

Corporate & Financial Weekly Digest

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FSA Fines Royal Bank of Scotland Group £5.6m for UK Sanctions Controls Failings

On August 13, the UK Financial Services Authority (FSA) announced that it had fined RBS Plc, NatWest, Ulster Bank and Coutts and Co (RBSG) £5.6 million (approximately \$8.9 million) for failing to have in place adequate systems and controls to prevent breaches of UK financial sanctions. This is the biggest fine imposed by the FSA to date in pursuit of its financial crime objective. It is also the first fine imposed by the FSA under the Money Laundering Regulations 2007.

The Regulations require that firms maintain appropriate policies and procedures in order to prevent funds or financial services being made available to those on the HM Treasury Sanctions List. The FSA found that between December 15, 2007, and December 31, 2008, RBSG failed to adequately screen both their customers and the payments they made and received against the List.

The FSA considered that RBSG's failings in relation to their screening procedures were particularly serious because of the risk posed to the integrity of the UK financial services sector. Specifically, it could have facilitated transactions involving sanctions targets, including terrorist financing.

Margaret Cole, FSA Director of Enforcement and Financial Crime, said: "The scale of the fine shows how seriously the FSA takes this issue and should act as a warning to other firms to ensure that they have adequate screening procedures."

As RBSG agreed to settle at an early stage of the FSA investigation, it qualified for a 30% reduction in penalty which would otherwise have been £8 million (approximately \$12.7 million).

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