

# Small UK Financial Services Companies Oblivious to Financial Sanctions Screening

Submitted by: Devonshire Marketing Consultants Limited

Thursday, 11 June 2009

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Small financial services firms believe sanctions screening is not applicable to them, and are confusing customer due diligence checks with screening against HMT lists

Small UK financial services firms are still largely oblivious to their mandatory financial sanctions screening obligations, according to fit-for-purpose data and compliance screening specialists, Datanomic Ltd. Some small companies are so unaware of the 'financial sanctions regime' that they think the phrase refers to financial penalties issued by the Financial Services Authority (FSA). The findings are confirmed in the FSA's latest report "Financial services firms' approach to UK financial sanctions", produced by the FSA's Financial Crime and Intelligence Division (FCID).

The following examples highlight some of the many misconceptions around the financial sanctions regime. Two thirds of small firms surveyed thought that customer due diligence was the same as Her Majesty's Treasury (HMT) screening. Many small firms believe that sanctions screening is simply not applicable to them as they don't hold client money, don't make payments or because they deal in products which they believe are low risk for financial crime. Two thirds of small firms stated they had formal written policies and procedures in place for financial sanctions screening. However, FSA visits revealed that only half of firms actually had such policies in place. The discrepancy reflects their confusion between anti-money laundering checks and screening against the HMT list, with firms not understanding what their policy should contain. Of the small firms that were screening, not one had ever identified a target match, which also suggested to the Regulator they are not conducting comprehensive or effective screening.

"Small size does not give you a free pass when it comes to complying with legal or regulatory requirements," said Simon Pearson, Director of Compliance Screening at Datanomic Ltd. "Many small firms are relying on rudimentary KYC (know your customer) checks at client take-on only, and have no provision for regular, ongoing monitoring of their customers against Government Sanctions lists, money laundering or terrorist financing databases. The FSA's report concludes that the majority of small firms are exposed to significant business and compliance risk because they lack the systems and controls to carry out regular periodic screening."

Only about a quarter of small firms surveyed screen their clients against HMT lists. Of these, only a small proportion screen all new customers. The remainder screen only certain customers if they have concerns about the client. However, rather than being based on a robust risk assessment, this judgement is generally based on misconceptions, such as the belief that no UK persons or entities are on the HMT list.

To address these issues, Datanomic's Director Sanctions & PEP Screening software enables organisations to rigorously and systematically screen their customers against Sanctions, PEP, money laundering, terrorist financing and other risk data sources. Industry-leading accuracy and Datanomic's unique 'Decision Intelligence' drive down compliance costs by reducing the burden of false positives. End-to-end data preparation, case management, workflow, auditability and reporting tools ensure that

businesses are protected from compliance risk.

A full copy of the FSA report on financial services firms' approach to UK financial sanctions is available for download at <http://www.fsa.gov.uk/pubs/other/Sanctions%20Final%20Report.pdf>. A sanctions fact sheet for small firms is available at

[http://www.fsa.gov.uk/smallfirms/your\\_firm\\_type/financial/library/index.shtml](http://www.fsa.gov.uk/smallfirms/your_firm_type/financial/library/index.shtml)

More information about Datanomic's dn:Director Sanctions & PEP (Politically Exposed Persons) Screening software is available at <http://www.datanomic.com/solutions/sanctions-pep-screening/>

#### About Datanomic

Datanomic's holistic approach to delivering fit-for-purpose data and screening accuracy enables its growing list of blue chip clients around the world to achieve a rapid Return on Investment, by exposing and correcting deficiencies in information their businesses rely upon, and by discovering potential regulatory and legislative compliance data issues in line with proactive risk management. Our clients come from a wide spectrum of industries including financial services, telecommunications, government, healthcare, utilities, professional services and engineering. [www.datanomic.com](http://www.datanomic.com)

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