

The FSA fines Abbey National plc £2m for anti-money laundering failures

BACKGROUND

Yesterday the FSA fined Abbey National plc £2m for not maintaining effective anti-money laundering ("**AML**") systems and controls. The size of the fine (more than double the one inflicted on Royal Bank of Scotland plc a year ago for similar breaches) reflects the importance the FSA attaches to this area and its finding that there had been "extremely serious failings" by Abbey when performing its obligations to monitor internal AML compliance, identify new customers and report suspicious activity to the National Criminal Investigation Service ("**NCIS**").

From 1 December 2001 the FSA has required firms to "maintain effective systems and controls for compliance with applicable requirements... and for countering the risk that the firm might be used to further financial crime". Also since then, the rules set out in the FSA's Money Laundering Sourcebook ("**ML**") have applied to all activities regulated under the Financial Services and Markets Act 2000 aside from certain insurance-related activities. Among the ML rules, firms must:

- collect evidence to identify their customers (the "**KYC**" requirement); and
- ensure that, where their Money Laundering Reporting Officers ("**MLROs**") are obliged to forward suspicious activity reports ("**SARs**") to NCIS, they do so promptly.

Similar obligations (backed by criminal sanctions) have applied to Abbey's banking activities since the Money Laundering Regulations 1993 came into force on 1 April 1994. The FSA has however decided not to prosecute Abbey in addition to fining it for breach of the ML rules.

MAIN FINDINGS BY THE FSA

On the basis of investigations carried out by Abbey's Group Internal Audit ("**GIA**") function and investigators subsequently appointed by the FSA, the FSA made the following findings.

- Abbey's decision to switch from a system of centralised AML monitoring to branch self-certification without appropriate oversight (the FSA suggested this may have been part of a badly timed cost-cutting exercise) undermined the adequacy of its AML compliance monitoring. This contributed to Abbey's failure to carry out KYC for almost one in three new customer applications, which the FSA saw as a "very serious" failure rate.
- In a majority of cases relating to 2002, Abbey's MLRO delayed by more than 30 days before passing SARs on to NCIS (in 12% of cases the delay exceeded 120 days).
- Abbey's AML failings were "indicative of wider systems and controls failings across the Abbey National Group over a prolonged period of time". Accordingly the FSA will be "closely monitoring" Abbey's implementation of a "strict remedial action plan" to be "completed within a short, defined timetable".
- The fine would have been "substantially greater" had Abbey not immediately reported its GIA findings to the FSA and taken "prompt and effective remedial action".

FURTHER INFORMATION

Please contact [Emily Reid](#), [Jon Holland](#) or any member of the Lovells' [Financial Services Group](#) if you require further information or assistance.

Lovells
Atlantic House
Holborn Viaduct
London EC1A 2FG
Tel: +44 (0) 20 7296 2000

11 December 2003

DATA PROTECTION NOTICE

Please note that your email address and other information supplied by you may be stored on a database which is accessible by all our offices, including offices outside the European Economic Area where the level of protection for personal data may not be as comprehensive. This data may be used to send you other material which we believe may interest you. We will not disclose any of your information to third parties unconnected with Lovells other than our data processors. This briefing is a commercial communication from Lovells, Atlantic House, Holborn Viaduct, London EC1A 2FG. Lovells is regulated by the Law Society of England and Wales. VAT number GB 243651765 If you no longer wish to receive briefings from us (or, if this briefing has been forwarded to you, if you want to go on our mailing list) please email [Abigail McDonald](#).

Lovells © 2003