

# FCA Financial Crime supervisory plans for 2024.....

## Executive Summary

Andrew Jacobs – Partner and Head of Regulatory consulting and Craig Broom, Associate Director and Financial Crime Compliance Lead recently attended the FCA's Financial Crime Forum for Consultants which is similar to the FCA's Money Laundering Reporting Officer (MLRO) forum for firms. The Forum set out the nature of the supervisory work that the FCA have undertaken since we last attended the Forum in November 2023. The FCA shared results from thematic work and also provided an opportunity for those attending the Forum to share with the FCA the challenges being observed through work with our clients, when it comes to dealing with issues that are at the heart of Financial Crime prevention. In this article, we share insight on some of the areas of focus and FCA supervisory initiatives.

## Reducing and preventing Financial Crime:

Financial Crime includes Fraud, Money Laundering, Sanctions evasion and Terrorist Financing and does enormous damage to society. The FCA has long set out its clear intention of reducing and preventing serious harm by and reinforced this in the 2024/24 Business plan in which **reducing and preventing Financial Crime** features as one of the FCA's 13 detailed commitments.

## Key statistics

- The amount of money laundered in the UK is estimated to be over £100 billion
- 37% of all crime is Fraud – which whilst this is high, this was formally 41% in the previous year
- £460 million pounds was lost to Authorised Push Payment (APP) fraud along in 2023 (a reduction from £480min 2022)

## FCA Business Plan 2024/25

The FCA set out in the recent Business Plan that the FCA will invest in the systems to use intelligence and data more effectively in order to target higher risk firms and activities. By using its powers the FCA is seeking to disrupt, pursue and censure those committing and enabling financial crime across UK markets. The FCA are actively engaging with partners to strengthen the system-wide response to financial crime.

One of the key messages from the Business Plan, which was reinforced in the Consultants Forum is the plan to increase the amount of pro-active reviews, which is consistent with what we saw in Dear CEO letters published during 2023. The FCA has now published the results of its review into PEPs and the resulting proposed Final Guidance which will shortly be accompanied by an updated Financial Crime Guide ("FCG"), which will more closely consider aspects such as; Consumer Duty, Sanctions and Proliferation Financing.

## Money Laundering through Markets review

Of further note is that the FCA will be conducting a thematic review of Money Laundering through Markets (MLTM). The 2024 review will recap on these risk factors from the 2019 Thematic Review (see below for reference) and MLTM typologies to understand if/how they have changed and evolved since 2019, or if new areas/typologies

have been discovered. It will also consider additional risk factors to evaluate the risk of MLTM and controls in place across Firms in the Industry.

Whilst this review will predominately focus on the FCA's Wholesale Broker portfolio in particular, the assessment conclusions and next steps will be applicable across Portfolio sectors.

The Risk factors from FCA's 2019 Thematic Review on MLTM "TR 19/4" focused on the following:

- Transaction monitoring
- Suspicious Activity Reporting
- Behaviour and training

The FCAs also plans to use previous firm work and findings, Including the Thematic Review of MLTM TR19/4 to inform its 2024 proactive supervisory work, to ensure it is impactful and value adding to the industry in reducing the risk of Money Laundering through (financial) Markets.

The objectives of the review;

1. Establish the efficacy and quality of Anti Money Laundering policies, processes, and controls,
  - In order for the FCA to understand areas of best practice and challenges faced
2. Collaborate with internal and external stakeholders across sectors to identify current typologies, best practice, challenges, similarities, and differences regarding MLTM risks
3. Produce a publication which uses findings from the first two workstreams assist in improving responses to MLTM, as well as inform a wider audience of current issues and best practices and
4. Identify and recommend next steps needed by various stakeholders to further target-harden against MLTM across sectors

The FCA will continue to engage internal and external stakeholder in order to build a picture how MLTM has changed since TR19/4 was published, in particular the following key areas;

- The common money laundering risk typologies firms are seeing and whether these have changed over the years
- The difficulties and challenges firms are encountering in the transaction monitoring space?
- Whether firms have awareness of, and feel confident using, the XXMLTMXX glossary code on SAR submissions
- What more can be done to reduce the risk of MLTM

## Other key supervisory activity

### Sanctions

The FCA recently launched the Sanction Modular Assessment Proactive Programme (SMAPP). Initially, this was rolled out in the (Stock) Broking sector, we now understand directly from the FCA that this will be rolled out across all of the main portfolios supervised by the FCA.

The FCAs publication on the Sanctions Systems & Controls in September in 2023 made it very clear that the FCA expect firms to have carried out some form of analysis of the Sanctions Systems & Controls. In light of this, the

SMAPP is the FCA's supervisory initiative which looks to establish any Sanctions exposure and the robustness of the Systems & Controls, including the Sanctions screening that is conducted.

We have first-hand experience of assisting firms with their response to the SMAPP and a key part of this is their ability to deal with high volumes of synthetic data.

## **Risk Assessments**

The FCA have also indicated that there will be additional Modular assessments which will include Business Wide Risk Assessments (BWRAs), ([click here for a link to our publication on BWRAs](#)). While BWRAs have been under the microscope of the FCA for some time (as they are a great indicator as to how well firm know their inherent risks, the quality of mitigating controls and the size of the residual risk to be managed), the FCA are now planning to roll out a specific Modular Assessment of BWRAs.

## **Market Abuse**

With the focus on MLTM, firms should play close attention to their transaction monitoring controls, as money laundering is ever evolving, the typologies and calibration of systems should be dynamic in order to remain current and aligned to the firms inherent risks in the detection and prevention of money laundering. You may have seen our publication on the [Market Watch 77](#), this particular Market Watch focused on the Suspicious trading by members of Organised Crime Groups (OCGs) in products whose underlying securities are UK and internationally listed equities, which forms a significant component of the overall volume of suspicious trading in equity markets.

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## **How we can help:**

Our Regulatory Consulting Team have deep experience of supporting a range of firms in all of the above areas, a cross arrange of sectors. Not only do we support with regulatory change, control analysis and preparation for upcoming supervisory initiatives, but alongside this business as usual support activity, we also perform more contentious work, such as Skilled Person reviews. We are on the Association of Professional Compliance Consultants (APCC) Alternate Skilled Person Panel and we have acted as a Skilled Person a number of times.

Our team consists of former regulators, experienced consultants and former practitioners - MLROs and Heads of Compliance / Risk who have been responsible for the implementation of Financial Crime Frameworks.

Please get in touch for a no obligation, confidential discussion about how we may be able to assist with your Financial Crime Compliance.



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