
FINAL NOTICE

To: Institute of Certified Bookkeepers
Ref No: 489802
Address: Oakingham House, Frederick Place, High Wycombe,
Buckinghamshire, England, HP11 1JU

Date: **28 November 2025**

1. ACTION

- 1.1 For the reasons given in this Notice, the Financial Conduct Authority ("the Authority") hereby imposes on the Institute of Certified Bookkeepers ("ICB") a public censure pursuant to Regulation 16 of the Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017 for breaching certain provisions of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("MLRs 2017").
- 1.2 The public censure takes the form of this Final Notice, which will be published on the Authority's website.

2. SUMMARY OF REASONS

- 2.1. ICB is an international Professional Body Supervisor ("PBS") for bookkeepers and a not-for-profit organisation, which seeks to promote and maintain the standards of bookkeeping as a profession. In the UK, ICB is responsible under the MLRs 2017 for supervising over 3,000 members ("Members"), with a focus on monitoring each Member's compliance with the requirements of the MLRs 2017.
- 2.2. In turn, ICB is one of twenty-five PBSs in the legal and accountancy sectors that are supervised by the Office for Professional Body Anti-Money Laundering Supervision ("OPBAS"), which is part of the Authority. The UK government

established OPBAS in 2018 with two key objectives: (i) to ensure robust and consistently high standards of supervision by the PBSs, and (ii) to facilitate collaboration along with information and intelligence sharing between PBSs, statutory supervisors and law enforcement agencies.

- 2.3. Between 1 January 2022 and 26 July 2023 ("the Relevant Period"), ICB breached certain provisions of the MLRs 2017. A number of the breaches were either caused or exacerbated by a decision ICB took to suspend inspections for over nine months, between 17 October 2022 and 26 July 2023 ("the Suspension Period"). There were several serious issues and risks that ICB was facing in the run up to the Suspension Period, which made the need to recommence inspections a priority. Despite this, it took ICB over nine months to do so.
- 2.4. During the Relevant Period, 1 January 2022 to 26 July 2023, ICB:
 - 2.4.1. did not effectively monitor its members, as required by regulation 46(1) MLRs 2017;
 - 2.4.2. did not adopt an adequate risk-based approach to the exercise of its supervisory functions, which needed to be informed by risk assessments carried out under Regulation 17 MLRs 2017, as required by Regulation 46(2)(a) MLRs 2017;
 - 2.4.3. failed to base the frequency and intensity of its onsite and off-site supervision on the risk profiles prepared under Regulation 17(4), as required by Regulation 46(2)(c); and
 - 2.4.4. failed to regularly review Members' risk profiles as required by Regulation 17(8) MLRs 2017.
- 2.5. During the Suspension Period, 17 October 2022 to 26 July 2023, ICB:
 - 2.5.1. failed to keep a record in writing of the actions it has taken in the course of its supervision, and of its reasons for deciding not to act in a particular case, in breach of Regulation 46(2)(d); and
 - 2.5.2. failed to take appropriate measures to review the adequacy of the policies, controls and procedures adopted by relevant persons and the way in which those policies and controls had been implemented, as required by Regulation 46(4)(b) MLRs 2017.

- 2.6. The MLRs 2017 required ICB to carry out risk assessments, formulate risk profile scores for each ICB Member, and use that information to determine the frequency and intensity of its on-site and off-site supervision of those Members. In order to conduct risk assessments and produce risk profiles, ICB used AML Software A, which required Members to regularly input data, which was then fed into an algorithm to determine each Member's risk profile score (low, medium or high risk).
- 2.7. In the period 1 January 2022 to 16 October 2022, there were known issues with the data and with Member compliance with ICB's requirements to provide information. The position was such that ICB's Compliance team had limited confidence in the accuracy of the risk assessments and risk profiles that were produced during this period. In practice, this meant ICB could not use them as a reliable basis to target its key supervisory activities, such as inspections. There was also a lack of understanding within ICB about how exactly the risk profiles were calculated by AML Software A, which further undermined confidence in the risk profiles produced. These issues meant that the focus of ICB's supervisory activity during this period, including its inspection activity, came to be driven primarily by one risk factor: whether or not Members were using AML Software A and keeping their data on it up-to-date. As a result, ICB did not have reliable risk profile scores to target its inspection activity on Members with the highest risk. This was not an adequate risk-based approach to the exercise of ICB's supervisory functions, in breach of Regulation 46(2)(a) and (c) and Regulation 46(1) MLRs 2017.
- 2.8. Although ICB was taking steps to improve the position, it is against this backdrop that a decision was made on 17 October 2022 to suspend all inspections ("the Suspension Period"). This included both onsite and virtual inspections using Zoom. It also involved the suspension of desk-based reviews, known as AML Member Reviews, for a period of approximately six months. The decision was made without any plan to mitigate the impact on ICB's ability to adequately supervise its Members during the Suspension Period. Onsite and Zoom inspections were crucial elements of ICB's supervisory approach, because they were ICB's most intensive supervisory tools in terms of their scope and levels of scrutiny. They were particularly important in circumstances where ICB was acutely aware that there were concerns about the completeness and accuracy of the data it held at that

point in time, and by extension, with the risk profiles ICB was supposed to be using to target onsite and off-site supervision.

- 2.9. The impression held by ICB's Compliance Team was that the suspension of inspections would be for a few weeks and a list of Members to be inspected urgently following the lifting of the Suspension Period was drawn up. Despite this, the Suspension Period lasted for nine months until 26 July 2023. This meant that during the Suspension Period, when ICB had concerns with Members' compliance with the MLRs 2017, it did not have an appropriate process or strategy to monitor or inspect those Members and take necessary measures to ensure compliance with the MLRs 2017. This was not an appropriate risk-based approach and further exacerbated the breaches of Regulation 46(2)(a) and (c) and Regulation 46(1) of the MLRs 2017.
- 2.10. It was only during inspections that ICB could look at policies and procedures which were not otherwise available to ICB. Therefore, ICB was also in breach of Regulation 46(4)(b) during the Suspension Period, which required ICB to take appropriate measures to review the adequacy of the policies, controls and procedures adopted by Members and the way in which those policies, controls and procedures had been implemented.
- 2.11. The Authority has found that ICB failed to regularly review or validate ICB's risk categories and methodology for categorising risk because during the Relevant Period key staff responsible for compliance and targeting supervisory activity at ICB did not fully understand how the algorithm on AML Software A worked and therefore how precisely it calculated Members' risk profiles. This was a breach of Regulation 17(8) MLRs 2017.
- 2.12. The Authority has also determined that ICB has poor records of its supervisory activities and key supervisory decisions during the Suspension Period. In particular, ICB has an absence of supporting documentation relating to the decision to suspend onsite and Zoom inspections from 17 October 2022, with no written record setting out a reasoned explanation. The failure to maintain written records of this type was in clear breach of Regulation 46(2)(d) MLRs 2017.
- 2.13. The Authority has therefore decided to publicly censure ICB.

3. DEFINITIONS

The definitions below are used in this Notice:

"AML" means Anti-Money Laundering;

"the Act" means the Financial Services and Markets Act 2000;

"AML Software A" means the software used by ICB to hold data on ICB Members for the purpose of supervising their compliance with the MLRs 2017;

"AML Member Reviews" means desk-based reviews of Members' AML compliance involving open-source research, checks of Members' records on AML Software A and searches on intelligence databases;

"the Authority" means the Financial Conduct Authority;

"ICB" means the Institute of Certified Bookkeepers;

"Members" means members of the Institute of Certified Bookkeepers that had ICB practising licences;

"Software Company Z" means a software company that owned and provided AML Software A to ICB;

"the MLRs 2007" mean the Money Laundering Regulations 2007, which have been revoked and replaced by the MLRs 2017;

"the MLRs 2017" mean the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;

"OPBAS" means the Office for Professional Body Anti-Money Laundering Supervision, which is part of the Authority;

"the OPBAS Regulations 2017" means the Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017;

"PBS" means a professional body supervisor in the legal and accountancy sectors which is supervised by OPBAS under the OPBAS Regulations 2017 and has the

same meaning as a self-regulatory organisation as set out in Regulation 2 of the OPBAS Regulations 2017;

“the Relevant Period” means from 1 January 2022 to 26 July 2023;

“the Suspension Period” means from 17 October 2022 to 26 July 2023 when all onsite inspections and equivalent Zoom inspections were suspended at ICB (unless they had already been arranged prior to 17 October 2022). It also includes a six-month period when AML Member Reviews were suspended;

“the Tribunal” means the Upper Tribunal (Tax and Chancery Chamber); and

“TCSPs” means trust and company service providers that provide services related to formation, management, and administration of legal entities like trusts and companies.

4. FACTS AND MATTERS

Background

- 4.1. ICB was founded in 1996 in the UK as a professional body for bookkeepers. In 2007, the MLRs 2007 came into force, making it a legal requirement for bookkeepers in public practice to be supervised by a HM Treasury-appointed body such as ICB and to implement money laundering controls to identify, prevent, and report money laundering offences.
- 4.2. On 26 June 2017, the MLRs 2017 replaced the MLRs 2007. One of the implications of the MLRs 2017 was that they required those subject to the Regulations to place a greater emphasis on adopting a risk-based approach towards AML compliance.
- 4.3. ICB supervises over 3,000 Members for AML compliance, including ensuring they conduct AML risk assessments, implement AML policies and procedures, and perform client due diligence. In turn, since 17 January 2018 ICB has been supervised by OPBAS, which has responsibility under the OPBAS Regulations 2017 for ensuring that PBSs in the legal and accountancy sectors, including ICB, meet the standards of the MLRs 2017 by effectively supervising their members’ compliance with the MLRs 2017.

Requirements for PBSs to take a risk-based approach to supervision of their members under the MLRs 2017

- 4.4. Regulation 17 of the MLRs 2017 requires that PBSs adopt a risk-based approach to supervising their members, by (amongst other things):
- (1) carrying out risk assessments to identify and assess the money laundering and terrorist financing risks affecting their member population (as required by Regulation 17(1));
 - (2) developing and recording in writing risk profiles for the members they supervise (as required by Regulation 17(4)).
 - (3) reviewing the risk profiles developed under Regulation 17(4) at regular intervals and following any significant event or developments which might affect the risks to which its own sector is subject (as required by Regulation 17(8)).
- 4.5. The risk assessments carried out and risk profiles developed under Regulation 17 are not ends in themselves. Under Regulation 46 of the MLRs 2017, PBSs must use them to:
- (1) adopt and inform a risk-based approach to the exercise of their supervisory functions (as required by Regulation 46(2)(a)), meaning they should target supervisory resources on the basis of the risk assessments and member risk profiles developed;
 - (2) base the frequency and intensity of on-site and off-site supervision on the risk profiles (as required by Regulation 46(2)(c) MLRs 2017); and
 - (3) take appropriate measures to review the adequacy of the policies, controls and procedures adopted by their members and the way in which those controls have been implemented (as required by Regulation 46(4)(b) of the MLRs 2017).

Other relevant requirements under Regulation 46 of the MLRs 2017

4.6. Other requirements of the MLRs 2017 that are relevant to the supervisory conduct of ICB set out in this Notice are that PBSs are required to:

- (1) effectively monitor their members for the purpose of securing compliance with the MLRs 2017 (as required by Regulation 46(1)); and
- (2) keep a record in writing of the actions the PBS takes in the course of its supervision, and of its reasons for deciding not to act in a particular case (as required by Regulation 46(2)(d)).

ICB's use of supervisory tools in the period 1 January 2022 to 16 October 2022

4.7. In the period 1 January 2022 to 16 October 2022, ICB's AML supervisory approach consisted of using different supervisory tools with the goal of using more intensive supervision for Members deemed the highest risk for breaches of the MLRs 2017. The principal supervisory tools used by ICB during this period were as follows:

- (1) AML Member Reviews: These involved open-source research, checks of Members records on AML Software A (ICB's AML risk-management software) and searches on intelligence databases. They were a lighter-touch supervisory tool compared to inspections (see below) because they did not involve any interaction with the Member and did not entail a review of AML policies and procedures, systems and controls or sample checks on client due diligence files. AML Member Reviews were always carried out in advance of inspections and most AML Member Reviews were followed by an inspection.
- (2) Onsite inspections and Zoom inspections: These took place when AML Member Reviews had identified that a Member was likely to be in breach of ICBs' professional conduct rules and/or the MLRs 2017. They were ICB's most in-depth and intensive supervisory tools because they involved reviewing a wide range of AML related documentation provided by the Member and interviewing staff about the Members' AML systems and controls. Onsite inspections and Zoom inspections had the same scope and requirements and were conducted by the same contract inspectors. Whilst

ICB's Compliance Team preferred to conduct onsite inspections, they would sometimes conduct Zoom inspections, in special circumstances. A high proportion of onsite and Zoom inspections confirmed breaches of the MLRs 2017 and enforcement activity was deemed necessary.

ICB's approach to selecting Members for supervisory scrutiny in the period 1 January 2022 to 16 October 2022

- 4.8. For ICB to carry out the risk assessments required by Regulation 17(1) MLRs 2017, Members were required to answer questions about their clients on ICB's AML Software A. This had been provided to ICB by a third-party software company, Software Company Z. An algorithm in AML Software A then used the information provided by Members to produce a risk profile score for each Member's client (either "high risk", "medium risk" or "low risk"). An overall risk profile score for the ICB Member's practice (as required by Regulation 17(4) MLRs 2017) was also generated (again these were "high risk" "medium risk" and "low risk").
- 4.9. ICB was required to adopt an adequate risk-based approach to the exercise of its supervisory functions, which needed to be informed by the risk assessments and the risk-profiles of its Members developed pursuant to Regulation 17 MLRs 2017. As part of its supervision strategy, ICB was also required to determine the frequency and intensity of its on-site and off-site supervision, using the risk profiles it had developed (as stated at paragraph 4.5 (2) above).
- 4.10. In the period 1 January 2022 to 16 October 2022, ICB's Compliance Team had limited confidence in the risk profiles for Members generated by AML Software A, which meant that in practice they did not use them as a basis for targeting key supervisory activities, including inspections. The two key reasons for this were that:
- (1) ICB's Compliance Team was acutely aware that large numbers of Members were either not using AML Software A at all, or were failing to keep it up to date with the required client information, in breach of ICB's professional conduct rules. Without complete and up-to-date data, it was obvious to ICB's Compliance Team that AML Software A was not generating reliable and accurate risk profile scores for Members and it could not therefore be

used as a reliable tool to target supervisory activity. This was a significant issue;

- (2) There was a lack of understanding within ICB of how AML Software A generated the risk-ratings for Members. Whilst it was understood that the software used an algorithm to generate risk ratings for each ICB Member, key staff responsible for compliance matters and for targeting supervisory activities did not have a clear and comprehensive understanding of what factors were considered in the algorithm and the relative weights given to each factor. This was because the algorithm had last been updated several years previously by staff who were no longer at ICB and no one within ICB could locate a copy of the algorithm, or instructions given to Software Company Z, which had designed it. When ICB staff made enquiries with Software Company Z in April 2022, they were not provided with the requested information, and instead were provided with an iteration of the algorithm from 2017, one that had not been in use for many years. When a former ICB Compliance staff member was questioned by the Authority at interview about the risk-rating algorithms and their attempts to obtain copies from the people within ICB they considered would hold the information, and from Software Company Z, they stated: *"No one knew, which rings massive alarm bells. You can't have a system that you don't understand ... having no one there to actually understand the mechanics of it, to me just doesn't seem right"*.

4.11. The issues with the reliability of the data used to formulate the risk profiles, coupled with the lack of understanding about how the ratings were calculated, undermined the usefulness of the risk profiles and risk assessments as a basis for targeting supervisory activity. As a result of these issues, the focus of ICB's supervisory activity during this period came to be driven primarily by one risk factor: whether or not Members were using or keeping AML Software A up to date. This was not an adequate risk-based approach to the exercise of ICB's supervisory functions, as required by Regulation 46(2)(a) and (c) MLRs 2017.

4.12. The lack of knowledge about what data ICB held and how the AML Software A algorithm used that information to calculate risk ratings also resulted in confusion internally. For example: although ICB collected information on Members that were TCSPs and those that provided payroll services, the information was not easily

accessible to those responsible for targeting supervisory activity. This was significant because both TCSPs and payroll services were identified by the UK National Risk Assessment 2020, published by the Home Office and HM Treasury, as high-risk services for money laundering.

- 4.13. Due to the lack of understanding on what data was already held by ICB on Members acting as TCSPs, ICB issued a TCSP survey to all Members in June 2022 and in the following months, ICB's Compliance Team chased for outstanding responses. ICB's Compliance Team also had plans to initiate a similar Payroll Survey in late 2022, although this was never issued. However, much of the information on TCSPs and Payroll that the Compliance Team was seeking was already held on AML Software A, but due to this lack of understanding and the issues identified with the reliability of the data (see paragraphs 4.11 & 4.12), the information was not being used during the Relevant Period to target supervisory activities.
- 4.14. Having gathered additional data on Members engaged in TCSP services via a survey that was accessible to the ICB Compliance Team (see paragraph 4.13 above), around 30 September 2022 ICB's Compliance Team devised a plan to start to factor TCSP survey data into its targeting of supervisory activities, having not done so previously. The plan was to prioritise a subset of this high-risk category by targeting supervisory activities at Members who had both out-of-date data on AML Software A and were also TCSPs. However, this plan was not properly implemented because little more than two weeks later, on 17 October 2022, inspections (both onsite and Zoom inspections) and AML Member Reviews were suspended (as discussed in detail from paragraphs 4.16 to 4.22). The failure to use the TCSP data initially to target supervisory activity was compounded by the suspension of these planned supervisory activities and meant that ICB did not adopt an adequate risk-based approach to the exercise of its supervisory functions during this period, as required by Regulation 46(2)(a).
- 4.15. By September 2022, ICB had made progress in respect of a separate workstream, which aimed to reduce the number of Members that were not using AML Software A at all. However, around 30 September 2022, just prior to the decision to suspend inspections, ICB then identified 1,386 Members that had not updated the AML Software A with client information in the previous 12 months (excluding Members whose practising licence had expired or been disabled). This equated to approximately 45% of the supervised ICB Member population. While a portion of

these ICB Members may have not had any clients at all, the remaining ICB Members were considered by the ICB Compliance team as 'high risk' for breaches of the MLRs 2017 and accordingly, in the autumn of 2022, ICB should logically have been looking to ramp up its supervisory activity, including its inspection activity in response.

Suspension of Inspections

- 4.16. Onsite inspections and Zoom inspections were crucial elements of ICB's supervisory approach because they were ICB's most intensive supervisory tools in terms of their scope and levels of scrutiny. They were particularly important in circumstances where ICB knew that there were underlying issues with the data on AML Software A, much of which was at that point incomplete or out of date.
- 4.17. On 17 October 2022, an ICB director ordered the suspension of all inspections, unless already arranged. This decision was made without any consultation with members of ICB's Compliance Team, who were given the impression that the suspension would only last for a number of weeks. In fact, inspections remained completely suspended for a nine-month period until 26 July 2023. As set out above, this suspension decision took place in the context of ICB having recently identified that a high proportion of its members were not keeping their client information on AML Software A up to date and ICB having recently identified the need to target Members providing TSCP services for additional supervision.
- 4.18. The suspension of inspections was not confined to onsite inspections, as AML Member Reviews and Zoom inspections were also suspended at the same time. The AML Compliance Monthly Reports for both November 2022 and December 2022, show that there were: 0 AML Member Reviews, 0 Zoom inspections and 0 onsite inspections. In addition, a member of ICB's Compliance Team wrote in an email on 1 November 2022 *"Whilst there are no inspections, there is no point in completing Member Review's. The member review can become out of date reasonably quickly, so would need to be completed again when the inspections start again"*.
- 4.19. Following the suspension of AML Member Reviews, onsite inspections and Zoom inspections, ICB's Compliance Team started compiling a list of members that they considered should be put forward for AML Member Reviews and inspections once the suspension had been lifted. This meant that during the Suspension Period,

when ICB had concerns with Members compliance with the MLRs 2017, it did not have an appropriate process or strategy to monitor or inspect those Members and take necessary measures to ensure their compliance with the MLRs 2017. Considering the length of the Suspension Period, this meant that for an extended period, ICB failed to adopt an appropriate risk-based approach to the exercise of its supervisory functions, as required by Regulation 46(2)(a) of the MLRs 2017. It was also a breach of the requirement in Regulation 46(1) of the MLRs 2017 for a PBS to effectively monitor its supervised population to secure compliance with the MLRs 2017.

- 4.20. During the Suspension Period, Member risk profiles were not used to inform the frequency and intensity of onsite or indeed offsite supervision, as required by Regulation 46(2)(c) of the MLRs 2017. There was no onsite supervision and the Suspension Period continued for nine months.
- 4.21. It was also only during inspections that ICB could look at a Member's policies and procedures, which were not otherwise made available to ICB. Therefore, during the Suspension Period, ICB was unable to comply with Regulation 46(4)(b), which required ICB to take appropriate measures to review the adequacy of the policies, controls and procedures adopted by Members and the way in which those policies, controls and procedures had been implemented.
- 4.22. Although AML Member Reviews had re-commenced by April 2023, inspections remained suspended until 26 July 2023, meaning that ICB was still not applying more intensive and deeper scrutiny to those Members that ICB considered were most at risk of having breached the MLRs. As explained below, there were also no credible alternatives to inspections in place during the Suspension Period.

Reasons alleged by ICB for the suspension of inspections and why they do not justify a protracted suspension period

- 4.23. The reasons for the suspension of inspections in October 2022 put forward by ICB in correspondence with OPBAS and in interviews with the Authority's Enforcement team were inconsistent and did not justify such a protracted suspension period. The different reasons are as follows:

- (1) ICB wanted to review the enforcement sanctions policy due to negative publicity on social media in March 2022 about ICB enforcement fines being unduly harsh and causing Members significant mental distress;
 - (2) ICB had concerns about the optics of male ex-police officers acting as inspectors and visiting female Members' homes;
 - (3) The Compliance team were apparently not extracting correct information from AML Software A; and
 - (4) Other PBSs were not conducting as many onsite inspections relative to ICB and were instead focusing more on virtual assessments.
- 4.24. ICB failed to explain to the Authority a clear causal link between each of the factors listed above and the decision to suspend inspections. Even if taken at face value, the reasons provided could only have warranted a brief pause in inspections to assess urgent changes. However, they cannot credibly justify the nine-month Suspension Period that followed the decision in October 2022.
- 4.25. In respect of (1) in paragraph 4.23 above, the review of the enforcement sanctions policy commenced in April 2022, after negative posts on social media in March 2022. Inspections were suspended in mid-October 2022. In light of this timing, ICB has failed to explain what changed in October 2022 to warrant the suspension of inspections. Further, ICB has not been able to explain why inspections could not continue in parallel to a review of the enforcement sanctions policy.
- 4.26. The reasons at (2) and (4) in paragraph 4.23 above do not justify ICB also ceasing Zoom inspections, which it had been conducting throughout the period 1 January 2022 to 16 October 2022. Instead of increasing Zoom inspections to seek to offset the lack of intensive supervision from suspending onsite inspections, ICB also suspended them at the same time as onsite inspections.
- 4.27. The ICB director who instructed the suspension of inspections was asked at interview why ICB did not continue conducting Zoom inspections and replied as follows: *"I might've been frustrated in the meeting and just said, 'That's it, we're stopping those', without considering to identify the difference that they could've*

carried on with Zoom". This shows there was no separately considered rationale for ceasing Zoom inspections.

- 4.28. In respect of (3) in paragraph 4.23 above, two members of ICB's Compliance Team informed the Authority at interview that they were not provided with proper training on how to extract data, despite repeatedly requesting such training. In any event, issues with data would not justify a protracted Suspension Period but instead indicate a need for increased inspections and other data-gathering supervisory activity.
- 4.29. During the Suspension Period, compliance staff repeatedly escalated their concerns about the suspension of inspections and expressed the view that they needed to be recommenced as soon as possible. Inspections were universally viewed as important within ICB, yet ICB failed to take timely action to recommence inspections.

No credible alternatives to inspections

- 4.30. By ceasing inspections, ICB was not taking an appropriate risk-based approach to its supervision during the Suspension Period. ICB was not targeting its supervisory activities based on risk assessments of Members. It simply ceased inspections for nine months (and for a shorter period of approximately six months, it also ceased AML Member Reviews / Enhanced Intelligence Reviews) with no contingency measures in place. This occurred in circumstances where ICB knew: (a) that there were serious issues with the data it did hold; and (b) that, despite these issues, that data formed the basis of ICB's risk assessments and risk profiles.
- 4.31. ICB has provided numerous sets of data to OPBAS and the Authority's Enforcement team showing that from April 2023, ICB had recommenced AML Member Reviews (although their name had been changed to "Enhanced Intelligence Reviews"). These were not credible alternatives to inspections because they did not have a comparable scope or involve anything like the same level of scrutiny as onsite inspections or Zoom inspections.
- 4.32. During the Suspension Period, ICB carried out onboarding interviews and approvals work, education activities for Members and a remediation project to improve the integrity of the data held on Members. Although these activities and improvements were welcome, they were not credible alternatives to inspections

and did not mean that ICB was taking an appropriate risk-based approach to the supervision of its Member population during the Relevant Period.

Failure during the Relevant Period to regularly review risk profiles in breach of Regulation 17(8) of the MLRs 2017

- 4.33. As explained at paragraph 4.8, ICB's approach to risk profiling throughout the Relevant Period involved requiring Members to provide information about their clients on AML Software A by answering questions in respect of each client. AML Software A then used an algorithm to create risk ratings for each client of the Member, and those ratings were then used as part of the calculation which determined the ICB Member's overall risk profile. These risk ratings would be categorised as "low risk", "medium risk and "high risk".
- 4.34. Given the importance of risk profiling to ICB's supervisory obligations, it was critical that ICB reviewed those risk profiles at regular intervals and following any significant event or developments which might affect the risks in ICB's member population, as required by Regulation 17(8) of the MLRs 2017. In order to do that, it was necessary to have a detailed understanding of how those risk profiles were constructed. That would necessarily involve a full understanding of the inputs into the algorithm that was used to calculate the risk score for Members.
- 4.35. ICB failed to take steps to regularly review or validate ICB's risk categories and methodology for categorising risk because during the Relevant Period, key staff responsible for compliance and targeting supervisory activities did not fully understand how the algorithm on AML Software A worked and therefore how precisely it calculated Members' risk profiles. No one at ICB had access to or had reviewed the risk rating algorithm for assessing money laundering risks for Members to construct member risk profiles.
- 4.36. In March 2023, ICB started to take the view that larger Members by client number should be subject to additional scrutiny due to complaints and concerns about two large members. Once inspections were re-commenced on 26 July 2023, they were targeted at the larger Members. However, no updates were made to the AML Software A algorithm to reflect this heightened concern about large Members or to adjust the corresponding risk profiles. This demonstrates that ICB was not

regularly reviewing the inputs into the algorithm following a significant event or development which might affect the risks to which its own sector is subject.

Failure to keep a record in writing of the actions it has taken in the course of its supervision, and of its reasons for deciding not to act in a particular case, as required by Regulation 46(2)(d) of the MLRs 2017

- 4.37. A key purpose of the record keeping required by Regulation 46(2)(d) of the MLRs 2017 is to ensure that a PBS is able to demonstrate why it took decisions in the exercise of its supervisory functions. This requires that it record the reasons for its decisions and that the records should be sufficiently thorough to show how and why decisions were made. Despite this Requirement, ICB has poor records of its supervisory activities and key supervisory decisions across the Relevant Period.
- 4.38. In particular, ICB has an absence of supporting documentation relating to the decision to suspend onsite and Zoom inspections from October 2022, with no written record setting out a reasoned explanation for the suspension of inspections. This was despite the broad consensus within ICB that inspections were a critically important element of ICB's risk-based approach to supervision.
- 4.39. ICB's poor record-keeping in respect of its supervisory activities across the Relevant Period led to ICB providing different sets of data to both OPBAS and the Authority's Enforcement team. These had significant discrepancies and also differ from ICB's published AML Supervision Annual Report for 6 April 2022 to 5 April 2023.
- 4.40. More generally, various emails identified in the investigation also make explicit references to a lack of clear record keeping at ICB during the Relevant Period.

ICB Engagement and Improvement

- 4.41. ICB has engaged constructively with OPBAS since the issues identified in this Notice came to light and has worked to address the concerns set out in this public censure. ICB has also continued to actively participate in AML supervisor industry events and forums, demonstrating a willingness to learn from past failings and contribute to broader regulatory discussions.

- 4.42. Since the end of the Relevant Period of this Notice, ICB has provided evidence to the Authority that shows it has significantly improved its staff's understanding of how the algorithm used by AML Software A generates risk profiles for Members.

5. FAILINGS

- 5.1. The regulatory provisions relevant to this Notice are referred to in Annex A.
- 5.2. Between 1 January 2022 and 26 July 2023 ("the Relevant Period"), ICB:
- 5.2.1. did not effectively monitor its members, as required by regulation 46(1) MLRs 2017;
 - 5.2.2. did not adopt an adequate risk-based approach to the exercise of its supervisory functions, which needed to be informed by risk assessments carried out under Regulation 17 MLRs 2017, as required by Regulation 46(2)(a) MLRs 2017;
 - 5.2.3. failed to base the frequency and intensity of its onsite and off-site supervision on the risk profiles prepared under Regulation 17(4), as required by Regulation 46(2)(c); and
 - 5.2.4. failed to regularly review Members' risk profiles as required by Regulation 17(8) MLRs 2017.
- 5.3. Between 17 October 2022 and 26 July 2023 ("the Suspension Period"), ICB:
- 5.3.1. failed to keep a record in writing of the actions it had taken in the course of its supervision, and of its reasons for deciding not to act in a particular case, in breach of Regulation 46(2)(d); and
 - 5.3.2. failed to take appropriate measures to review the adequacy of the policies, controls and procedures adopted by relevant persons and the way in which those controls had been implemented, as required by Regulation 46(4)(b) MLRs 2017.

6. SANCTION

- 6.1. The Authority has considered the disciplinary and other options available to it and has concluded that a public censure is the appropriate sanction in the circumstances of this case.
- 6.2. The outcomes available under the OPBAS Regulations 16 and 17 are that the Authority may publish a statement censuring the PBS (Regulation 16) and/or it may recommend to the Treasury that a PBS is removed from Schedule 1 of the MLRs 2017 (Regulation 17). The Authority does not have powers under the OPBAS Regulations 2017 to impose a financial penalty on a PBS.
- 6.3. The principal purpose of issuing a public censure is to promote high standards of regulatory conduct by deterring persons who have committed breaches from committing further breaches and helping to deter other persons from committing similar breaches, as well as demonstrating generally the benefits of compliant behaviour.
- 6.4. The Authority considers that ICB's breaches of certain provisions of the MLRs 2017 are serious failings and that a public censure should be imposed to demonstrate to ICB and other PBSs the seriousness with which the Authority regards the failings set out above.

7. PROCEDURAL MATTERS

- 7.1. This Notice is given to ICB under Regulation 20(2) of the OPBAS Regulations 2017 in accordance with section 390 of the Act.
- 7.2. The following statutory rights are important.

Decision maker

- 7.3. The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

Publicity

- 7.4. Regulation 21(3) of the OPBAS Regulations 2017 provides that where the Authority gives a Decision Notice relating to public censure, it must publish information on the type and nature of the breach, and on the identity of the PBS

on whom the measure is imposed, together with such other information about the matter to which a Decision Notice relates as it considers appropriate.

- 7.5. Pursuant to Regulation 20(2) of the OPBAS Regulations 2017, section 390 (final notices) of FSMA applies to a decision notice given under Regulation 19(4) of the OBPAS Regulations 2017 in relation to public censure. This Final Notice constitutes the statement of public censure.

Authority contacts

- 7.6. For more information concerning this matter generally, contact Sam Nason (email: sam.nason@fca.org.uk) or Rory Neary at the Authority (email: rory.neary2@fca.org.uk).

Lisa Ablett

Acting Head of Department

Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. RELEVANT STATUTORY PROVISIONS

The Financial Services and Markets Act 2000 ("the Act")

- 1.1. The Authority's statutory objectives, set out in section 1B(3) of the Act, include protecting and enhancing the integrity of the UK financial system (section 1D of the Act).

The Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017 (the OPBAS Regs 2017)

- 1.2. Regulation 16(1) of the OPBAS Regs 2017 states that if the Authority considers that a self-regulatory organisation has failed to comply with a supervision requirement, the Authority may may publish a statement censuring the self-regulatory organisation.
- 1.3. Regulation 16(3) states that the Authority must not censure a self-regulatory organisation under Regulation 16 for failure to comply with a requirement listed in Regulation 16(1) if the Authority is satisfied that the self-regulatory organisation took all reasonable steps and exercised all due diligence to ensure that such a requirement would be complied with.

Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("the MLRs 2017")

- 1.4. Regulation 17 of the MLRs 2017 sets out to ensure that PBSs adopt a risk-based approach to supervising their members.
- 1.5. Regulation 17(1) requires each PBS to identify and assess the international and domestic risks of money laundering and terrorist financing to which those relevant persons for which it is the supervisory authority ("its own sector") are subject.
- 1.6. Regulation 17(4) requires each PBS to develop and record in writing risk profiles for each member they supervise.

- 1.7. Regulation 17(8) requires each PBS to review the risk profiles developed under Regulation 17(4) at regular intervals and following any significant event or developments which might affect the risks to which its own sector is subject, such as:
- (a) significant external events that change the nature of the money laundering or terrorist financing risks;
 - (b) emerging money laundering or terrorist financing risks;
 - (c) any findings resulting from measures taken by other supervisory authorities;
 - (d) any changes in the way in which its own sector is operated;
 - (e) significant changes in regulation.
- 1.8. Regulation 46(1) requires a PBS to effectively monitor the relevant persons for which it is the supervisory authority for the purpose of securing compliance with the MLRs 2017.
- 1.9. Regulation 46(2)(a) requires each PBS to adopt and inform a risk-based approach to the exercise of their supervisory functions, informed by the risk assessments it carried out under regulation 17.
- 1.10. Regulation 46(2)(c) MLRs 2017 requires each PBS to base the frequency and intensity of its on-site and off-site supervision on the risk profiles prepared under regulation 17(4).
- 1.11. Regulation 46(2)(d) requires each PBS to keep a record in writing of the actions it has taken in the course of its supervision, and of its reasons for deciding not to act in a particular case.
- 1.12. Regulation 46(4)(b) requires each PBS, in accordance with its risk-based approach, to take appropriate measures to review the adequacy of the policies, controls and procedures adopted by relevant persons under regulation 19 to 21 and 24, and the way in which those policies, controls and procedures have been implemented.

2. RELEVANT GUIDANCE

- 2.1. The Enforcement Guide sets out the Authority's approach to exercising its main enforcement powers.
- 2.2. The OPBAS Sourcebook sets out guidance to PBSs on how to comply with their obligations under the MLRs 2017.