

Financial Crime

The Background

Regulatory focus across the financial sector remains complex with consumer protection at the center of its focus to ensure customers are protected and treated fairly. Equally the regulator is very focused on supervising fraud and ensuring banks have robust frameworks and effective processes to counter the risk that they might be used to further financial crime. Effective systems and controls can help firms to detect, prevent and deter financial crime. Financial Crime management remains a constant theme of regulatory supervision and in some case resulting in enforcement actions. Its again highlighted this as area of thematic focus within FCA's published business plan.

Financial Crime skilled persons reviews have been and remain a committed focus from the regulator. Last year saw the FCA issue a Dear CEO letter to the retail banking sector on the subject, commenting on their observations and in their disappointment that they continue to identify common weakness in

Key areas of firms' financial crime systems and control frameworks, specially: -



Governance
& Oversight



Accountability
& Control



Risk
Assessment



Due
Diligence



Transaction
Monitoring



SAR's

At the time the regulator requested firms provide their road map and plans around any weaknesses it has across financial crime management. This is again demonstration that the UK regulators supervision and enforcement remains strong and that focus continues.

Profiled banks and other financial services institutions continue to be in the news for their weakness within this area. The drivers of weakness are directionally driven the following themes.

- Under investment in the process and resourcing
- Poor systems and controls
- Weak management reporting
- Poor or limited training
- Weak governance / not fit for purpose
- Blurred lines of defense
- MLRO capabilities for the size of firm

Additionally in Europe, the European Banking Authority launched a consultation into the role of AML and CFT compliance. Its purpose includes the review of roles and responsibilities of the compliance officers, along with the governance frameworks relative to their size and complexity.

The Requirement

Firms need to ensure they have a robust financial crime framework in place. They need to ensure its relevant to their risk appetite and they need to ensure their governance structure and roles and responsibilities maps into their statement of responsibilities. They need to ensure their policies and procedures are up to date and that they have strong sanctions and PEP compliance processes, procedures, and systems in place for screening, monitoring, and control.

Effective process of the frameworks needs to ensure robust customer onboarding including Customer Due Diligence, Enhanced Due Diligence, Customer Risk Assessment.

Firms should self-assess and attest to their own frameworks and their effectiveness through periodic reviews or engage an external specialist firm to independently conduct such as review. They should seek to understand if they have any control and

process weaknesses, remediate, bringing strengthened operational risk and contributing to a robust future operational resilience, supervision, and increased transparency, resulting in more informed management reporting, governance, and management awareness.

Firms should apply the regulatory rules in a risk-based and proportionate way, considering such factors as the nature, size and complexity of the firm.

For example, to demonstrate the firm's governance, the senior management should actively engage in an approach to addressing financial crime risk. The level of seniority and degree of engagement that is appropriate will differ based on a variety of factors, including the management structure of the firm and the seriousness of the risk.

How a firm monitors transactions to spot potential money laundering, the regulator for example, will expect that a global retail bank that carries out a large number of customer transactions would need to include automated systems in its processes if it is to monitor effectively, where a small firm with low transaction volumes could do so manually.

To prevent losses from fraud, it is considered good practice for firms to engage with relevant cross-industry efforts to combat fraud. A national retail bank is likely to have a greater exposure to fraud, and therefore to have more information to contribute to such efforts, than a small local building society, and the regulator would expect this to be reflected in their levels of engagement.

Remaining informed through management reporting, risk reporting, regulatory reporting, breach alerts and controls are only as good as their data driven input and remain a constant challenge to solve for. Coupled with having experienced and knowledgeable resources to ensure management of financial crime is robust.

Being able to understand, plan and solve for these remains important and providing financial and operational stability of regulatory requirements and fraud prevention along with governance through thoughtful methodologies and solutions is essential.

The Approach

Financial Crime frameworks and effectiveness, operational risk management and operational resilience and management can be assisted by, prepared for, assessed by, and remediated for, through our methodologies, models, approach, and skilled resources. With experience of skilled persons (s166) practices and regulatory engagement, Apeiro is well placed to ensure your firm is compliant.

Apeiro will help improve firms' financial crime prevention and resilience, through review and detection, via following a model of assessment, action, learning and informing around known and unknown control and weakness points, providing an opportunity to first react, second mitigate and third to future proof to ensure future prevention and managed outcomes.

Our approach will look at the current model, framework, policy, risk appetite, responsibilities, governance, accountability, culture, and control, plus resourcing. Apeiro will review this, sample test for its effectiveness and help plan and improve where required. Where required testing can be scaled up to cover larger populations of data and process. As models, policies and processes evolve, including understanding thematic trends, Apeiro will help with preparation and mitigation.

Where required externally, Apeiro will work with you on industry committee and regulatory body responses. Internally Apeiro will help with communications and training as required.

Enquire

Should you wish to learn more about the Apeiro and how it might be suitable to assist your firm, please contact through our website, or at: enquiry@apeirosolutions.co.uk.