC purposes and requested a statement of assets.

4.77 On 19 February 2016, Mr Stunt's accountant, whilst providing some information to the Relationship Director relating to the business of Stunt & Co, noted that he would provide the requested source of wealth information, subject to Mr Stunt's instructions and agreement.

4.78 Barclays did not receive the source of wealth information and chased the accountant for a response. On 31 August 2016 (almost six months later) the accountant wrote to the Relationship Director stating that Mr Stunt was "*very reticent to provide personal information regarding his finances, particularly when there is almost constant press speculation regarding that matter*." The Authority considers that such hesitancy in providing CDD information could be a red flag from an AML perspective. The accountant's response attached a letter addressed to the Relationship Director dated 18 April 2016 (which Barclays had not previously received). In that letter the accountant provided brief and mostly generalised information about Mr Stunt's source of wealth, with no supporting evidence. Although the accountant's response did not accord with Barclays' "*Permissible Source of Wealth*" guidance, no further enquiries, or attempts to obtain such documentation, were made.

Risk rating following KYC refresh

4.79 Barclays' Financial Crime team triggered the requirement for verification of Mr Stunt's source of wealth. Despite the failure to obtain verified source of wealth information that complied with Barclays' policy requirements, Barclays retained its customer relationship with Mr Stunt and Stunt & Co. Further, Barclays did not revise the risk rating for either customer, with Mr Stunt continuing to be assessed as standard risk and Stunt & Co as low risk. In particular, Barclays was unable to provide a satisfactory explanation to the Authority as to why it was satisfied with the unverified information received from Mr Stunt's accountant in relation to his source of wealth.

4.80 Following that KYC refresh conducted in 2016, Mr Stunt continued to be rated as standard risk (until 23 March 2021, and his accounts were subject to a restraint order from August 2018 – see paragraph 4.132) and Stunt & Co remained low risk. This was notwithstanding the lack of verifiable evidence obtained during the KYC refresh on Mr Stunt's source of wealth and the failure to follow up on the inadequate

CDD information provided by Stunt & Co on Fowler Oldfield. Barclays' own procedures for a KYC refresh included significant adverse media amongst triggers which might prompt consideration of whether the risk profile of the client should change (see paragraph 4.63). Barclays has no record of having assessed the risk profile of Mr Stunt following adverse media reports relating to him.

Court orders relating to Stunt & Co in 2016

Barclays' policies for responding to court orders

4.81 Barclays' Court Orders Operational Process, in force from November 2015, set out the procedures to be taken by the Court Orders team following receipt of Production Orders, namely: (a) reviewing the orders before logging the detail, and escalating them to the legal department where necessary; (b) logging the information onto the Bank's systems; (c) collation of all materials that had been requested to fulfil the court order; and (d) supply of collated materials to the requesting officer.

4.82 A further policy dated 29 June 2015 stated that the Inquiries and Surveillance Personal and Corporate Banking team was responsible for liaising with law enforcement, in particular in respect of court orders and carrying out investigations from FIU intelligence gathering; this policy was replaced by a policy dated 9 December 2016 which stated that court orders were processed by Barclays' Court Orders Team. It stated that the Court Orders Team will liaise with Investigations only if there is a financial crime element to the request and the request is complex, and that any subsequent investigation will be recorded in the case management system used by the IMI team.

4.83 Barclays had further supplemental guidance in relation to triggers for KYC/CDD which came into force in or around January 2017. This stated that any court order issued under PACE or POCA or originated by HMRC will trigger a full CDD refresh and business activity review on the client or any related parties.

Production Orders relating to James Stunt and Stunt & Co

4.84 Between August and November 2016, Barclays received the following Production Orders requiring documents and information relating to the accounts of Mr Stunt and his associated entities, including Stunt & Co. The Production Orders arose from a criminal investigation into allegations of money laundering by Fowler Oldfield:

(a) 11 August 2016 - this required Barclays to provide documents from 5 May 2016 to 11 August 2016 and annual turnover figures for 2014, 2015 and 2016 on Stunt & Co's account. It also sought "*details only*" of all connected accounts;

(b) 22 August 2016 – this related to Stunt & Co and required the production of all related accounts in the preceding 6 years;

(c) 4 November 2016 – this related to Mr Stunt and required information about all accounts for which he was a signatory in the preceding 6 years.

4.85 Barclays' Court Orders Team typically processed court orders; however the Investigation team in IMI dealt with the receipt and processing of the Production Orders received as part of the criminal investigation into Fowler Oldfield. Following receipt of the first Production Order, the Investigations team contacted the police.

4.86 The receipt of multiple Production Orders in 2016 did not trigger a change to the risk rating of the Stunt & Co account.

Request from law enforcement in 2016

Barclays AML Intelligence team

4.87 Barclays had a team in its FIU which was responsible for dealing with requests from law enforcement relating to money laundering ("the Barclays AML Intelligence team"). The Barclays AML Intelligence team first received these types of requests in May 2016.

Request from law enforcement

4.88 On 16 August 2016, the Barclays AML Intelligence team recorded in its work log:

> "*We are expecting a* [request from law enforcement] *in relation to a company known as Fowler Oldfield who in the last year have paid £235 million though their accounts, £206m in cash deposits. The money has been laundered through three company accounts* [...]*".*

Stunt & Co was named as one of those three accounts.

4.89 On 17 August 2016, the Barclays AML Intelligence team received the request from law enforcement and was informed that this required an initial response by 19 August 2016, and that the request should be prioritised.

4.90 The request from law enforcement stated: "*This is a request for information concerning a* […] *Police investigation of the activities of UK registered company, Fowler Oldfield Ltd in relation to suspicions of potential money laundering*." It listed a number of "*Subjects*", including Stunt & Co, which was noted as holding an account with Barclays.

4.91 The request explained that Fowler Oldfield was processing significant cash which was suspected of being laundered money: "*It has been noted that there is a 'prominent smell' on the cash being deposited which is also made up of a high proportion of Scottish Notes.*" Stunt & Co was specified as one of three main recipients of electronic credits from Fowler Oldfield. Stunt & Co did not receive cash into the account from Fowler Oldfield.

4.92 The request further stated:

> "*Information contained within this report may be shared within the recipient organisation to progress the enquiry. Where data is shared* [the issuing agency's] *name should be redacted and the request should be refined so that only relevant information is sent*."

4.93 On the day the request was received, the Barclays AML Intelligence team emailed Barclays' Financial Crime Analytics team enquiring which of their customers had received money from Fowler Oldfield which was "*believed to have laundered the proceeds of crime*". On 17 August 2016 the Barclays AML Intelligence team informed Financial Crime Advisory management of "*findings and job to date*."

4.94 On 18 August 2016, Financial Crime Analyst A emailed the Barclays AML Intelligence team attaching the results of their searches and stated, "*This has returned 88 cross-border payments* […]". Financial Crime Analyst A identified three further Fowler Oldfield account numbers and recommended that their review be expanded to look for cross border payments for those three accounts also. Financial Crime Analyst A stated that they had included in the results a list of the Barclays customers with whom Fowler Oldfield was transacting, and asked the Barclays AML Intelligence team to review this and inform them if they wished for any of these names and accounts to be included in their secondary search. Financial Crime Analyst A identified 20 Barclays customers who had transacted with Fowler Oldfield.

4.95 The Barclays AML Intelligence team member who had received the request from law enforcement responded to Financial Crime Analyst A's email the same day stating, *"I think for the initial request this is great I will report back to* [the issuing agency] *as an initial response and further develop when I get chance* [sic]*."* The Barclays AML Intelligence team did not however conduct that further development.

4.96 On 19 August 2016, the Barclays AML Intelligence team emailed FIU management regarding the request and stated, *"A company known as Fowler Oldfield is reported to had* [sic] *laundered £230 million (£206 million in cash), through its bank accounts – the money has been sent to three other companies, one of which is a customer of Barclays know* [sic] *as Stunt & Co".* The Barclays AML Intelligence team stated that "*through the initial analysis completed it can be seen that since July 2015 to 01 July* [sic] [2016] *STUNT & Co has received in excess of £59 million from Fowler Oldfield".* The Barclays AML Intelligence team noted that the funds appeared to have been sent by Stunt & Co to an account at Bank A. The Barclays AML Intelligence team reported that to date it had responded to the initial request from law enforcement "*by identifying* [their] *initial exposure*". Barclays does not have a record of a response to law enforcement, but has informed the Authority that it responded by telephone to the police on 18 August 2016, in which it provided details of another Barclays customer account and account numbers for Fowler Oldfield that were not included in the request. On 19 August 2016 Barclays informed the police, likely by phone, of the signatories of the Stunt & Co account.

4.97 The Barclays AML Intelligence team further noted on 19 August 2016 to FIU management that it had received from the analysts *"other companies who have transacted with Fowler Oldfield – this is in preparation gaining* [sic] *an understanding of the account activity, and identifying any conduct which would be of concern for the bank in terms of activity and our customers customer."*

4.98 The Barclays AML Intelligence team member who received the request from law enforcement informed the Authority that ideally there ought to have been a full analysis of the accounts to see if there was suspicious activity, however they didn't finish this analysis because of resource constraints in the team. They stated to the Authority that they did not have sufficient understanding of the facts about Stunt & Co to inform any such suspicion.

4.99 The Barclays AML Intelligence team failed to sufficiently develop the intelligence in the request from law enforcement. Neither the intelligence contained within the request, nor the existence of the intelligence, was recorded on any system which

was visible to relevant staff outside of the Barclays AML Intelligence team, nor was there a process in place which could flag to relevant staff that intelligence was held. Neither the intelligence in the request from law enforcement nor that fact that there *was* intelligence, was known to the IMI team or the Relationship Director. Analysts reviewing transaction monitoring alerts would not be aware that intelligence was held that may be relevant to their assessment of account activity of Stunt & Co and other parties, and those reviewing any suspicious account activity would not have been aware of that intelligence.

4.100 The Barclays AML Intelligence team showed Financial Crime Advisory management the request from law enforcement; the team did not develop the intelligence it had received and relied on Financial Crime Advisory management to review the Stunt & Co relationship for exposure.

4.101 In appropriate cases, the Barclays AML Intelligence team escalated cases to FIU management which would escalate the cases to senior management as it saw fit. The Barclays AML Intelligence team reported this case to FIU management on 19 August 2016 because of the potential reputational risk. FIU management forwarded the Barclays AML Intelligence team's request to front office senior management the same day describing the circumstances as *"a typical* [law enforcement AML intelligence] *issue, albeit with some urgency around it"* and noting that if appropriate, the matter would be handed over to investigations.

4.102 According to Financial Crime Advisory management, the role of developing intelligence received by the Barclays AML Intelligence team to identify any exposure that Barclays had would have been within the IMI function and the Barclays AML Intelligence team as well. As set out at paragraphs 4.121 to 4.131 below, the IMI team was in fact conducting a review into Stunt & Co from September 2016, shortly after the request from law enforcement was received by Barclays – however it was not made aware of the request.

4.103 Notwithstanding the intelligence received in the request from law enforcement that Fowler Oldfield was making electronic transfers to Stunt & Co in circumstances where Fowler Oldfield was being investigated in relation to suspicions of potential money laundering, the exposure identified by Financial Crime Analyst A and the concerns noted by the Barclays AML Intelligence team, no suspicions of money laundering were formed by Barclays relating to the activity on the Stunt & Co account following receipt of the request from law enforcement. Further, Barclays did not conduct at the time an internal investigation or review of the identified

customers. Despite the exposure review being identified by the Barclays AML Intelligence team as a suitable step to be taken, a review of the bank's exposure to Fowler Oldfield did not take place until 2021 following the Authority's announcement of its criminal case against NatWest (see paragraph 4.141).

4.104 The Authority considers that the intelligence received in the request from law enforcement on 17 August 2016 represented a situation which by its nature can present a higher risk of money laundering requiring EDD and enhanced ongoing monitoring, in accordance with the 2007 Regulations and the JMLSG Guidance (see paragraph 4.6). Despite the financial crime red flags that were raised in the request, namely that Stunt & Co was in receipt of substantial funds from a suspected money launderer, Stunt & Co was not referred for a risk rating review. This was contrary to the JMLSG Guidance which stated that, where appropriate and practical, and where there are no data protection restrictions, firms should take reasonable steps to ensure that where they have customer due diligence information in one part of the business, they are able to link it to information in another (see paragraph 4.7). As a result, no EDD nor enhanced ongoing monitoring was applied.

Processes at Barclays for AML requests from law enforcement

4.105 Barclays did not have any formal policies, reporting lines or governance in place for the processing of requests from law enforcement relating to money laundering in August 2016 when the request was received. Barclays formalised procedures in relation to intelligence relating to money laundering received from requests from law enforcement subsequently.

Failure to consider other information

4.106 During the period that the relevant Barclays AML Intelligence team member worked on the law enforcement request, they were not aware that Production Orders had been received in relation to the Stunt & Co account or Mr Stunt. Further, those dealing with the Production Orders for Stunt & Co were not aware of the intelligence in the request from law enforcement. The Barclays AML Intelligence team member had no interaction with the Court Orders Unit or the intelligence or investigation teams. The relevant Barclays AML Intelligence team member did not share the information from the request from law enforcement with the IMI team.

Police raids and adverse media in early autumn 2016

4.107 In September 2016 the police raided the offices of Fowler Oldfield and Stunt & Co. It was reported in the media that 12 people were arrested in relation to money laundering.

4.108 Following the raid, the police informed Barclays that the media article regarding the raid was factually correct, and that 12 people were arrested at Fowler Oldfield, but no arrests were made at Stunt & Co. The police also noted that there was a "*close link*" between Fowler Oldfield and Stunt & Co, as Gregory Frankel was part of the family that owned the Fowler Oldfield business and was a Vice Chairman at Stunt & Co. The police confirmed that they had not decided whether to review the account of Stunt & Co in any greater detail, and there had been no decision made to obtain a restraint/freezing order against Stunt & Co.

4.109 A Financial Crime Inquiries and Surveillance log in September 2016 recorded that:

> "*Adverse media on Stunt and Co. Ltd (bullion and gold sales)* and *Fowler Oldfield (wholesale gold dealer), indicating raids by UK law enforcement reportedly in regards of an internal fraud against Stunt and Co. Cout* [sic] *orders received from UK law enforcement. Account review into Stunt and Co* […] *undertaken by Investigations, Monitoring, Intelligence.*
>
> *We have not crystallised suspicion at this stage following an investigation in to* [sic] *the account activity*".

4.110 The adverse media did not trigger a change to the risk rating of Mr Stunt or any of his corporate accounts.

Application of adverse media policies to press coverage of police raids in 2016

4.111 Barclays' 2013 AML policy required a review of the CDD in the event of trigger events which included the report of potential suspicious activity.

4.112 Additionally, a Barclays policy titled "*Significant Negative News*" dated June 2016 provided direction when adverse media was identified. It stated that all clients, including "*Related Parties*" (for example, Control Persons and UBOs) identified as being the subject of "*Significant Negative News*" must be automatically referred to the EDD team (which was part of the corporate banking financial crime risk team).

4.113 The Significant Negative News policy stated that where a client or connected individual was subject to significant negative news, especially where criminal activity or regulatory enforcement was a feature, this must be reviewed and investigated further to ensure the risk was an acceptable one for the Bank as well as to determine what additional controls and monitoring may be necessary to risk manage that client effectively from a financial crime perspective.

4.114 The adverse media, and the information obtained from the police, in September 2016 identified financial crime allegations in relation to Fowler Oldfield. Barclays was aware at that time, from its meeting with Stunt & Co on 8 October 2015 and from the start of the KYC refresh of Stunt & Co in January 2016, that Stunt & Co and Fowler Oldfield had a close business relationship. It was also clear that Barclays had not received adequate information about Fowler Oldfield, despite having requested it from Stunt & Co. Further, Stunt & Co's account activity showed that substantial funds, both in terms of absolute value and proportion, were received by it from Fowler Oldfield. None of those factors appear to have raised concerns at Barclays or prompted at that time further CDD/a referral for EDD, contrary to Barclays' policies, and Stunt & Co remained a low-risk customer.

4.115 Barclays did initiate a review of its relationship with Stunt & Co around the time of the police raid. That review by the IMI team is set out at paragraphs 4.121 to 4.131 below; however, the final report from the IMI team indicates that the reviewer of that report was aware of the police raids. The report concluded: "*No further action required from IMI at the present time*".

Finalisation of the KYC review

4.116 On 19 November 2016, the Relationship Director emailed the Financial Crime Advisory team in relation to the IMI review known as "Project Dust" stating that they were being chased on the KYC refresh for Stunt & Co, and that, whilst they were *"aware of other matters on-going"*, they had received an attachment from Mr Stunt's accountant which, they stated, identified the source of funds placed into the Stunt & Co account and Mr Stunt's source of wealth. The Relationship Director stated that there were *"doubtless many questions that could still be asked"* but they believed that this document provided sufficient information to address the matter of Mr Stunt's source of wealth for the purpose of the KYC refresh issue

"whilst other matters continue". The Financial Crime Advisory team responded on 21 November 2016 providing its agreement.

4.117 On 19 December 2016, an Alacra report was produced which included details about Stunt & Co, James Stunt and his accountant. The report included significant adverse media on the police money laundering raids on Stunt & Co in September 2016. The report noted that email confirmation had been received from the Relationship Director for Google search results concerning Stunt & Co to be discounted, but no rationale was recorded for that decision. The Financial Crime Advisory team noted (with the Relationship Director in copy) on 15 December 2016: "*From a KYC perspective you can proceed with the case. Fin Crime is aware of the adverse*".

4.118 Following completion of the KYC refresh, on 4 January 2017 KYC Manager B emailed the Relationship Director requesting that they sign the attestation form regarding the KYC completion. This was required due to identification of "s*ignificant negative news".* The Relationship Director signed the form on 6 January 2017 with the comment: *"The adverse press reports have been fully disclosed and discussed with the Financial Crime team. We are in ongoing dialogue with them and will continue to do so until the present position is satisfactorily resolved* […]*".* The Authority has not seen evidence of any discussions between the Relationship Director and the Financial Crime team which records how they were reassured about the adverse news relating to Stunt & Co. The risk rating for Stunt & Co remained "low risk" at that time.

4.119 Barclays informed the Authority that between November 2016 and January 2017 a decision was taken to complete the KYC refresh process. It noted that this decision was taken *"(a) in light of the additional information regarding Stunt & Co, and Mr Stunt's investment in Stunt & Co*, *that had been obtained during the Refresh, but also (b) in the knowledge that the IMI Review was to be conducted, in light of the Production Orders and also taking account of the information gathered during the Refresh."*

4.120 The Relationship Director attended a further meeting with representatives of Stunt & Co on 7 February 2017 at which they appear to have received audited accounts for Stunt & Co for the 16 months to March 2016. This was after the completion of the KYC refresh in respect of Stunt & Co.

Project Dust/ IMI review from September 2016

4.121 Following the receipt of the Production Order dated 11 August 2016 relating to Stunt & Co, in September 2016 Barclays opened "Project Dust" to review the Stunt & Co relationship. The matter was referred to IMI for investigation following receipt of the Production Order and adverse media of the police raids, and documents were sent to Financial Crime Compliance and the IMI Manager (who was formerly the WIM EDD Analyst in a previous role) in September 2016 and October 2016. The review was conducted by the IMI Manager who had, in their previous role in the WIM team, prepared a review of Mr Stunt when Barclays was considering him as a Wealth customer. The WIM team had not pursued Mr Stunt as a Wealth customer as there had been unresolved questions relating to his source of wealth (see paragraphs 4.46 to 4.51).

4.122 The provisional scoping of the IMI review was to obtain:

> "- *full understanding of the commercial and business activities and relationships of the Stunt companies (and [in relation to his source of wealth*]*). Develop understanding of what constitutes their normal commercial activity.*
>
> *- Drilldown via open source into Folwer Oldfield* [sic]*, and all associated known personnel. Develop full understanding of relationship between Fowler Oldfield and Stunt companies, inclusive of joint ventures and overall transactional activity.*
>
> *- Drilldown on properties held, linked companies, tenants, title to properties.*
>
> *- Ensure up-to-date knowledge on developing adverse media and integrate into account review where relevant.*
>
> *- Review of documentation held and alerts held via Fortent* [Barclays' legacy internal transaction monitoring system]."

4.123 On 22 September 2016, in order to assist the IMI Manager with the Project Dust review, Financial Crime Compliance sent them the KYC refresh documents, the WIM report from 2015, and Mr Stunt's accountant's letter regarding his client's wealth. The IMI team was aware of the adverse media, the Production Orders and the information provided by the police directly on the raids. The IMI team conducted a transactional analysis of the activity in Stunt & Co's account for the period from 4

January 2016, and held discussions with the Relationship Director about questions they had on the business model and account activity of Stunt & Co. Notably, the IMI Manager was not made aware that Barclays had received the request from law enforcement received on 17 August 2016, and was not made aware of the intelligence in that request at any stage during the review.

4.124 The IMI review was completed in March 2017 and a report was prepared setting out the findings. The report included information already held by Barclays including the brief and mostly generalised information on Mr Stunt's source of wealth as provided by his accountant. No evidence was obtained by Barclays to verify the information in the accountant's letter.

4.125 The IMI report noted that Stunt & Co had been in a partnership with Fowler Oldfield, which at that time was in liquidation (see paragraph 4.9). It stated that Stunt & Co acquired gold, smelted it into smaller bars which were sold to Fowler Oldfield being the main customer of Stunt & Co.

4.126 The report noted that a Production Order was received on 8 November 2016 against the customer and all connections held by Mr Stunt, over the proceeding 6 year period. In noting that the Production Order was acquired by the police, the report stated that "*this may indicate that whatever activity was under investigation derives from law enforcement interest in FO at first instance, rather than Stunt and Company Limited*."

4.127 The IMI report also records how in September 2016, police raided the offices of Stunt & Co and the premises of Fowler Oldfield. The report did not however refer to the fact that the adverse media stated that the police raids concerned suspected money laundering and that 12 people had been arrested.

4.128 The report noted that the value of the transactions from Fowler Oldfield to Stunt & Co were in line with expectations; it also noted that the transactions comprised round sum amounts of £100,000. The Authority considers that round sum transfers may constitute a red flag for money laundering. There was no commentary or analysis in the report to note the round sum transfers as red flags, nor was there any explanation as to why the round sum transactions were discounted as money laundering red flags.

4.129 The IMI report concluded that the transactions on the Stunt & Co account were consistent with their KYC, albeit that the account turnover was lower than expected. It stated that the transfers from Fowler Oldfield to Stunt & Co in 2016 were notably

larger than the financial picture in Fowler Oldfield's unaudited 2014 financial statements, however they did not consider *"this difference in the volume of funds alone to be sufficient to crystallise a suspicion of money laundering"*. The report did not refer to Stunt & Co's audited accounts which the Relationship Director appears to have received on 7 February 2017 (see paragraph 4.120); the Authority has not seen any evidence that these were considered as part of the IMI review.

4.130 It is unclear to the Authority as to why the IMI report failed to state that the police raids on Stunt & Co and Fowler Oldfield related to money laundering and resulted in the arrest of 12 people. There was no analysis of any financial crime risks arising from the September 2016 police raids. The scoping instructions specified that the review was to obtain a full understanding of the relationship between Fowler Oldfield and Stunt & Co. Given the clear reference to financial crime in the adverse media reports, it is significant that the report failed to record any concern about the transfer of tens of millions of pounds into the Barclays Stunt & Co account by Fowler Oldfield in 2016 which may have resulted in Barclays being used to receive the proceeds of crime.

4.131 The IMI report recommended that no further action was required from IMI at the present time. No concerns of suspicious activity were formed by Barclays, the customer risk rating was not changed and there was no recommendation to consider exiting the relationship. The finalised report was sent to Financial Crime Compliance on 1 March 2017.

Receipt of further court orders between 2017 and 2020

4.132 Barclays received a further nine court orders in relation to Stunt & Co and related entities/individuals between 2017 and 2020. These included:

(a) a Production Order dated 6 December 2017. This required Barclays to provide information relating to Mr Stunt, referring to accounts for Stunt & Co and all other accounts to which Mr Stunt was a signatory from 1 August 2016 to the date of the order;

(b) a restraint order dated 29 August 2018 prohibiting the disposal of assets of Mr Stunt in addition to those of Stunt & Co and Mr Stunt's accountant. This required information about accounts of Mr Stunt and Stunt & Co;

(c) a disclosure order dated 15 July 2020 in relation to a confiscation investigation requiring statements for certain accounts of Mr Stunt from 29 August 2018 to

the date of the order and other accounts to which Mr Stunt was or had been a signatory in that period. It also sought account opening and KYC documents in respect of one of Mr Stunt's accounts.

The AML Customer Lifecycle Standard

4.133 Barclays' AML Customer Lifecycle Standard was in force from 1 January 2017 (replacing the 2013 AML policy) and so was in effect when the court orders set out above were received. This set out Barclays' processes for dealing with trigger events which were events occurring during the customer lifecycle which necessitated review of the customer outside the periodic review cycle. It stated that the business must have appropriate controls in place to ensure that trigger events were identified and that the review was completed within 90 days of the trigger event, unless risk concerns, for example significant adverse media, necessitated a shorter timeframe for completion.

4.134 The policy stated that any changes to customer information which were classed as trigger events, or as a result of which the business identified that the information held for the customer was incomplete or out of date, should trigger a consideration to complete a CDD review. This should involve consideration of which trigger events will necessitate a full CDD review and which, less significant triggers, will lead to a partial review, with the approach to be endorsed by Financial Crime management. It stated that the business must consider whether there was a need to conduct a CDD review in response to trigger events including receipt of a financial crime related Production Order, customer information order, monitoring order, subpoena or local equivalent relating to the customer or account, and receipt of information from law enforcement or regulatory authorities.

4.135 The policy further stated that a CDD review on existing customers must consider whether the customer's risk rating remained appropriate and that all conclusions on risk rating must be evidenced on the customer's file. For a review of high risk customers, the business must understand and document the reasons for the actual account activity differing to the expected activity. The business must consider whether the receipt of a court order would trigger a determination to exit the customer relationship. There was also a requirement for the business to keep clear records of the review.

Barclays' response to the further court orders received in 2017-2020

4.136 None of the court orders received during 2017-2020 resulted in Barclays assessing that the risk rating for Stunt & Co or Mr Stunt required revision; this was contrary to the AML Customer Lifecyle Standard which included the receipt of such orders as trigger events requiring consideration of a CDD review was needed and whether the customer's risk rating remained appropriate (see paragraphs 4.133 to 4.134). Stunt & Co's and Mr Stunt's accounts were frozen pursuant to a restraint order from August 2018. Save for a period between March 2019 and May 2020 when it was assessed as medium risk (on account of an increase in the product risk rating in relation to its US Dollar currency account), the risk rating for Stunt & Co remained as low risk. No periodic review of the Stunt & Co account took place in 2018 or 2019 because it was rated low risk.

4.137 Barclays also failed to consider whether EDD or enhanced monitoring should be applied in response to the court orders, notwithstanding that these included a restraint order dated 29 August 2018 prohibiting the disposal of Mr Stunt's assets, including those of Stunt & Co. This was contrary to the JMLSG Guidance which stated that where the risks of money laundering are higher, firms must conduct EDD measures consistent with the risks identified (see Annex A). Barclays also failed at that time to assess the accounts linked to Mr Stunt to consider whether there had been any suspicious activity, or whether the relationship with Stunt & Co should be terminated.

Charging of James Stunt and winding up of Stunt & Co in 2020

4.138 In May 2020, James Stunt was charged with money laundering offences. This did not prompt any consideration of whether Barclays should review the account activity in respect of Stunt & Co's business activities. Mr Stunt was acquitted of those charges on 4 March 2025.

4.139 On 2 September 2020, the court ordered that Stunt & Co be wound up.

Closing of Stunt & Co's accounts in 2020

4.140 Barclays issued a Notice to Close on all of Stunt & Co's accounts at Barclays on 6 March 2020 and the accounts were closed on 23 and 24 April 2020, with the last account closed on 19 October 2020. This was due to a bankruptcy filing on Mr Stunt.

Commencement of Project Rufus in March 2021

4.141 Following an announcement by Authority in March 2021 that it had decided to charge NatWest with criminal offences under the 2007 Regulations, in respect of its relationship with Fowler Oldfield, Barclays initiated a review in March 2021 to establish its exposure to Fowler Oldfield. The review was named Project Rufus.

4.142 During Project Rufus, Barclays reviewed its relationship with Stunt & Co and the relationship between Stunt & Co and Fowler Oldfield. Barclays found that Fowler Oldfield had remitted a total of £46.8 million to Stunt & Co, and that 361 of those payments were round sum payments of £100,000.

4.143 Barclays found that, although it had had concerns over Stunt & Co's source of wealth and had been aware of adverse media relating to this in 2016, it had continued to complete the KYC refresh in respect of Stunt & Co. The review highlighted the absence of key KYC information for Stunt & Co:

(a) James Stunt's source of wealth had not been explained in full and there had been press speculation that he was reluctant to provide this; and

(b) the KYC file had not evidenced the outcome of further information requested from Stunt & Co in early 2016, namely the HRMC audits and CDD procedures of Fowler Oldfield, and the additional source of wealth explanation.

4.144 Regarding adverse media, Barclays found that the Relationship Director had relied on "*an ongoing adverse media investigation*" with Financial Crime to sign off the KYC refresh in 2017 but that there was no evidence that this was considered at the time as a reputation risk red flag.

4.145 Regarding Stunt & Co's risk rating, Barclays found that concerns raised throughout the client lifecycle should have triggered a review of a possible risk rating override to high risk, which would have driven annual KYC reviews. Barclays found that there was no evidence that an override of the low risk rating had been considered.

4.146 The total funds received by Stunt & Co from Fowler Oldfield via electronic transfer between July 2015 and August 2016 were £46,803,329.51. Barclays noted that, due to concerns around the source of funding from Fowler Oldfield and the high value and velocity of the payments, it was concerned that Stunt & Co's accounts were in receipt of the proceeds of crime, in order to purchase high value precious metals to use as a vehicle for money laundering.

Barclays' self-reporting to the Authority in June 2021

4.147 On 7 June 2021 Barclays informed the Authority of its findings from Project Rufus and of steps it was taking towards remediating its AML control framework. Regarding the suspicious activity it had identified in respect of Stunt & Co, Barclays stated that this had not previously been subject to the same level of investigation as it had undertaken in 2021, and that as a result the concerns were not identified earlier. Barclays stated that this had occurred as a consequence of its Compliance Intelligence and Investigations function failing to share intelligence from law enforcement relating to money laundering received during 2016. Barclays had identified that individuals dealing with Production Orders were not aware of the request from law enforcement received in August 2016 and therefore did not take this information into account when reviewing the Stunt & Co accounts. Barclays acknowledged that *"there could have been a more joined up approach within the Bank to share and utilise the intelligence* [in the request from law enforcement]*"* and also stated that since 2016 it had "*proactively made changes to the structure of the team involved and the processes for handling* [law enforcement requests]*".*

4.148 Barclays further stated to the Authority on 12 July 2021 in relation to Stunt & Co: "*Whilst the new information relating to FO* [the information following the Authority's announcement of its prosecution of NatWest] *has supported our understanding of the overall scope of the alleged criminal conduct, there were several indicators identified during 2016 which, when combined should have led to the identification of suspicion."*

5. FAILINGS

5.1 The regulatory provisions relevant to this Notice are referred to in Annex A.

5.2 The Authority considers that, by reason of the matters described in section 4 of this Notice, Barclays breached Principle 2 during the Relevant Period by failing to conduct its business with due skill, care and diligence in respect of the identification, assessment, monitoring and management of the money laundering risks associated with the provision of banking services to Stunt & Co. In particular:

(a) In establishing a business relationship with Stunt & Co in January 2015, Barclays failed to obtain sufficient information from Stunt & Co on the nature of its business in order appropriately to assess the money laundering risks which might be presented by it. This was in breach of Barclays' own policies

which required "*a sound understanding of the client's business before entering into a relationship with them*".

(i) Barclays was unaware when the first account was opened on 16 January 2015 how Stunt & Co's business was intended to operate, save that the nature of its business was stated to be "*Gold Refining & Trading*". Barclays allocated Stunt & Co an industry classification of "*Jewellery*" which was not an accurate reflection of its stated business. The Relationship Director certified that EDD was not necessary and did not record any rationale for this.

(ii) Despite the lack of information about the nature of its business, the KYC team certified that all necessary due diligence requirements had been discharged. Stunt & Co was assessed as "low risk" for money laundering risk purposes.

(b) In assigning a "low risk" rating to Stunt & Co, Barclays failed appropriately to assess the fact that, at the point of entering into the business relationship and thereafter, it had insufficient information to assess appropriately the money laundering risks presented by Stunt & Co. Having assigned the "low risk" rating, Barclays failed to update it in light of relevant information which should have been taken into account and led to a re-assessment of whether the risk rating was accurate and whether EDD was necessary.

(i) Barclays failed to address the discrepancy between the customer's application form, which had stated that Stunt & Co did not trade outside the EU, and information received by the Relationship Director at a meeting with Stunt & Co on 27 January 2015 that it intended to source gold from specific countries in West Africa and sell it to customers in the Middle East. Several of the countries referred to by Stunt & Co were assessed by Barclays as presenting a high risk for the purposes of assessing money laundering risk. This information was not made known to the KYC team and so was not taken into account in assessing the risk rating applied to Stunt & Co, which remained unchanged.

(ii) Because Barclays did not conduct EDD on Stunt & Co at the time of opening its account, it conducted only limited enquiries into Stunt & Co's source of wealth. Whilst it established that Mr Stunt intended to capitalise Stunt & Co through a payment of £1.5 million, it made no

enquiries, prior to opening the account with Stunt & Co, into his source of wealth (and thus the source of funds for Stunt & Co).

(c) Following the opening of Stunt & Co's accounts, Barclays failed to conduct appropriate ongoing monitoring of the business relationship, including scrutiny of the transactions undertaken, to ensure that they were consistent with Barclays' knowledge of Stunt & Co and its business, and in order to keep the information obtained for the purpose of applying CDD up to date.

(i) Between 22 July 2015 and 8 October 2015 (a period of less than three months), Stunt & Co received 105 payments from Fowler Oldfield, totalling almost £9 million. These payments, which were frequently made in round sums, were inconsistent with Barclays' understanding of Stunt & Co's business in that: (a) Barclays had, until 8 October 2015, no information as to the intended joint venture with Fowler Oldfield; and (b) the sums involved represented a turnover significantly in excess of what Stunt & Co had informed Barclays was likely at account opening and in a business plan provided on 12 February 2015. Barclays did not identify these significant differences and failed to take reasonable steps during that period to ascertain the nature of Stunt & Co's business or to assess what money laundering risks it might present.

(ii) At a meeting with Stunt & Co on 8 October 2015, the Relationship Director was informed that Stunt & Co had entered into a joint venture with Fowler Oldfield, as a result of which Stunt & Co's revenues were expected to increase to £10 million per month. Although the Relationship Director obtained some information about the nature of Stunt & Co's business at that meeting, no immediate steps were taken to verify the information provided, to enquire further into the business arrangement with Fowler Oldfield, nor to consider whether the change in business model and turnover merited a reconsideration of Stunt & Co's risk rating or a need to conduct EDD or enhanced ongoing monitoring.

(d) When Barclays refreshed its CDD in respect of Stunt & Co from January 2016 (on account of a media report in November 2015 which questioned the source of Mr Stunt's wealth and/or because other work was being conducted on certain associated entities), Barclays failed to obtain, and, where appropriate, to verify, sufficient information to enable it to have a sound understanding of the nature of Stunt & Co's business and the money laundering risks presented by it. By this time, Stunt & Co had received £20 million from Fowler Oldfield.

(i) The relationship team identified that Stunt & Co was receiving between £300,000 and £900,000 per day from Fowler Oldfield and that the anticipated turnover was £150-200 million per year. Whilst the Relationship Director sought accounting information from Stunt & Co around early February 2016, they were told that accounts would not be ready until later that year. The KYC refresh was completed in January 2017 while that accounting information remained outstanding.

(ii) In February 2016, the Relationship Director requested copies of the CDD undertaken by Stunt & Co in respect of Fowler Oldfield. Barclays failed to follow up on the inadequate and incomplete CDD information provided by Stunt & Co on Fowler Oldfield in order to understand its business with Fowler Oldfield.

(iii) In February 2016, the Relationship Director asked Mr Stunt's accountant to provide evidence of Mr Stunt's source of wealth. The accountant did not provide information on Mr Stunt's source of wealth until August 2016 when he stated that Mr Stunt had been reticent to provide such information and provided brief and mostly generalised information about Mr Stunt's source of wealth, with no supporting evidence. Although Barclays maintained a list of permissible source of wealth documentation, no further enquiries, or attempts to obtain such documentation, were made.

(e) As a result, although Barclays appreciated the need to understand Stunt & Co's business relationship with Fowler Oldfield, it failed to obtain sufficient verification to satisfy itself of the nature of the business being conducted or to assess the money laundering risks involved.

(f) Despite receiving significant information in August 2016 indicating that Fowler Oldfield may have been used to launder the proceeds of suspected money laundering and that Stunt & Co was one of the main recipients of electronic credits from Fowler Oldfield, Barclays failed to consider appropriately what effect this may have on the money laundering risks associated with Stunt & Co:

(i) Although Barclays conducted an initial analysis of which of its customers may have received monies from Fowler Oldfield and identified Stunt & Co as a significant recipient, a further analysis and consideration of how this impacted on the money laundering risks presented to Barclays by

Stunt & Co was not conducted because of a lack of clear processes, resource constraints and unclear communications. The Barclays AML Intelligence team were unaware that Barclays had been served with Production Orders requiring the provision of information on Stunt & Co's accounts.

(ii) As a result, Barclays did not at that time assess whether the information necessitated a change in Stunt & Co's risk rating, the application of EDD or enhanced monitoring, or termination of the relationship. It did not consider whether, in light of the information, there were reasonable grounds to suspect that Stunt & Co might have been engaged in money laundering.

(g) Despite identifying media reports in September 2016 that the premises of both Stunt & Co and Fowler Oldfield had been raided by the police in connection with money laundering, and despite the IMI team separately conducting a review of Stunt & Co's accounts in September 2016 (as a consequence of news of the police raids and Production Orders received in August 2016) to understand its relationship with Fowler Oldfield, Barclays considered that the account activity was consistent with its understanding of the business. Further, the IMI team were not made aware of the request from law enforcement relating to Fowler Oldfield for its review. The IMI team's review did consider a further Production Order which had been received by Barclays in respect of Stunt & Co in November 2016 but concluded, apparently without verification and despite knowing that Stunt & Co's offices had been searched by the police, that the terms of the Production Order may indicate law enforcement interest in Fowler Oldfield, rather than Stunt & Co. As a result, no change was made to Stunt & Co's risk rating and no EDD nor enhanced monitoring was applied.

(h) In January 2017, Barclays completed the KYC refresh and certified that all necessary due diligence had been conducted. This was despite Barclays not having received responses to outstanding queries regarding Stunt & Co, Fowler Oldfield and the source of Mr Stunt's wealth, and despite Barclays being aware of a police investigation being conducted into Fowler Oldfield and Stunt & Co. As a result, no changes were made to Stunt & Co's risk rating and no EDD nor enhanced ongoing monitoring was applied.

(i) Barclays continued to assess Stunt & Co as low risk, save for a period between March 2019 and May 2020 when it was assessed as medium risk. As a result, no periodic annual review of Stunt & Co's accounts was conducted by Barclays in 2018 or 2019. This was despite Barclays receiving a number of court orders relating to James Stunt and Stunt & Co in 2018 and 2019, including a restraint order in August 2018 which prohibited the operation of the accounts. Despite this, Barclays failed to conduct further reviews of its relationship with Stunt & Co or its risk rating, or consider whether EDD or enhanced monitoring should be applied or whether the relationship should be terminated.

(j) the fact of Mr Stunt being charged with money laundering offences in May 2020[1] did not prompt any consideration of whether Barclays should review the account activity of Stunt & Co. It was only after Barclays learned in March 2021 of the Authority's decision to charge NatWest with criminal offences under the 2007 Regulations, in respect of its relationship with Fowler Oldfield, that Barclays commenced a significant investigation in respect of Stunt & Co and certain other customers who had received funds from Fowler Oldfield.

5.3 Between July 2015 and August 2016, Stunt & Co received 561 payments from Fowler Oldfield, totalling £46.8 million. 361 of these payments were round payments of £100,000. The Authority considers that those monies represented the proceeds of crime and that Stunt & Co's account was used to launder the funds.

6. SANCTION

Financial penalty

6.1 The Authority's policy for imposing a financial penalty is set out in Chapter 6 of DEPP. In respect of conduct occurring on or after 6 March 2010, the Authority applies a five-step framework to determine the appropriate level of financial penalty. DEPP 6.5A sets out the details of the five-step framework that applies in respect of financial penalties imposed on firms.

Step 1: disgorgement

6.2 Pursuant to DEPP 6.5A.1G, at Step 1 the Authority seeks to deprive a firm of the financial benefit derived directly from the breach where it is practicable to quantify this.

[1] Mr Stunt was acquitted of those charges in March 2025.

6.3 The Authority has not identified any financial benefit that Barclays derived directly from its breach.

6.4 Step 1 is therefore £0.

Step 2: the seriousness of the breach

6.5 Pursuant to DEPP 6.5A.2G, at Step 2 the Authority determines a figure that reflects the seriousness of the breach. Where the amount of revenue generated by a firm from a particular product line or business area is indicative of the harm or potential harm that its breach may cause, that figure will be based on a percentage of the firm's revenue from the relevant products or business area.

6.6 The Authority considers that the revenue generated by Barclays is not an appropriate indicator of the harm or potential harm caused by its breach. The Authority has therefore determined that the total funds transferred from Fowler Oldfield to Stunt & Co's account at Barclays, which the Authority considers represented the proceeds of crime, is the appropriate indicator of the harm in this case. That figure is £46,803,329.51.

6.7 In cases where revenue is not the appropriate indicator of the harm or potential harm of the firm's breach, DEPP 6.5A.2G(13) allows the Authority to adopt a scale other than the 0-20% scale prescribed in DEPP 6.5A.2G(3). Accordingly, the Authority has used a 0-125% range to ensure the penalty properly reflects the seriousness of the breach. The Authority has applied the following levels for the purposes of this case:

Level 1 – 0%

Level 2 – 50%

Level 3 – 75%

Level 4 – 100%

Level 5 – 125%

6.8 In assessing the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and whether it was committed deliberately or recklessly. DEPP 6.5A.2G(11) lists factors likely to be considered 'level 4 or 5 factors'. Of these, the Authority considers the following factors to be relevant:

(a) Financial crime was facilitated, occasioned or otherwise attributable to the breach (DEPP 6.5A.2G(11)(c))

6.9 Taking all of these factors into account, the Authority considers the seriousness of the breach to be level 4 and so the Step 2 figure is 100% of £46,803,329.51.

6.10 Step 2 is therefore £46,803,329.51.

Step 3: mitigating and aggravating factors

6.11 Pursuant to DEPP 6.5A.3G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2, but not including any amount to be disgorged as set out in Step 1, to take into account factors which aggravate or mitigate the breach.

6.12 The Authority considers that the factors below aggravate the breach.

6.13 The Authority has imposed financial penalties on Barclays for breaches of regulatory requirements on previous occasions:

(a) on 19 August 2009, the Authority fined Barclays £2.5 million for breaches of Principles 2 and 3 relating to Barclays' submissions of inaccurate transaction reports to the Authority in an estimated 57.5 million transactions;

(b) on 14 January 2011, the Authority fined Barclays £7.7 million for breaches of Principle 9 and COBS 9.2.1R relating to the provision of unsuitable investment advice to retail customers;

(c) on 27 June 2012, the Authority fined Barclays £59.5 million for breaches of Principles 2, 3 and 5 for misconduct relating to its submissions of rates which formed part of LIBOR;

(d) on 23 May 2014, the Authority fined Barclays £26 million for breaches of Principles 3 and 8 for failing to manage conflicts of interest, as well as systems and controls failings in relation to London Gold Fixing;

(e) on 23 September 2014, the Authority fined Barclays £37.7 million for breaches of Principles 3 and 10 for failing to adequately handle and have adequate systems and controls to protect £16.5 billion of its client assets;

(f) on 20 May 2015, the Authority fined Barclays £284.4 million for a breach of Principle 3 for failing to take reasonable care to organise and manage its foreign exchange business effectively;

(g) on 26 November 2015, the Authority fined Barclays £72 million for a breach of Principle 2 for failing to minimise the risk that it may be used to facilitate financial crime;

(h) on 15 December 2020, the Authority fined Barclays £26 million for breaches of Principle 6, Principle 3 and CONC for failures relation to their treatment of consumer credit customers who fell into arrears or experienced financial difficulties;

(i) on 28 February 2022, the Authority fined Barclays £783,800 for a breach of Principle 2 for failures related to financial crime in the corporate banking sector; and

(j) on 25 November 2024, the Authority fined Barclays £10 million and Barclays Plc £30 million for breaches of listing rules in relation to failure to the disclose information to the issuer sector.

6.14 Since 1990, the JMLSG has published detailed written guidance on AML controls. During the Relevant Period, the JMLSG provided guidance on compliance with the legal requirements of the 2007 Regulations, regulatory requirements in the Handbook and evolving practice in the financial services industry.

6.15 Before, or during, the Relevant Period, the Authority issued the following guidance relating to AML controls:

(a) in March 2008, the Authority published its findings of a thematic review of firms' AML processes in a report titled "*Review of firms' implementation of a risk-based approach to anti-money laundering*". It included examples of good and poor industry practice and reminded firms that their approach to AML should be aligned with the JMLSG Guidance;

(b) in June 2011, the Authority published a report titled "*Banks' management of high money-laundering risk situations: How banks deal with high-risk customers (including politically exposed persons), correspondent banking relationships and wire transfers*". The report highlighted the importance of

applying meaningful EDD measures in higher risk situations and noted the importance of carrying out enhanced monitoring of high-risk relationships, including as an example of good practice that firms should proactively follow up gaps in, and update, CDD during the course of a relationship.

(c) in December 2011, the Authority published "*Financial Crime: A Guide for Firms*". The guide highlighted the need to conduct adequate CDD checks, perform ongoing monitoring and carry out EDD measures and enhanced ongoing monitoring when handling higher risk situations; and

(d) in April 2015, the Authority published "*Financial crime: a guide for firms Part 1: A firm's guide to preventing financial crime*" which set out examples of good and poor industry practice to assist firms.

6.16 The Authority has published a number of Notices against firms for AML weaknesses both before and during the Relevant Period, including in respect of Alpari (UK) Limited in May 2010, Coutts & Company in March 2012, Habib Bank AG Zurich in May 2012, Turkish Bank (UK) Ltd in July 2012, EFG Private Bank Ltd in April 2013, Guaranty Trust Bank (UK) Ltd in August 2013, Standard Bank Plc in January 2014, Sonali Bank (UK) Ltd in October 2016, Deutsche Bank AG in January 2017 and Commerzbank AG in June 2020.

6.17 Consequently, Barclays was aware, or ought to have been aware, of the importance of identifying, assessing, monitoring and managing the money laundering risks in respect of its relationship with Stunt & Co to counter the risk that the Bank might be used to further financial crime.

6.18 The Authority acknowledges that Barclays proactively reported the findings of its 2021 review to the Authority and cooperated fully with the Authority throughout the course of its investigation. Those actions reflect the Authority's expectations of authorised firms and are not factors that mitigate the breach.

6.19 However, the Authority acknowledges that the review conducted by Barclays in 2021 of its own exposure to Fowler Oldfield, following the Authority's announcement that it had charged NatWest with criminal offences under the 2007 Regulations, was extensive and of a nature that mitigates the breach.

6.20 Having taken into account these aggravating and mitigating factors, the Authority considers that the Step 2 figure should be increased by 20%.

6.21 Step 3 is therefore £56,163,995.41.

Step 4: adjustment for deterrence

6.22 Pursuant to DEPP 6.5A.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the firm who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

6.23 The Authority considers that the Step 3 figure of £56,163,995.41 represents a sufficient deterrent to Barclays and others, and so has not increased the penalty at Step 4.

6.24 Step 4 is therefore £56,163,995.41.

Step 5: settlement discount

6.25 Pursuant to DEPP 6.5A.5G, if the Authority and the firm on whom a penalty is to be imposed agree the amount of the financial penalty and other terms, DEPP 6.7 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which the Authority and the firm reached agreement. The settlement discount does not apply to the disgorgement of any benefit calculated at Step 1.

6.26 The Authority and Barclays reached agreement at Stage 1 and so a 30% discount applies to the Step 4 figure.

6.27 Step 5 is therefore £39,314,796.79. This is to be rounded down to £39,314,700.

Penalty

6.28 The Authority hereby imposes a total financial penalty of £39,314,700 on Barclays for breaching Principle 2.

7. PROCEDURAL MATTERS

7.1 This Notice is given to Barclays under and in accordance with section 390 of the Act.

7.2 The following statutory rights are important.

Decision maker

7.3 The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

Manner and time for payment

7.4 The financial penalty must be paid in full by Barclays to the Authority no later than 28 July 2025.

If the financial penalty is not paid

7.5 If all or any of the financial penalty is outstanding on 29 July 2025, the Authority may recover the outstanding amount as a debt owed by Barclays and due to the Authority.

Publicity

7.6 Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this Notice relates. Under those provisions, the Authority must publish such information about the matter to which this Notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to Barclays or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

7.7 The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

7.8 For more information concerning this matter generally, contact Roshani Pulle at the Authority (direct line: 020 7066 6241/email: Roshani.pulle3@fca.org.uk).

Deidre O'Sullivan

Head of Department

Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

RELEVANT STATUTORY AND REGULATORY PROVISIONS AND GUIDANCE

1. RELEVANT STATUTORY PROVISIONS

1.1. The Authority's operational objectives, established in section 1B of the Act, include protecting and enhancing the integrity of the UK financial system (section 1D(1) of the Act). The integrity of the UK financial system includes it not being used for a purpose connected with financial crime (section 1D(2)(b) of the Act).

1.2. Pursuant to section 206(1) of the Act, if the Authority considers that an authorised person has contravened a requirement imposed upon that person by or under the Act, it may impose on that person a penalty in respect of the contravention of such amount as it appears appropriate.

The 2007 Regulations

1.3. The Money Laundering Regulations 2007 (referred to in this Notice as the "2007 Regulations") were in force from 15 December 2007 to 25 June 2017 inclusive and have been replaced by the Money Laundering Regulations 2017, in respect of conduct beginning on or after 26 June 2017. In this Notice, the Authority refers to the Money Laundering Regulations 2007 for the part of the Relevant Period which occurred when the Money Laundering Regulations 2007 were in force.

Relevant extracts from the 2007 Regulations

1.4. Regulation 5 stated:

(1) ""Customer due diligence measures" means—

(a) identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source;

(b) identifying, where there is a beneficial owner who is not the customer, the beneficial owner and taking adequate measures, on a risk-sensitive basis, to verify his identity so that the relevant person is satisfied that he knows who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement; and

(c) obtaining information on the purpose and intended nature of the business relationship."

1.5. Regulation 6 stated:

(1) In the case of a body corporate, "beneficial owner" means any individual who—

(a) as respects any body other than a company whose securities are listed on a regulated market, ultimately owns or controls (whether through direct or indirect ownership or control, including through bearer share holdings) more than 25% of the shares or voting rights in the body; or

(b) as respects any body corporate, otherwise exercises control over the management of the body.

1.6. Regulation 7 stated:

(1) "Subject to regulations 9, 10, 12, 13, 14, 16(4) and 17, a relevant person must apply customer due diligence measures when he—

(a) establishes a business relationship;

(b) carries out an occasional transaction;

(c) suspects money laundering or terrorist financing;

(d) doubts the veracity or adequacy of documents, data or information previously obtained for the purposes of identification or verification.

(2) Subject to regulation 16(4), a relevant person must also apply customer due diligence measures at other appropriate times to existing customers on a risk-sensitive basis.

(3) A relevant person must—

(a) determine the extent of customer due diligence measures on a risk-sensitive basis depending on the type of customer, business relationship, product or transaction; and

(b) be able to demonstrate to his supervisory authority that the extent of the measures is appropriate in view of the risks of money laundering and terrorist financing."

1.7. Regulation 8 stated:

(1) "A relevant person must conduct ongoing monitoring of a business relationship.

(2) "Ongoing monitoring" of a business relationship means—

(a) scrutiny of transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure that the transactions are consistent with the relevant person's knowledge of the customer, his business and risk profile; and

(b) keeping the documents, data or information obtained for the purpose of applying customer due diligence measures up-to-date.

(3) Regulation 7(3) applies to the duty to conduct ongoing monitoring under paragraph (1) as it applies to customer due diligence measures."

1.8. Regulation 14 stated:

(1) "*A relevant person must apply on a risk-sensitive basis enhanced customer due diligence measures and enhanced ongoing monitoring—*

(a) in accordance with paragraphs (2) to (4);

(b) in any other situation which by its nature can present a higher risk of money laundering or terrorist financing."

2. RELEVANT REGULATORY PROVISIONS

Principles for Businesses

2.1. The Principles are a general statement of the fundamental obligations of firms under the regulatory system and are set out in the Authority's Handbook. They derive their authority from the Authority's rule-making powers as set out in the Act and reflect the Authority's regulatory objectives.

2.2. During the Relevant Period, Principle 2 stated:

"*A firm must conduct its business with due skill, care and diligence*."

DEPP

2.3. Chapter 6 of DEPP, which forms part of the Authority's Handbook, sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties under the Act.

3. RELEVANT REGULATORY GUIDANCE

The JMLSG Guidance

3.1. The JMLSG Guidance outlines the legal and regulatory framework for AML/countering terrorist financing requirements and systems across the financial services sector. It provides interpretation on the requirements of the relevant law and legislation and indicates good industry practice through a proportionate, risk-based approach. It is comprised of three parts.

3.2. The JMLSG Guidance provisions set out below are taken from the November 2014 version of the guidance. The JMLSG Guidance is periodically updated; there were no changes to the provisions set out below during the Relevant Period, except where otherwise indicated below.

Relevant extracts from the JMLSG Guidance

Part I, Chapter 4 Risk-based approach

3.3. Paragraph 4.13 stated:

"*Whatever approach is considered most appropriate to the firm's money laundering/terrorist financing risk, the broad objective is that the firm should know at the outset of the relationship who* [*their customers* (in place from November 2014) / *its customers* (*and, where relevant, beneficial owners)* (in place from December 2017)] *are, where they operate, what they do, their expected level of activity with the firm* [*and whether or not they are likely to be engaged in criminal activity* (in place from November 2014, not from December 2017)]. *The firm then should consider how the profile of the customer's financial behaviour builds up over time, thus allowing the firm to identify transactions or activity that may be suspicious*."

3.4. Paragraph 4.51 stated:

"*Where the risks of ML/TF are higher, firms must conduct enhanced due diligence measures consistent with the risks identified. In particular, they* [*should* (in place

from November 2014) / *must* (in place from December 2017)] [*as far as reasonably possible, examine the background and purpose of the transaction; and* (in place from December 2017)] *increase the degree and nature of monitoring of the business relationship, in order to determine whether these transactions or activities appear unusual or suspicious. Examples of* [*other* (in place from December 2017)] *EDD measures that* [*, depending on the requirements of the case,* (in place from December 2017)] *could be applied for higher risk business relationships include:*

- *Obtaining, and where appropriate verifying, additional information on the customer and updating more regularly the identification of the customer and any beneficial owner*
- *Obtaining additional information on the intended nature of the business relationship*
- *Obtaining information on the source of funds or source of wealth of the customer*
- *Obtaining information on the reasons for intended or performed transactions*
- *Obtaining the approval of senior management to commence or continue the business relationship*
- *Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination*
- *Requiring the first payment to be carried out through an account in the customer's name with a bank subject to similar CDD standards"*

Part I, Chapter 5 Customer Due Diligence

Application of CDD measures

3.5. Paragraph 5.3.15 stated:

"As risk dictates […] *firms must take steps to ensure that they hold appropriate information to demonstrate that they are satisfied that they know all their customers. Where the identity of an existing customer has already been verified to a previously applicable standard then, in the absence of circumstances indicating the contrary, the risk is likely to be low. A range of trigger events, such as an existing customer applying to open a new account or establish a new relationship, might prompt a firm to seek appropriate evidence."*

Enhanced due diligence

3.6. Paragraph 5.5.1 stated:

"A firm must apply EDD measures on a risk-sensitive basis in any situation which by its nature can present a higher risk of money laundering or terrorist financing. As part of this, a firm may conclude, under its risk-based approach, that the information it has collected as part of the customer due diligence process […] *is insufficient in relation to the money laundering or terrorist financing risk, and that it must obtain additional information about a particular customer, the customer's beneficial owner, where applicable, and the purpose and intended nature of the business relationship."*

3.7. Paragraph 5.5.2 stated:

"As a part of a risk-based approach, therefore, firms should hold sufficient information about the circumstances and business of their customers and, where applicable, their customers' beneficial owners, for two principal reasons:

- *to inform its risk assessment process, and thus manage its money laundering/terrorist financing risks effectively; and*
- *to provide a basis for monitoring customer activity and transactions, thus increasing the likelihood that they will detect the use of their products and services for money laundering and terrorist financing."*

3.8. Paragraph 5.5.6 stated:

"When someone becomes a new customer, or applies for a new product or service, or where there are indications that the risk associated with an existing business relationship might have increased, the firm should, depending on the nature of the product or service for which they are applying, request information as to the customer's residential status, employment and salary details, and other sources of income or wealth […] *in order to decide whether to accept the application or continue with the relationship. The firm should consider whether, in some circumstances, evidence of source of wealth or income should be required* […]. *The firm should also consider whether or not there is a need to enhance its activity monitoring in respect of the relationship. A firm should have a clear policy regarding the escalation of decisions to senior management concerning the acceptance or continuation of high-risk business relationships."*

3.9. Paragraph 5.5.7 stated:

"The availability and use of other financial information held is important for reducing the additional costs of collecting customer due diligence information and can help increase a firm's understanding of the risk associated with the business relationship. Where appropriate and practical, therefore, and where there are no data protection restrictions, firms should take reasonable steps to ensure that where they have customer due diligence information in one part of the business, they are able to link it to information in another."