Santander UK Plc - AML failures - £107m fine

The UK's Financial Conduct Authority (FCA) has fined Santander UK Plc (Santander) £107,793,300 after it found serious and persistent gaps in the bank's anti money laundering (AML) controls, affecting its business banking customers. There are extensive learnings for firms across all sectors and for all customer types. This checklist highlights the key issues identified in the Final Notice. It is not necessarily an exhaustive list but is provided for firms to use at their own risk and does not constitute advice or assurance. In some instances we have grouped findings together.

Please select the button below to view the FCA Final Notice (PDF) for Santander UK Plc.

View the Final Notice

Theme	Observation	Questions to ask yourself
Governance	Despite identifying significant AML weaknesses within its control framework, the remedial activities that the firm implemented did not adequately address the money laundering (ML) deficiencies identified. The identified weaknesses included insufficient governance arrangements, risk assessments, data quality and alert management. Ultimately, the firm was unable to adequately identify, assess, monitor and manage its ML risk effectively, even when process improvements were made.	1. **How do you keep remedial action focused on its original purpose? How do you preserve this over extended periods of time?** 2. **How do you ensure that identified AML weaknesses have been fully remediated? What quality assurance (QA) is in place and is it effective in addressing purpose?**
Policies	The firm did not adequately implement policies and procedures to comply with its obligation to counter the risk that the firm might be used to further financial crime.	1. **Are your policies effective in driving consistent and effective outcomes?** 2. **How do you ensure that the AML policies and procedures in place adequately mitigate the risks faced by your business?** 3. **What controls are in place to ensure that all staff observe the policies and procedures?**
First Line – Risk Ownership	There was a lack of clear, effective ownership of the ML risks within the customer portfolio. The firm had teams operating in siloes, which did not share information effectively. For example, when outsourcing a function to an operations company, the focus was placed on meeting specified service level agreements rather than completing meaningful assessments to accurately identify and address ML risks.	1. **Who is ultimately accountable for the financial crime (FC) risk? Where is this documented? Do behaviours reflect this responsibility in practice?** 2. **How do you evidence that the 3LOD model is working effectively?** 3. **What oversight is undertaken on outsourced functions? How do you ensure this is effective and purpose focused?**
Customer Onboarding	The firm failed to capture and identify the nature of a customer's business when onboarding business customers. As such, the effectiveness of ML risk assessment was limited. In some instances, when the nature of business was identified, this was not verified. This lack of verification meant that the FCA identified customers whose nature of business was not recorded accurately and therefore the risk rating was not accurately assessed.	1. **Do you capture (and validate) nature of business for relevant customers? Are you confident the information is accurate?** 2. **More broadly, how do you ensure that your onboarding process meets regulatory expectations? What quality control measures are in place to ensure that information requested is recorded and subject to quality control?** 3. **When categorising customers as 'low risk', how have you obtained comfort that the AML risks are low?**
Ongoing Monitoring	The individuals / teams responsible for conducting ongoing customer monitoring did not have access to the customer's risk assessments previously conducted. This limited the firm's ability to take into account relevant information when conducting ongoing monitoring.	1. **When conducting ongoing monitoring, how is information shared to ensure a holistic review is conducted?**
	Low / medium risk customers onboarded by the firm were not subject to any periodic reviews or any other effective review processes. This meant that the existing weaknesses when onboarding these customers were furthered as the firm had no assurance that the activities of its customers were consistent with its understanding of their business.	1. **What does a periodic review entail? Is it a re-papering exercise, an information gathering one, a backwards lookback or a combination of all of these?** 2. **How do you ensure your approach to periodic reviews is robust? How have you evidenced your rationale to conducting the approach taken?** 3. **Where customers are not subject to periodic review, what ongoing measures are conducted to provide comfort that there is adequate monitoring throughout the customer relationship?**

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Ongoing Monitoring	Key customer data relating to expected turnover, occupation and nature of business that should have fed into the transaction monitoring (TM) system did not. While the system did use scenarios, it was not designed to take account of a particular customer's anticipated turnover as provided at the time of onboarding. Furthermore, there was no risk-based sample testing of the system and no evidence of a holistic review of the system was provided for a five year period.	1. **Does your TM draw in and utilise customer specific customer due diligence (CDD) data?** 2. **When was your TM last subject to end-to-end testing and assurance? Did assurance consider purpose and outcomes as well as operational execution?**
	When reviewing the alerts from the TM system, the SAR (suspcious activity report) Unit treated all alerts as 'medium risk' (as they came from a specific customer type). During the period of assessment, the firm prioritised a review of high risk SARs due to significant resourcing pressure. This meant that, at times, there were significant delays in reviewing the TM alerts from this customer type (in this case, business banking customers).	1. **Does your TM system prioritise alerts for you? How do you monitor the accuracy and appropriateness of such ratings?** 2. **If prioritising SARs, which factors are used to consider their urgency? How do you ensure this approach is robust?** 3. **How do you ensure you have enough resources to review SARs in a timely manner?**
	The firm did not allow the information identified by the SAR Unit to be used in the ongoing monitoring of the customer or a reassessment of the customer's risk rating. As a result, when inconsistencies were identified by the SAR Unit, these were not shared with the business. Essentially, there was no formal feedback process or system to ensure that recommendations to close accounts were sent to the relevant team or actioned thereafter.	1. **How do you balance the risk of tipping off with the benefit of meaningful and actionable insight and intelligence? How do you know this process is working effectively?** 2. **When did you last perform a check to ensure that the learnings / improvements identified by those reviewing SARs have been considered within the business? Is the current process fit for purpose?**
	When trigger events were identified, they did not cause the customer risk assessment to be reviewed or refreshed. For example, the customer's risk assessment was not reviewed if the firm identified specific adverse information about the customer.	1. **Do you have a list of triggers which should result in risk rating / due diligence (DD) review? Are these supported by processes to ensure the review happens with clear responsibilities?** 2. **How do you ensure that your trigger event process is robust? When did the last review take place to assess the effectiveness of the approach?**
Training	In addition to the SAR points above, there was no role specific training provided to individuals who were responsible for reviewing and investigating internal reports of suspicious activity. As such, following reviews of Internal SARs, the team did not understand the broader approach taken, and therefore did not understand how their investigation outcomes contributed to the ongoing monitoring of the customer.	1. **Do you provide role specific training?** 2. **How do you ensure training is able to be delivered at scale, but is also sufficiently tailored and relevant to the role?**
Management Information	The firm's ability to produce accurate management information (MI) on the risks within the business was deficient. This was evidenced through issues such as the firm being unable to identify high risk customer types (in this case MSBs) and as such, senior management were not provided with full information for them to make informed decisions of have sufficient visibility of money laundering risks.	1. **Do you capture DD and risk assessment information in a structured format so that it is usable for reporting purposes?** 2. **How do you ensure your MI is insightful? Are you able to spot trends and changes over time? Are these explained?** 3. **Can you demonstrate how and when MI is used to make decisions?**
Customer Exits	The firm's process to offboard / process account closures was subject to significant delays due to the processes being unclear and divided between a number of teams. Furthermore, in some instances when suspicions for a high risk customer were reported and discussed with law enforcement, the firm was requested to keep the customer account open. However, the firm failed to regularly review and subject the customer to ongoing monitoring and this led to accounts being open for much longer than they should have been.	1. **How long does it take to close a customer account? When was this process last reviewed?** 2. **Do you ensure that both CRM and product systems are included in the closure process?** 3. **How often is a four eyes check conducted to ensure that closed accounts are not still open?** 4. **Where is the process to close accounts documented? Is this procedure up to date?** 5. **How do you prevent re-entry?**

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