

To: HM Treasury
From: Electronic Money Association
Re: **Response to [HM Treasury consultation on Reforming anti-money laundering and counter-terrorism financing supervision](#)**
Date: 5 October 2023

SAS

32. Do you foresee any major challenges for effective gatekeeping, under either the SPSS or SAS model? If so, please explain what they are, and how you propose we could mitigate them?

While the SAS model would allow the regulator to have an overview of all AML-registered entities operating in the UK, we do not consider such a model to be practical.

It would result in the involvement of several regulators in an authorisation process, which would inevitably have a negative impact on speed, ease for all pirates, as well as cost. It is unlikely that coordination of approval of authorisation between several regulators would result in an efficient process, without negatively impacting AML-registered entities.

In terms of general supervision, whilst the SAS model might leverage AML expertise within one entity, it will be more challenging to ensure that the SAS has sufficient knowledge and resources to tackle the wide variety of sector-specific AML-related issues as this will usually require understanding of the specific business models, customers and products.

33. Overall, what impact do you think the SAS model would have on supervisory effectiveness? Please explain your reasoning.

The SAS model could provide for consistency and balance in the approach to different sectors, and adopt a more objective view of the risk across sectors in the UK. The policy would likely be better aligned between sectors.

However, this would be achieved by possibly losing sector-specific knowledge, as the sectors would be as disparate as crypto asset service providers, lawyers, estate agents or credit institutions. It remains unclear how sector-specific expertise could be developed cost-effectively in-house.

AML enforcement would need to take place within the wider context of supervision, requiring the AML regulator under the SAS model to coordinate its actions with the relevant prudential and COB regulators. This may slow or even hinder the enforcement process where competencies and lines of communication are not clearly delineated.

34. Does the separation of AML/CTF supervision from general regulatory activity present a major issue for those firms currently supervised by the statutory supervisors? Please explain your reasoning.

Being able to effectively supervise AML will need a good understanding of the underlying services being offered, as well as the context in which they are offered. The financial services sector is sufficiently complex to merit its own supervisor. Requiring relevant expertise to be present at more than one supervisor will require costly overlap in staff and training, which may then be passed onto firms as direct costs.

The likely outcome of implementing the SAS model may also be that wider business considerations will no longer flow into AML supervision, which may therefore become overly restrictive and focused solely on risk. This would present an indirect cost to firms.

There are many steps to improve coordination between regulators that can be taken without the need to set up a separate regulator dedicated to AML, such as improving data exchange between regulators, improving cooperation or aligning policies.

35. Overall, what impact do you think the SAS model would have on system coordination? Please explain your reasoning.

The SAS model could allow for the centralisation and the linking of information from different sectors, which would result in a heightened ability to see the 'bigger picture' when it comes to money laundering. This in turn could aid prevention and enforcement and permit a greater ease of cooperation with supra-national bodies, such as the FATF.

However, the actions of different supervisors in relation to the same firms may not be coordinated, resulting in delay and uncertainty for firms (affecting authorisation, supervision, enforcement). Overall the SAS approach is unlikely to be beneficial for firms in the UK subject to FCA supervision.

36. Overall, how significant do you think feasibility constraints would be for the SAS? Please explain your reasoning.

In relation to costs/fees, we think that feasibility constraints would be significant:

It is unrealistic to assume that a change such as the move to the SAS model could be undertaken without substantially increasing costs, and thus fees, for regulated firms.

It will be challenging to develop a cost/fee structure that will meet the costs of all the regulated sectors whilst remaining proportionate to the size and risk of different firms/business models/sectors. The FCA has whole teams dedicated just to fee calculation models and collection.

38. Do supervisors need additional powers to monitor sanctions systems and controls effectively, or can this be done under existing powers? What would any new powers need to consist of?

For the e-money and payments sectors, supervisors do not need additional powers to monitor sanctions systems and controls effectively.

The FCA is responsible for supervising regulated firms to help ensure that they maintain adequate systems and controls to mitigate the risk of breaching sanctions and facilitating evasion. OFSI is responsible for monitoring compliance with financial sanctions and for assessing suspected breaches. There is no need for a further regulator to also be involved in the supervision or enforcement of sanctions requirements.

40. Should any new potential supervisory powers relating to sanctions broadly cover all types of UK sanctions?

Yes.

This could provide consistency and stability for firms, where the same supervisory entity would be able to supervise all types of sanctions for one type of supervised entity.

However, as set out in our responses to the other questions we support maintaining a supervisor that is specialised in payments (e.g. the FCA).