



# Industry Protocol for the Pawnbroking Sector

January 2023

## Purpose

This protocol has been produced as part of joint work between UK Finance and the National Pawnbrokers Association (NPA) to support improved understanding between the financial sector and pawnbroking sector, and to facilitate improved access to banking for NPA members.

The Financial Conduct Authority (FCA) requires banks to put in place and maintain policies and procedures to identify, assess and manage money laundering risk. This however does not mean that banks should deal generically with whole categories of customers or potential customers. Instead, banks should use judgement and common sense in applying an effective risk-based approach to the specific circumstances of individual customers.

## Status

The guidance within this protocol is for information only and relates to financial crime risk management and not to commercial considerations or commercial risk appetite. It does not have the status of FCA guidance<sup>1</sup> or Joint Money Laundering Steering Group Guidance (JMLSG) which provides a Ministerially approved 'safe harbour' for industry. **It should, as highlighted below, be read in conjunction with the relevant parts of FCA guidance and JMLSG where appropriate.**

Separate work is under way between UK Finance and the NPA to engage with the FCA and JMLSG on the issues outlined below, to support the common goal of a risk-based approach to the different types of pawnbroking services and business models. While, as above, the guidance within this protocol does not have the official status of JMLSG or regulator guidance, the FCA is fully aware of the protocol regarding both pawnbroking and the provision of the associated services provided by NPA members and welcomes and supports the approach. For more details of that work please contact [secretariateconomiccrime@ukfinance.org.uk](mailto:secretariateconomiccrime@ukfinance.org.uk) or [enquiries@thenpa.com](mailto:enquiries@thenpa.com).

**Please note that this information only applies to NPA members. UK Finance members will wish to ascertain whether any pawnbroking customers or potential customers are NPA members. This can easily be checked by using the find a pawnbroker section on the home page of [www.thenpa.com](http://www.thenpa.com)**

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<sup>1</sup> E.g. <https://www.handbook.fca.org.uk/handbook/FCG/1.pdf>. It should be noted that FCA guidance is not Ministerially approved.

## Context

The fact that the FCA authorises and supervises NPA members must be taken into account, as per Money Laundering Regulations (MLR) 2017<sup>2</sup> and JMLSG Guidance<sup>3</sup>. However, UK Finance members should complete their own risk assessment and review mitigation implemented by NPA members, as part of their own risk-based approach.

Many pawnbrokers, in addition to being authorised and supervised by the FCA, are supervised by HM Revenue and Customs (HMRC).

The sections below seek to reflect factors that the financial sector will likely consider, alongside its own commercial and financial crime risk appetite, when making decisions on the extent of financial crime controls and measures that firms believe will be required and what controls and procedures pawnbrokers may be required to demonstrate.

Changes to the MLRs 2017 and supervisory expectations mean that Enhanced Due Diligence is required in a wider range of circumstances, and that there are increased expectations in many areas of Customer Due Diligence and management of initial and ongoing risks. The timely provision of effective information at onboarding and on an ongoing basis can help reduce the compliance costs for both the banking and pawnbroking sectors.

This document highlights core pawnbroking services, as well as reflecting the other common types of business activity and services that NPA members provide, including travel money, money transmission and gold buying. It outlines what factors UK Finance members may consider in determining financial crime risk and therefore the extent of applicable due diligence measures.

## Pawnbroking

Pawnbroking is typically a face-to-face transaction whereby a customer deposits an item of value in return for a loan. In terms of profile of transaction, the loan will be short-term (normally six months), and the average loan is £300<sup>4</sup> and is used by customers to smooth cashflow. Pawnbroking is recognised by HM Treasury and the FCA as an important service preventing the vulnerable being driven to unregulated, unscrupulous lenders such as loan sharks. Pawnbroking is typically conducted face to face, although some providers provide an online service where items of value are initially valued remotely before being securely delivered to the pawnbroker.

While pawnbroking as an activity is not mentioned in the 2020 National Risk Assessment (NRA) of Money Laundering, the financial sector is aware of the 2018 FCA Review of the Pawnbroking Sector. As such, UK Finance members should take that into account when assessing risk and the associated level of financial crime measures required.

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<sup>2</sup> MLR 2017 Regulation 37 (3)(a)

<sup>3</sup> 5.3.133 JMLSG Guidance July 2020

<sup>4</sup> FCA Pawnbroking Sector Review July 2018

This includes the following FCA findings:

- Pawnbroking business models focused heavily on customers with quality of service, long-standing relationships and trust being paramount.
- Pawnbrokers have robust controls to minimise the risk of criminally obtained items being received.
- Strong, proactive relationships with the local community (including the police) that allow prompt responses to incidents or trends regarding crime.
- Pawnbroking firms generally understood the potential financial crime risks – particularly those relating to stolen goods.
- Pawnbroking firms were using information from customer due diligence and commercial registers to identify higher-risk customers and known stolen goods.

The financial sector is also aware that the FCA review found that:

- pawnbrokers may be at risk of being exploited for criminal purposes – whether being offered stolen goods or in an attempt to launder money, and
- weaknesses in the knowledge of some MLROs of the requirement to report Suspicious Activity Reports (SARs) to the NCA.

CONC 5.2A.2R01/11/2018 refers to the creditworthiness assessment not applying to pawnbroking agreements where under the terms of that agreement, section 121 CCA 74 applies and would at least discharge the debt and any other monies owed. Any net surplus is returned to the customer and any further debt is written off. Further information is available in the annex below.

NPA members will also want to demonstrate how they understand and manage the broader risks in relation to cash-based money laundering, and risks associated with the trade in gold and jewellery.

In seeking to understand an existing or potential customer's business model, UK Finance members may require additional information such as:

- evidence of appropriate licensing and regulatory status
- evidence of effective controls and procedures in place to understand and manage financial crime risks in relation to the risk of being exploited for criminal purposes including handling of stolen goods and money laundering
- documented, reviewed and audited risk assessments, policies and procedures;
- evidence of effective record-keeping, including extensive CCTV footage of customers;
- how the policies on Know Your Customer (KYC), ID and Verification, are a core part of the policies to manage financial crime risk particularly where transactions are higher than average (£300)
- controls to manage the increased risk of non-face-to-face transactions, where this is provided as a service
- evidence of the expertise of the MLRO and their understanding of risk in relation to customers and business activity
- NPA members may also want to consider highlighting if they have regular independent audits of their policies and procedures
- NPA members should provide evidence of regular training to employees to identify financial crime risks, specific to the pawnbroking industry.

UK Finance members will want to note that the JMLSG sets out industry guidance for consumer credit as a sector (sector 11A Part II of that Guidance references pawnbroking). The typically low value of pawnbroking transactions (as noted above) and the use of cash is both expected and appropriate for that type of transaction given the important economic and societal services provided by pawnbrokers.

## MSB services

Some NPA members provide Money Service Bureau (MSB) services, which is a factor UK Finance members are required to consider when assessing risk, as the NRA 2020 found the *risks associated with Money Service Businesses (MSBs) have not changed since the 2017 NRA and the overall risk of exploitation for money laundering and terrorist financing purposes remains high overall.*<sup>5</sup>

As such there are strict requirements and regulator expectations on, and of, the financial sector to understand this risk and have sufficient controls in place to mitigate it.

This is a risk that UK Finance members are very focused on and it will be important to show how this risk is understood and managed by NPA members.

UK Finance members may have different risk appetites for different MSB services, regarding some to be lower risk than others. While the majority of NPA members offer only travel money as an MSB service, UK Finance members willing to provide banking services for that aspect of a business may still require extra assurance in relation to these risks including strict requirements on how they are managed.

Factors<sup>6</sup> that NPA members **should expect to be asked** to evidence and demonstrate to support UK Finance Members in their risk assessment include:

- Types and risks of products and services offered
- Bespoke CDD / EDD trigger limits implemented to mitigate risk
- Hardware employed CCTV / cameras
- Maturity of the business, and its owners' experience
- Location(s) and market(s) served
- Anticipated account activity.

This will help demonstrate, as required under the MLRs, how UK Finance members are assessing the heightened financial crime risk associated with specific MSBs and services. UK Finance members will use the evidence to demonstrate how they are managing the heightened financial crime risk associated with some MSBs and to assess the commercial impact the cost of compliance may have on the viability of banking such business.

UK Finance members will want to note the relevant JMLSG section relating to MSBs as customers of banks (sector 1A) but note that most MSB activity provided by pawnbrokers will be travel money as principals (see below).

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<sup>5</sup> P. 118 - National risk assessment of money laundering and terrorist financing 2020

<sup>6</sup> Appendix 1A.21 JMLSG Guidance July 2020

## Travel Money

The most common MSB service provided by NPA members is solely in relation to currency exchange for travel money and that the NRA identified that “*currency exchange [was] found to be usually lower risk than money transmission.*”<sup>7</sup>”

Factors that NPA members should expect to be asked to demonstrate and may wish to evidence up front include:

- appropriate licensing and regulatory status, including registration with HMRC
- currency services and products provided, typically more than 90 per cent are Euros in low denomination notes
- a detailed understanding of the customer base, transactions and bespoke CDD/EDD thresholds, which are typically the lowest in market
- the low average transaction values (around £300 and typically for low denomination Euro notes)
- how these transactions are paid for – payment via debit or credit card may be a factor that helps reduce the risks
- regularly updated risk assessment, policies and procedures and transaction monitoring for travel money
- evidence of effective record-keeping and flagging outlier or suspicious transactions
- evidence of compliance audits completed by wholesale currency providers and/or independent third parties.

The main currency wholesaler for pawnbrokers is Travelex, which has its own robust controls and processes in place to strictly monitor and audit the provision and use of travel money by pawnbroking clients. Other wholesalers have comparable controls and processes.

Travelex Head of Corporate Compliance Tom Moffatt states that in the view of Travelex:

“Experience shows that the pawnbroking sector takes business, including their compliance responsibilities very seriously. Typically, pawnbrokers understand the necessity to ensure the application of high standards of compliance and will implement policies and procedures that are either aligned with or higher than those required by current legislation. Amongst the directors/controllers and the compliance staff within these firms there is a good understanding of the risks associated with their business, and they will implement processes to manage and mitigate these risks. This includes proactively developing bespoke strategies to ensure awareness and standards of compliance are maintained. Although, risk is an issue each firm must individually manage, ensuring the requisite knowledge and understanding of the pawnbroking industry and the compliance framework a firm adopts will present a more realistic picture of the risk within this sector, and will give greater comfort when entering a business relationship with this type of firm.”

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<sup>7</sup> P. 118 - National risk assessment of money laundering and terrorist financing 2020

## Money Transmission

Some NPA members offer money remittance services, but only as agents of authorised Payment Institutions.

Factors that NPA members should expect to be asked to demonstrate and may wish to evidence up front include:

- appropriate licensing and regulatory status, including registration with HMRC
- clearly setting out what money transmission services are provided, including the name of the principal
- in relation to the provision of money remittance, the detailed understanding of the typical customer base and jurisdictions associated with the transfers being made (if known)
- an understanding of the customer base, transactions and bespoke CDD/EDD thresholds
- how these transactions are paid for – payment via debit or credit card (if Banks allow) may be a factor that helps reduce the risks
- regularly updated risk assessment, policies and procedures and transaction monitoring;
- evidence of effective record-keeping
- evidence of compliance audits completed by money transmission principal(s) and/or independent third parties.

## High Value Goods and Gold Buying

The NRA references risks of money laundering associated with gold and other high value goods as “medium”<sup>8</sup>.

Some NPA members do buy gold, often damaged jewellery from which gold is recycled. Pawnbrokers that are involved in gold buying will typically buy second-hand jewellery for retail sale and may scrap items that cannot be sold or repaired with a typical value of £200-£300. In terms of controls and procedures in place, all transactions are typically face to face, proof of ID is taken, accounts are kept for customer transactions, and for face-to-face transactions, stores have CCTV. The majority of NPA members have signed up to the police Gold Standard explained in the Appendix.

Risks here are different from stolen goods so it will be important for NPA members to show how policies and procedures understand and manage the risks of criminals integrating the proceeds of crime by selling high value goods bought by criminal proceeds. This will include:

- CDD/EDD thresholds on customers
- checks on the origins and provenance of goods and how items “fit” the customer;
- average profile, value and type of transaction;
- details on how gold and other high value assets are realised including the bullion dealers used and what controls and checks they have in place.

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<sup>8</sup> Chapter 17 National Risk Assessment of money laundering and terrorist financing 2020

## General – cost of compliance

Some UK Finance members note that the average profile of business for a pawnbroker can be variable, increasing transaction monitoring alerts all of which need investigating and which can increase the cost of compliance.

UK Finance should undertake proactive communication with the pawnbroker customer on when and why unusual transactions may be going through. Legitimate reasons for such transactions can include NPA members deferring the sale of gold until the price is attractive, or a sufficient volume amassed to make the sale economically viable.

Typically, onboarding and maintenance of customers who are assessed as higher risk requires senior oversight, by providing sufficient information at onboarding NPA members can reduce the costs and time of such decisions.

UK Finance members have a legal obligation under the Money Laundering Regulations to review and update customer due diligence records. Failure by NPA members to respond to requests for information at all, or in a timely manner, can result in mitigating controls being put in place, which again can increase the cost of compliance and lead to UK Finance members reviewing relationships. Additionally, UK Finance members have a legal obligation to exit a customer when they cannot complete their due diligence after reasonable attempts to secure such information. NPA members should therefore be responsive, transparent and diligent in swiftly responding to requests for information from UK Finance members.

## Appendix

### Pawnbrokers compliance

#### The Market and Societal Role

The Pawnbroking market consists of 130 firms with nearly 900 stores. Virtually all business is undertaken face-to-face with customers. The majority of the industry by volume is undertaken by small independent SMEs. The customer base is four per cent of UK adults and includes some of those who are most vulnerable, and pawnbrokers prevent many more customers becoming vulnerable.

Pawnbrokers have increasingly become hubs where certain sectors of society gain access to the financial system to obtain loans, travel money, sell or buy old jewellery. The pawnbroker succeeds or fails by reputation as research shows customers trust their pawnbroker and typically maintain long relationships with them.

Pawnbroking is recognised by HM Treasury and the FCA as an important service giving all members of society the chance to borrow in a safe and controlled market and crucially prevents the vulnerable being driven to unregulated, unscrupulous lenders such as loan sharks.

#### CONC 5.2A

**Under CONC 5.2A.2R01/11/2018 CONC 5.2A Creditworthiness assessment - FCA Handbook, a creditworthiness assessment is not required for a pawn because the customers liability is limited to the value of the pawn, any net surplus is returned to the customer and any further debt is written off.**

Specifically CONC 5.2A does not apply where;

(1) an agreement under which a firm takes an article in pawn and under the terms of the agreement:

(a) the customer's total financial liability (including in respect of capital, interest and all other charges including any expenses of sale) is not capable of exceeding the true market value of the article pawned by the customer; and

(b) the effect of the passing of property in the pawned article to the firm under section 120 of the CCA, or of a sale of the article under section 121 of the CCA, would, therefore, be (at the very least) to discharge the debt secured by the pawn and any other obligation to pay a sum of money under the agreement including any expenses of sale.



## Authorisation, Regulation and Supervision

Pawnbroking activity is regulated by the Financial Conduct Authority (FCA) and any money service business (MSB) is supervised by HMRC for AML. All pawnbrokers must undergo the stringent regulatory authorisation process before being approved to lend and a fit and proper test before offering MSB.<sup>9</sup>

There are also ongoing regulatory obligations that all pawnbrokers must follow. In 2021 most pawnbrokers have withdrawn from MSB services, except travel money. Where Pawnbrokers do offer ancillary MSB services, (money transfer or cheque cashing) the majority do so as agents, which provides an extra layer of risk mitigation.

## AML and CTF Regimes

While money laundering is a risk factor for regulated AML services that pawnbrokers undertake, they inherently have a low-risk appetite.

It is their policy to actively prevent money laundering and any activity that facilitates money laundering, the funding of terrorism or criminal activities. Pawnbrokers fully understand and recognise the importance of having AML procedures in place that are compliant with any laws, legislation and regulation relevant to services that they conduct.

They also understand the importance of demonstrating how they conduct their business to prove it is fully compliant. This not only ensures that pawnbrokers trade compliantly and detect criminal activity, but that they protect the interests of legitimate customers as well as the commercial activities and the integrity of their business. These factors underpin their attitude to safeguarding against money laundering and upholding the very highest standards of business conduct.

Pawnbroking businesses –

- Where applicable they are registered as a MSBs with HMRC.
- In accordance with SYSC 6.1.1R, 6.3.1 R and 6.3.3 R pawnbrokers must ensure there are adequate policies and procedures in place to identify and assess ML risk which are comprehensive and proportionate to the nature, scale and complexity of their activities.
- Regularly assess and audit their policies and procedures. In many cases this is also completed by an external compliance auditor.
- Must appoint a Money Laundering Reporting Officer 'MLRO' under the FCA prescribed responsibility of SMF17 under SYSC 6.3.9 to prevent and detect money laundering and financial crime.
- Produce a written report completed by the MLRO at least annually on the effectiveness of AML policies and procedures and making any advisory points to Senior Managers to implement.

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<sup>9</sup> FCA Consumer Credit Sourcebook and regulations, Consumer Credit Act 1974.

- Ensure all staff fully understand both the companies and their individual role in preventing money laundering and that full training is completed and evidenced at least annually.
- Apply CDD and EDD at appropriate trigger points and on a risk-based approach.
- Submit Suspicious Activity Reports (SARs) to the National Crime Agency (NCA) where money laundering or terrorism financing is suspected or known.
- Subject to stringent KYC and compliance reviews by their wholesale currency supplier on an annual basis (where travel money is provided as a service).
- Typically carry out all transactions face-to-face and with customers that are usually local to the branch.
- Have a low-risk appetite across all their services and as such nearly always set limits and authorisations at a significantly level lower than regulations and guidance requires.
- Undertake transactions that are typically small in value. In 2020 the average value of both a pawnbroking contract and a foreign exchange transaction was £300. Transactions of, for example, £2,000 are not the norm and as such are usually required to pass stringent enhanced due diligence checks and additional scrutiny.

## Pawnbroking process

Under SYSC 6.1.1 they must have controls that enable them to identify, assess, monitor, and manage money laundering risk and these are comprehensive and proportionate to the nature, scale, and complexity of their activities.

### Transaction processes

- Transactions are typically face-to-face. Pawnbrokers set up a full customer record and customer due diligence is undertaken by gaining and maintaining records of: Customer ID (usually including photo ID), proof of name and address such as a utility bill (recently issued within a three-month period), date of birth (DOB) and any other information available to identify the customer.
- KYC includes checking the provenance of goods and ensuring that the customer has appropriate knowledge of the items being offered. Other suspicious behaviours are listed below.
- The SARs process is followed and reports made to NCA as necessary.
- They have in-store alarms and CCTV systems and footage is usually kept for a minimum of 30-days.
- In most cases, CDD documentation is scanned and retained on hard disk and supported by EID. Photo identification documents and proof of address along with any supporting documents, are usually scanned to the computer system and are linked to the customers transactions and a clear digital photograph of the customer, taken at the outset of the account opening procedure is recorded to their account.
- The transaction details are stored on the customer's account, providing a full audit trail of the entire account opening procedure, and customer transaction history. Monitoring of accounts is conducted on an ongoing basis with firms normally

setting threshold limits for EDD much lower than regulations require. Amongst other red flags monitoring will identify linked transactions.

- Where further background checks, CDD or EDD are required, most pawnbrokers will use the companies Creditsafe or Experian.
- The Validation process is face to face and pawnbrokers know most customers personally and it becomes very clear to the pawnbroker if there are issues regarding the customer.

### **Online Pawnbroking**

Online pawnbroking is extremely rare, but in the few businesses that undertake the activity the process is:

- The customer applies and completes their personal details online (name / address / DOB)
- They receive an information pack by post.
- They return ID and address documentation with the goods that they wish to pledge as well as their bank details
- The ID is checked against the pawnbrokers computer records and depending upon loan/asset value, a face time call is made to the customer.
- Assuming the loan is accepted, bank payment is processed which depending upon the bank has an account name check.
- All data held is encrypted.
- Customer repays using online portal (card or bank transfer) and goods are returned to the customer by Royal Mail special delivery

### **Money Laundering Compliance**

Under SYSC 6.3.9 pawnbrokers must appoint a Money Laundering Reporting Officer (MLRO) and under SYSC 6.3.7 policies and procedures established under SYSC 6.1.1 must include systems and controls that enable it to have policy and procedure documents in place to detect and prevent money laundering, including systems and controls that identify, assess, monitor and manage money laundering risk and are comprehensive and proportionate to the nature, scale and complexity of their activities.

- Staff must undergo AML training at least annually
- The MLRO must produce an annual report in respect of the operation and effectiveness of those systems and controls and makes any advisory points to Senior Managers to implement. This is reported at board level.
- Processes are in place to screen for PEP's and individuals on UK Sanctions List.
- Monetary limits are in place to trigger CDD and EDD processes, these are general set at a lower threshold than a bank because of the relatively low transaction value (around £300 for an average pawnbroking transaction).
- The MLRO is specifically aware of their individual responsibility to monitor, assess and report any suspicious activity and submit the appropriate SAR to the National Crime Agency (NCA).

Suspicious behaviour indicators used by pawnbrokers may be:

- Customers not wishing to provide identification or providing unsatisfactory identification
- Difficulty confirming the details regarding acquisition of the items being offered into pawn
- Anyone unwilling to be photographed or give additional reasonable personal details
- A customer providing address identification a far distance from where the store is located
- Any transactions that do not make commercial sense
- A suspicion that the person offering items into pawn does not own the goods, or have permission to have them in their possession
- Individuals carrying out large, one-off transactions
- Someone trying to offer goods where unlikely that the customer would own such items
- A person trying to divert the pawnbroker from their usual practices (for example insisting on a non-face-to-face transaction when this isn't a service provided by the pawnbroker)
- A customer reluctant to answer questions regarding the purpose of their transaction.

## Training

MLROs are trained in their AML policies and procedures through such online training modules as operated by the NPA, or specialist AML consultants, or training institutions such as the International Compliance Association (ICA) and pawnbrokers would welcome the opportunity to evidence such training and knowledge to UK Finance banking members.

Staff training is completed at least annually and is role specific. Understanding is tested, and training records maintained, records available to UK Finance members upon request.

## Gold Buying

Pawnbrokers buy gold from customers for either re-sale in their windows as retail, or for recycling. Much of the gold purchased will be damaged jewellery no longer worn by customers. All of the same processes for pawnbroking and travel money are followed, including rigorous identification checks and assessment that the items 'fit' the selling customer.

The NPA was at the forefront of producing a joint initiative between members, Surrey Police and the two leading national jewellers associations called the "Gold Standard." The Gold Standard sets out best practice by which gold buyers will operate and the standard is accredited by ACPO (formally the Association of Chief Police Officers, now the National Police Chiefs Council – (NPCC)), the Trading Standards Institute (TSI) and the National Measurement Office (NMO) and is fully recognised by the Home Office.

## The Gold Standard

The key commitments of the Standard are:

- Verification Protocols – obtain a name and address from every customer.
- Verify the customer's identity and where possible this will be via photographic ID.
- Only engage in transactions with customers over the age of 18.
- Make a formal record of every transaction and wherever possible we will photocopy or photograph the item(s) as part of the transaction and maintain our records accordingly.
- Where available ensure the transaction has been captured on CCTV and where the system is capable we shall retain the data for a minimum of 31 days.
- Keep transaction customer and photographic records for a minimum of three months and we will produce these (if requested) to the Police.
- Take every reasonable precaution to ensure the property being offered is not stolen.
- Use a UV light to check for forensic property marking.
- Every customer to verify they are the owner or have the permission of the owner to partake in the transaction.
- Suspicious activities to be reported to the police.

A pawnbroker is able to provide comprehensive details on how they realise the assets of gold and other precious metals, including what value of gold is sold to bullion dealers for recycling, and the details of the bullion dealer.

## Pawnbrokers as Bank Customers

Today's pawnbrokers are highly regulated entities offering vital access to financial services on the high street and maintaining the strictest ethical standards maintained. They work in competition to the benefit of customers, support vulnerable customers, and help prevent those customers turning to unregulated lenders.

As regulated entities themselves, pawnbrokers recognise that the compliance burden placed on the banks is onerous. As with the rest of society, the role of cash is diminishing in pawnbroking, with more and more business being transacted through cards and accounts.

The National Pawnbrokers Association wishes to work with UK Finance to demonstrate how the pawnbroking sector identifies, manages and mitigates risks.

- Clear ownership structures and UBO information
- Experienced, qualified management
- Proof of authorisation, registration, and supervision
- Risk Assessments, Policies and Procedures
- CDD and EDD controls and mechanisms
- Transaction Monitoring and SAR Reporting
- Regular, documented and tested staff training
- Regular audit and review of policies and procedures
- Details of third-party audits
- Transaction data and statistics are available to UK Finance members.

All of the above are available to UK Finance members upon request.

Pawnbrokers recognise the importance of targeted and efficient monitoring and acknowledge the need to be pro-active in alerting bank partners of any transactions outside of normal day to day parameters. Relationship management from the bank should not be required and the relationship need not be high maintenance.

If a bank identifies a weakness or an area for improvement, Pawnbrokers welcome the feedback and the opportunity to tweak. Fighting financial crime is an ever-evolving battle, and can only be won by the commercial sector, regulators and enforcers working together to make things increasingly difficult for the criminal.

### **In summary**

- Pawnbrokers are highly regulated
- No Pawnbroker has ever been accused of Money Laundering
- Average transaction size is small, around £300
- Transactions are Face to Face and KYC is undertaken to an exceptional standard.
- Travel Money wholesalers conduct rigorous AML audits on pawnbrokers
- All transactions are recorded and documented
- All NPA members should have controls and procedures in place to manage and mitigate the risks identified in the note above.