

## Corporate & Financial Weekly Digest

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### FSA Fines Coutts £8.75m for AML Control Failings

On March 26, the UK Financial Services Authority (FSA) announced that it had fined Coutts & Company £8.75 million (approximately \$14 million) in relation to failures to take reasonable care to establish and maintain effective anti-money laundering (AML) systems and controls relating to high risk customers including politically exposed persons (PEPs). The fine was imposed for breaches of Principle 3 of the FSA's Principles for Businesses ("a firm must take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems") and FSA rules relating to Senior Management Arrangements, Systems and Controls (SYSC 6.1.1R and SYSC 6.3.1R).

The FSA described Coutts' failings as serious and systemic and as having resulted in the creation of an unacceptable risk of Coutts handling the proceeds of crime.

The FSA found that Coutts did not apply robust AML controls when establishing relationships with high risk customers, did not consistently apply appropriate monitoring of high risk relationships, and that Coutts' AML team failed to provide an appropriate level of scrutiny and challenge.

The FSA identified specific deficiencies in 73 of the 103 Coutts high risk customer files they reviewed – 71%. These included failing to do one or more of the following in each of the 73 files:

- gather sufficient information to establish the source of wealth and income of prospective PEP and other high risk customers;
- establish the source of funds received at the outset of high risk customer relationships;
- gather sufficient information about prospective high risk corporate customers;
- identify and/or assess adverse intelligence about prospective and existing high risk customers properly and take appropriate steps in relation to such intelligence;

- keep the information held on its existing PEP and other high risk customers up-to-date; and scrutinize transactions made through PEP and other high risk customer accounts appropriately.

Tracey McDermott the FSA's acting Director of Enforcement and Financial Crime, said: "Coutts' failings were significant, widespread and unacceptable. Its conduct fell well below the standards we expect and the size of the financial penalty demonstrates how seriously we view its failures."

Coutts agreed to settle at an early stage and therefore qualified for a 30% discount. Were it not for this discount, the FSA would have imposed a financial penalty of £12.5m (approximately \$20m).

For more information, click [here](#)

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