

Reducing Financial Crime: The FSA's Supervisory Priorities

TISA

Charlotte Hill
Partner
Stephenson Harwood

2 December 2010

- The FSA's work on financial crime
 - Anti-money laundering
 - Security and control of data
 - Mortgage fraud
 - Anti-bribery

- Objectives:
 - To gain a better understanding of scale, incidence and impact of financial crime
 - Target poor performing firms and sectors
 - Encourage risk-based implementation of financial crime policy, both domestically and internationally
- Focus on:
 - Investigation and enforcement
 - Gathering intelligence, developing policies

Two key aspects to FSA's financial crime strategy:

- Working with others
 - Increasing the quality of information shared with others
 - 2010/11 – will continue to support multi-agency action and cross-agency referral
 - Influence and provide leadership in FATF work on money laundering and terrorist financing
 - Work with HM Treasury to ensure FATF work is effective and proportionate

- Encouraging firms to improve their financial crime systems and controls
 - “Increasingly intensive” “intrusive” supervision
 - Enforcement activity
 - Will continue its thematic work programme in this area across a range of firms and market participants

FSA is planning these projects in 2010/11:

- Anti-bribery and corruption
 - Review of anti-bribery and corruption systems and controls in insurance brokers – now intending to extend this to investment banks
 - Will cover systems and controls
 - Economic conditions

- Anti-money laundering
 - FSA to carry out work on customers and bank services that pose high risks of money laundering, such as Politically Exposed Persons (“PEPs”), correspondent banking and wire transfers
 - Will focus on assessing banks’ management of ML risks from high risk groups

- Mortgage fraud
 - FSA will carry out work to improve lenders' systems and controls and strengthen their ability to manage and report on risks associated with increased business levels
 - Plans to “remain watchful” for any increase in fraudulent activity
- FSA to publish findings and highlight good and poor practices
- Firms with “serious flaws” in their S+Cs risk enforcement action

What is expected of firms?

- Margaret Cole speech – November 2009 – outlines outcomes FSA expects to see from firms re financial crime
 - Senior management responsibility re managing financial crime risks
 - Senior management to demonstrate leadership on financial crime
 - FSA will look for evidence of this

- May 2010 report on review of anti-financial crime S+C's in small firms sector
- Three main areas:
 - AML and financial sanctions
 - Data security
 - Fraud controls
- Identified weaknesses:
 - Awareness of obligations
 - S+C's
- NOT guidance, but firms expected to “make use” of findings

- Anti-money laundering
- Security and control of consumers' personal data
- Mortgage fraud
- Anti-bribery and corruption
- Financial sanctions

ALSO

- Market abuse
- Insider dealing
- Unauthorised business

- FSA will impose higher fines for non-compliance
- Enforcement action taken against firms involved in:
 - Breaches of data security
 - Mortgage fraud
 - Bribery and corruption requirements

- Creation of a single agency to tackle “serious economic crime”
 - Coalition Programme, May 2010
- Would take on work of SFO, FSA and OFT

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