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Dear All

Conveyancing: OPBAS' perspective on money laundering risk in UK property transactions and opportunities to increase effectiveness

Our [OPBAS 2023/24 report](#) highlights our work to understand the challenges and complexity of anti-money laundering (AML) supervision in the often inherently high-risk conveyancing process. Conveyancing involves a transfer of the legal title of property. It is a key component in a well-functioning and competitive economy.

Professionals involved in conveyancing can be the first line of defence to help identify and manage the risk of money laundering. Effective supervisory activity and oversight by Professional Body Supervisors (PBSs) in this space is also vital to maximise opportunities to detect and prevent money laundering.

We recognise that many PBSs have already taken positive steps to tackle the money laundering risks around conveyancing services. We believe there are further opportunities to improve risk management and increase the likelihood of disrupting money launderers.

Conveying risk context

UK property remains sought after, reflecting the position of the UK as a global financial centre. This also means UK property has the potential to be misused by those with malicious or criminal intent.

Conveyancing can interact with other high-risk areas or services such as Trust and Company Service Providers (TCSPs) involving corporate entities and participants acting outside of the UK. OPBAS' previous [project work on TCSPs](#) confirmed that they can cause AML risk within the UK legal and accounting sectors. We note an emergence of cryptoassets interacting with property transactions, including through tokenisation, with the potential to impact the future AML risk landscape.

Through our previous OPBAS work on [risk identification and verification](#) and follow up activity, we still consider conveyancing as an inherently high-risk activity. The Financial Action Task Force (FATF), the global money laundering and terrorist financing watchdog, has produced helpful and relevant guidance related to this risk area¹. A clear understanding of the money laundering and terrorist financing risks present, together

¹ See for example <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/RBA-Real-Estate-Sector.pdf.coredownload.pdf>

with ongoing steps to improve supervisory effectiveness in applying a risk-based approach, remain essential in our view.

It is common for conveyancing activity to involve private individuals, corporate entities, property consultants, estate agents, solicitors, conveyancers, accountants, and notaries who are all subject to varying degrees of AML supervisory attention.

Given the complexity, we note a risk of reliance or assumption that others in the conveyancing chain or process will have carried out the necessary due diligence or taken appropriate risk mitigation action. We specify this as an 'appliance of reliance' where one party may incorrectly assume others involved in a process will act to mitigate money laundering risks, including the reporting of suspicions. Proactivity, appropriate due diligence and effective information and intelligence sharing can help to reduce this risk.

Further opportunities

We acknowledge that PBSs and related sector groups have already produced useful information and guidance relating to conveyancing risk. Constructive stakeholder engagement is happening, including through Intelligence Sharing Expert Working Groups (ISEWGs) which OPBAS helps to facilitate. While positive, in our view there are still more opportunities to better understand and mitigate related risk and to identify and utilise actionable intelligence. In turn, this can help us deliver tangible supervisory and enforcement outcomes.

Conveyancing can be complex and involve oversight from multiple AML supervisors along the chain. Continued coordination and engagement, working in partnership with law enforcement agencies is therefore crucial in tackling the harm from money laundering.

We see further opportunities including:

- To understand the risks in the end-to-end conveyancing process more fully for both residential and commercial property, given the multiple participants and AML supervisors. This could help identify stages where money laundering risk might be highest and the key stakeholders who can take the most impactful and coordinated risk-based mitigation actions.
- To refresh and maintain a more detailed understanding of component risk factors within conveyancing, which when combined can compound the inherent money laundering risk, using these to inform risk classification for supervisory purposes.
- For AML supervisors and other oversight bodies across the conveyancing process to engage, communicate and work even more closely to proactively identify overlaps and more importantly underlaps or gaps, including at or beyond the regulatory perimeter. This could help inform both informal and formal interventions (including policy or legislative based).
- Activity to improve the capture and sharing of actionable information and intelligence identified within conveyancing processes and transactions. This could include more activity by PBSs to assess both the quantity and quality of suspicious activity reports (SARs) made by AML supervised participants in the conveyancing process. This could also include maximising the value of intelligence or information gained during PBS supervision such as where suspicions fall short of the threshold for a SAR, using all available gateways and reporting mechanisms.

- To better understand the business models and financial incentives within conveyancing, especially for high-value high-margin property transactions but also high-volume lower margin operations, and how these influence the behaviour of market participants. This could demonstrate how participants balance the achievement of commercial outcomes with compliant and effective risk management and then inform risk-based AML supervision.

These proposed actions are not revolutionary but do require a whole of system mindset and approach, with proactivity and coordination to prevent, detect and disrupt money laundering. We warmly welcome further opportunity for civil society, think tanks and academia to continue to inform this discussion and activity.

Interim conclusion and ongoing action

We believe conveyancing needs continued proportionate risk-based focus and attention from UK AML supervisors, professionals, and other interested stakeholders.

Ongoing concerted action has the potential to be particularly valuable in the context of the UK [cross-system professional enablers strategy](#) developed by the National Economic Crime Centre (NECC) and OPBAS in close partnership with HM Government, supervisory bodies including HM Revenue and Customs (HMRC) and others.

Working in collaboration with partners, OPBAS remains focused on maximising the effectiveness of the UK's anti-money laundering supervisory regime in any way possible. OPBAS will continue to convene and proactively contribute by working with relevant stakeholders to drive further improvements.

Action for PBSs

We request that PBSs who supervise conveyancing activities within underlying populations review the contents of this letter and reassess current risk-based approaches to identify any implementable opportunities to increase effectiveness.

PBSs can expect OPBAS to then seek representations and evidence of steps taken in our ongoing proactive engagement and through our rolling proactive onsite assessment activity.

Yours sincerely

OPBAS