AML Corporate Governance

Are boards getting the right level of information?
Agenda

1. Setting the scene – what drives responsibilities?
2. Consequences when things go wrong
3. Board responsibilities
4. NED Survey - where do they get their comfort from?
5. What issues do we find in practice?
6. How could these issues be rectified/ prevented?
Setting the scene – what drives responsibilities?
Consequences when things go wrong

26 March 2012
FSA issues £8.75m fine
For failing to take reasonable care to establish and maintain effective AML systems and controls

15 May 2012
FSA fines bank £525,000
For anti-money laundering control failings

15 May 2012
FSA fines MLRO £17,500
For anti-money laundering control failings

Civil penalties – 3 April 12
JFSC published a consultation paper proposing that a power be introduced to allow to impose civil penalties
Board responsibilities – AML Handbook

Strategy

Implementation

Monitoring

Reporting

Notify immediately

Notify the Commission immediately in writing of any material failures

Consider barriers that exist that will prevent the operation of effective systems and controls

Assess effectiveness and compliance & take prompt action to address deficiencies.

Document systems & controls and clearly apportion responsibilities

Use from BRA & strategy to demonstrate existence of systems & controls

Board strategy based on BRA

Business risk assessment ("BRA")

Take effective measures

Notify the Commission immediately in writing of any material failures

Consider barriers that exist that will prevent the operation of effective systems and controls

Assess effectiveness and compliance & take prompt action to address deficiencies.

Document systems & controls and clearly apportion responsibilities

Use from BRA & strategy to demonstrate existence of systems & controls

Board responsibilities

30 May 2012
Survey - Where do NEDs get their comfort over compliance with AML laws and regulations from?

- Addresses legislation
- Implemented & understood

Compliance function
Internal audit
Compliance reporting
Compliance monitoring
Where do NEDs get their comfort over compliance with AML laws and regulations from?

- Detailed compliance reporting: 58% Strongly agree, 42% Agree
- P & P fully addresses legislation: 52% Strongly agree, 39% Agree, 10% Neither agree or disagree
- Strong compliance function: 48% Strongly agree, 48% Agree, 3% Neither agree or disagree
- P&P fully implemented: 45% Strongly agree, 45% Agree, 10% Neither agree or disagree
- Compliance monitoring programme: 42% Strongly agree, 48% Agree, 10% Neither agree or disagree
- Internal audit function: 26% Strongly agree, 39% Agree, 16% Neither agree or disagree, 13% Disagree, 6% Strongly disagree

Source: Survey of over 30 NEDs in the Channel Islands
What issues do we find in practice?

- Policies & procedures not effectively implemented
- Inconsistent compliance reporting to the board
- Inconsistent compliance oversight
- Lack of integrated systems for client take-on & MI
- Lack of a compliance monitoring programme
How could these issues be rectified/prevented?

Policies & procedures effectively implemented

Quality compliance reporting to the board

Effective Board oversight

Comprehensive compliance monitoring programme

Quality management information

Staff trained for their roles

Testing by compliance

Sophisticated On-boarding & CRM system

Right level of info going into above system

Assurance

Compliance providing the right level info

Systems producing info

Right level of info going into above system

Board approved & results reported

Independently tested

Training

AML Corporate Governance

PwC

30 May 2012
A few questions for boards?

- How long does my average AML take-on procedure take?
- Is this client going to be profitable once I factor in the compliance cost?
- Do I know where AML really sits on my staff’s priority list?
- Do I know if I’ve got staff in need of additional AML training?
- Do we use our AML framework to restrict our BD strategy to targets we know we can actually take on?
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