



FI Supervision

Observations from anti-money laundering reporting

No 23

18 June 2021



Summary

As part of its expanded supervision approach, Finansinspektionen (FI) has analysed and compared information that firms under FI's money laundering supervision reported to the authority during the years 2018-2021.¹ The analysis of the reported information is an important part of the risk-based supervision and is used in FI's risk identification and risk classification of firms. The analysis indicates areas where the companies need to develop their processes to better handle the risk of being misused for money laundering or terrorist financing.

Reported data used in the supervision

The anti-money laundering regulatory framework aims to prevent financial operations from being used by criminals for money laundering or terrorist financing. Firms under FI's supervision that are subject to the anti-money laundering regulatory framework submit data annually about their operations and the measures they are taking to comply with the framework. FI then compiles and assesses the data to gain an understanding of the risks in the various financial sectors and, ultimately, assess the risk of all firms. This risk assessment is then used to plan future supervision measures. However, the aim of the data is not to identify breaches of the regulations, although the analysis contributes to the prioritisations FI has made in its supervision for 2021. In order for FI to be able to perform efficient, risk-based supervision, it is important for the firms to report the data on time. We have now analysed the information reported submitted during the years 2018–2021 that refers to the financial years 2018–2020. The analysis was performed at both the company level and the sector level. FI presents some of the results of the analysis in this report.

Despite some improvements, there are still areas that continue to need attention

We are able to determine that the percentage of firms reporting on time increased during the first three reporting years, although the figures for 2020 show a slight downturn.² But we are also able to determine that there are still some firms that are not reporting on time, and a few that do not report at all. In these cases, FI is able to

¹ FI:s arbete mot penningtvätt och finansiering av terrorism, 15 November 2019. An English translation is available at www.fi.se.

² The 2019 reporting deadline was extended by one month due to COVID-19. No similar allowances were granted for the 2020 reporting.

order the firms to fulfil their obligations and issue a fine with such an order. For the reporting related to 2019, FI decided on 31 orders for failure to report, all of which were accompanied by a fine.

The analysis of the reported data specifies the areas where FI considers the firms need to improve their work. For example, many of the reported firms stated for all reporting periods that they do not have sufficient or current customer information on all customers. Even if there has been an improvement compared to 2017, sufficient and current customer due diligence is something that the firms must work with continuously.

Furthermore, we are able to determine that there are some potential deficiencies related to the general risk assessment. A general risk assessment is required by the regulatory framework, and it is one of the most central parts of combating money laundering and terrorist financing. This is why this area is the focus of FI's supervision activities.

Another area where the periodic reporting shows potential deficiencies, and the firms must continue to improve their work, is assessing which customers are associated with an elevated risk of money laundering. This can be related to, in this respect, customers who are politically exposed or firms with customers largely domiciled outside the EU/EEA.

The Anti-Money Laundering Act also requires the use of a system to monitor suspicious transactions. The reported data shows that some firms state they do not have such a system. FI is also able to note that the efficiency in the systems for monitoring and reporting suspicious transactions or behaviour to the Swedish Police Authority varies considerably. This applies primarily to the handling of alarms generated by the monitoring systems and the subsequent reporting to the Swedish Police Authority. We also note that firms conducting operations that typically are associated with a higher risk of being misused for money laundering and terrorist financing have reported a relatively low number of suspicious transactions or activities to the Swedish Police Authority. These firms and their processes for monitoring and reporting are a recurring part of the supervision activities that FI carries out.