

# OPBAS

OFFICE FOR PROFESSIONAL BODY AML SUPERVISION  
FINANCIAL CONDUCT AUTHORITY



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## Anti-Money Laundering Supervision by the Legal and Accountancy Professional Body Supervisors: Progress and themes from our 2023/2024 supervisory work

**September 2024**

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## Introduction

Legal and accounting professionals are vital gatekeepers to the legitimate economy but remain vulnerable to the risk of money laundering. Effective anti-money laundering (AML) supervision undertaken by professional body supervisors (PBSs) is crucial in ensuring that the legal and accountancy professions help safeguard the integrity of the UK's economy and reputation as a global financial centre. Robust AML systems and controls in these sectors instil trust and confidence in the financial markets, making the UK an attractive place for firms and investors.

The Office for Professional Body Anti-Money Laundering Supervision (OPBAS) supervises the 22 PBSs across the accountancy and legal sectors (plus 3 who have delegated their regulatory functions). Our key objectives are to:

- ensure a robust and consistently high standard of supervision by the PBSs overseeing the legal and accountancy sectors
- facilitate collaboration and information and intelligence sharing between PBSs, statutory anti-money laundering (AML) supervisors and law enforcement agencies.

OPBAS is fully committed to playing a strong role in reducing and preventing economic crime by improving the effectiveness of AML supervision by PBSs. We are also working to ensure that the work of the PBSs is joined up with other parts of the UK AML landscape to ensure an end-to-end approach to deterring criminality in our economy.

We have taken a leading role, in collaboration with statutory supervisors, law enforcement partners and PBSs, in supporting the UK's second Economic Crime Plan (ECP2). Linked to this, with partners, OPBAS co-authored and helped to launch the Professional Enablers Strategy in 2024. We also intensified our efforts to support increased information and intelligence sharing between PBSs, law enforcement and Companies House, including through the Intelligence Sharing Expert Working Groups (ISEWGs).

OPBAS also plays its part in driving global compliance, including sharing information and best practice with international colleagues. There is growing international pressure to ensure that the role lawyers and accountants can play in the laundering of proceeds of crime receives an appropriate supervisory response. This is reflected through the Financial Action Task Force (FATF) drive to raise standards for the supervision of non-financial bodies. The UK was considered one of the top performers in FATF's recent horizontal review of gatekeepers' (lawyers, accountants, TCSPs and estate agents) technical compliance with FATF standards linked to laundering the proceeds of corruption, but we want PBSs to go further and improve the effectiveness of their AML supervision.

In our last report we said we would increase our focus on driving improvements in PBSs' effectiveness. We have consciously continued to raise our expectations of PBSs and in January 2023 we published a revised OPBAS sourcebook with strengthened expectations and clearer outcomes. This year's report outlines our supervisory work including a range of cross-cutting and sectoral project work OPBAS has undertaken over the last year to strengthen understanding and management of risk across the UK AML landscape.

Despite OPBAS's accelerated efforts, our fifth report shows that although most PBSs continue to comply with the requirements set out in the Money Laundering Regulations 2017 (MLRs), pockets of ineffectiveness remain. Our risk-based selection methodology for PBS assessments, combined with the assessments' full-sourcebook scope, makes detecting such pockets more likely. This has been borne out in our findings. With our expectation that PBSs have now fully embedded sourcebook changes, we are intervening more forcefully to address our concerns and make sure PBSs continue to improve and fulfil their obligations. In the 2023/24 supervisory cycle, this has included issuing supervisory directions to 2 PBSs. PBSs who are not meeting their regulatory obligations can expect us to use the full range of our regulatory tools.

Overall supervisory effectiveness depends on the combined commitment of all PBSs to effectively fulfil their ongoing AML supervisory role to protect the UK against the threat of money laundering. We will continue to look for innovative ways to make full use of the existing range of OPBAS regulatory tools and powers to support PBSs' effectiveness and will continue to engage in discussions with the wider AML community – public and private, including civil society organisations, about ways to join up to improve the effectiveness of the AML supervisory regime in the UK and globally.

## Chapter 1

# Executive Summary

- 1.1** Our report provides an overview of the PBSs' AML supervision as of July 2024.
- 1.2** The report details that most PBSs can demonstrate compliance with their obligations under the MLRs. However, consistent with the findings of the OPBAS 2023 report, there remains a lack of full and consistent effectiveness across the PBSs we assessed this year, with none yet fully effective in all OPBAS sourcebook areas.
- 1.3** The report sets out findings from OPBAS assessments of 9 PBSs and additional activities undertaken in the 2023/24 supervisory cycle. These include sub-sectoral deep-dives on the advocates and barristers, bookkeepers and conveyancing, as well as cross-sectoral projects on risk identification and verification and Trust and Company Service Providers (TCSPs), and continued work on information and intelligence sharing.
- 1.4** The report also draws from secondary sources to build a comprehensive picture of AML supervision across all 22 PBSs. These sources include the Treasury's 2022/23 report and the reports PBSs publish under Regulation 46A of the Money Laundering Regulations (Regulation 46A reports), as well as data from the National Crime Agency (NCA) about Suspicious Activity Reports (SARs).
- 1.5** While it is important that the report shares examples of more effective supervision where we find them, our focus is on highlighting the areas in which PBSs most need to improve. The key findings from our latest round of supervisory assessments are:
- **OPBAS has not seen any material improvement in PBSs' effectiveness in the core areas of supervision, risk-based approach, enforcement, and information and intelligence sharing.** Of the 9 PBSs we assessed, most had marginally declined or remained static in overall effectiveness, with incremental improvements observed in just 3 PBSs. OPBAS intervention was required to address material ineffectiveness and compliance concerns at 2 PBSs.
  - **Problems in applying a risk-based approach reduced the effectiveness of PBSs' supervision.** Many PBSs we assessed could not clearly substantiate the risk profiles they had assigned to their members or had used a narrow set of indicators to categorise risks. OPBAS multi-PBS work on risk factors reconfirmed that **TCSPs, payroll services and conveyancing** remain among the top AML risks facing supervised populations, as identified by the National Risk Assessment 2020. Yet some PBSs demonstrated limited understanding and little proactive action to capture and address these risks. PBSs overseeing supervised populations with these existing and material risks need to do more to effectively identify, assess and mitigate them.
  - **Weaknesses remain in AML supervision** with a large proportion of the PBSs assessed as partially effective. We noted shortcomings in the design of some supervisory approaches, lacking clearly defined methodology and effective use of tools to supervise members. PBSs take a variety of approaches to assessing supervised populations, including desk-based reviews (DBRs), on-site inspections and hybrid combinations of these. The range of differing interpretations of these

terms makes it difficult to compare like with like. We therefore support ongoing work at the UK Anti-Money Laundering Supervisors Forum (AMLSF) which is considering definitions to increase consistency.

- **Continued gaps exist in enforcement approaches.** PBSs have a range of enforcement powers and tools, but the majority we assessed did not use them effectively in a dissuasive and proportionate manner. The [Treasury's 2022/23 report](#) shows the number and value of fines issued in 2022/23 declined compared to the previous year, despite findings of supervisory activity for non-compliance increasing. PBSs need to demonstrate that their enforcement tools act as a credible deterrent against money laundering.
- **PBSs' commitment to consistent, proactive information and intelligence sharing continues to be a concern.** While some PBSs have made efforts to improve in this area in the last year, there is still too much inconsistency. Most PBSs we assessed engaged with fora such as the AMLSF, the ISEWGs and sector affinity groups. However, we have seen some reluctance to use information-sharing gateways such as MLRs Regulation 52, particularly for live cases. Limited sharing of live intelligence about investigations has hampered effective progress. We are working with partners to increase understanding, awareness and trust sufficiently to improve performance in this area. Collectively we need to up our game to improve the cross-system approach required to make a real dent in the flow of illicit funds in the UK.
- **Not all PBSs are prioritising and resourcing their AML supervisory function appropriately.**
  - **Outsourcing AML inspections.** A significant proportion of the PBSs (at least 6 of the 22) do not conduct all their AML supervision or inspection activity in-house. Instead, they subcontract to third-party inspectors or another PBS. In our supervisory assessments, we identified instances of weaknesses in the oversight of outsourced supervisory activity, with subcontracted inspectors not fully aware of PBSs' policies, procedures and risk profiles. To ensure effective AML supervision, we expect PBSs to have strong oversight of any outsourced AML inspections. This is not happening consistently at the moment and raises concerns about the PBSs' commitment to being an effective AML supervisor.
  - **Limited AML resources.** Individual annual AML returns for 2022/23 submitted by PBSs to the Treasury indicate their annual AML expenditure per supervised population varied from as little as £73 to over £1,000. While resource should be proportionate to the size and risk of supervised populations, in our view some PBSs are not sufficiently resourcing their AML supervisory function which reduces effectiveness.

## Next steps

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- 1.6** OPBAS expects PBSs to continue investing in and strengthening their AML supervision to have the greatest impact on preventing financial crime. PBSs should be demonstrably reducing the risk of illicit funds in the UK by taking increasingly proactive and effective interventions among their populations. To achieve this many PBSs will have to do much more to improve their current approach.

- 1.7** In the coming year, we will maintain our focus on multi-PBS work in areas of identified weaknesses to ensure PBSs effectively incorporate lessons from our risk-based projects into their supervisory approaches.
- 1.8** In parallel, we will continue to support ECP2 actions to strengthen the current AML supervisory regime. We will build on new opportunities under the Economic Crime and Corporate Transparency Act 2023, including the new information sharing gateways, to encourage and facilitate more collaboration between PBSs, law enforcement and other stakeholders. We will continue to co-lead on the Professional Enablers Strategy to support a whole system approach to reducing the risk to the UK from professional enablers. We are also feeding in insights from our supervisory work to the next National Risk Assessment (NRA) to help inform wider government understanding of the current and emerging risks and ways to reduce them.
- 1.9** We will also continue our engagement with international partners, including FATF, to share information and best practice, noting in particular the forthcoming changes to the way FATF assesses the effectiveness of supervision. Future FATF assessments will look at supervision of the financial and non-financial sectors separately. This important change will allow a greater focus by countries on improving all elements of AML supervision. OPBAS will continue to have a useful part to play in feeding in our views on non-financial sector supervision and the key differences between the financial and the legal and accountancy sectors.

## Chapter 2

# Key themes from our supervisory assessments

## Methodology

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- 2.1** In our 2023/24 supervisory cycle, we carried out PBS assessments against the revised OPBAS sourcebook. These revisions resulted in an adjustment to the baseline scoring for our 4-point scale of effectiveness outlined in paragraph 2.5, given our higher expectations about PBSs' progress towards full effectiveness.
- 2.2** Our assessment selection methodology necessarily combines planned cyclical reviews, including of better-performing PBSs, with more dynamic risk-based components which prioritise those PBSs most in need of improvement or where we identify multiple risk indicators (such as adverse intelligence, AML resourcing concerns or material declines in enforcement and supervisory activity). As a result, we expected to find isolated pockets of ineffectiveness.
- 2.3** In addition to the assessments, we carried out work into sub-sectors, which covered three deep dives into bookkeeping, advocates and barristers, and conveyancing to give us a better understanding of risks in these areas. The NRA considers both bookkeeping and conveyancing to be high-risk. Advocates and barristers are considered relatively low risk compared to other legal sector activities. We further analysed data from our multi-PBS project work on risk identification and verification and TCSPs, the actions from which continue to be taken forward by HMRC and the PBSs (see TCSP section below for more details). We also looked at data from the FCA's Shared Intelligence Service (SIS) and the Financial Crime Information Network (FIN-NET), and secondary sources such as the NCA's Suspicious Activity Reports (SARs) and the [Treasury's 2022/23 report](#) which cover all 22 regulatory PBSs.
- 2.4** OPBAS assessments of PBSs' effectiveness align with the FATF approach to assessing members' technical compliance and implementation of FATF Recommendations. Our assessments are proportionate and take account of the differences in PBSs' and their supervised populations' risk. This means we do not expect all PBSs to implement identical measures to address a specific risk or achieve an identified outcome, as what is effective will vary. We assess effectiveness using a four-point scale: (1) effective, (2) largely effective, (3) partially effective and (4) ineffective.
- 2.5** Our performance ratings in Table 1 include only the PBSs we assessed over 2023/24, and do not represent the full population of PBSs. The table outlines our overall ratings across each sourcebook area for the 9 PBSs assessed. For comparison, the [OPBAS 2023 report](#) (see Table 1) includes effectiveness ratings from OPBAS supervisory assessments in 2022/23. Please note the sample of PBSs we assessed in 2023/24 and 2022/23 differ.



**Table 1: Performance effectiveness ratings for 9 PBSs assessed by OPBAS in 2023/24**

| Effectiveness of PBS by OPBAS sourcebook | PBS1 | PBS2 | PBS3 | PBS4 | PBS5 | PBS6 | PBS7 | PBS8 | PBS9 |
|--|------|------|------|------|------|------|------|------|------|
| Governance                               | IE   | LE   | LE   | LE   | PE   | PE   | LE   | LE   | LE   |
| RBA                                      | IE   | LE   | LE   | LE   | PE   | IE   | PE   | PE   | LE   |
| Supervision                              | PE   | PE   | LE   | LE   | PE   | IE   | PE   | PE   | LE   |
| Intelligence and information sharing     | PE   | LE   | PE   | LE   | LE   | PE   | PE   | PE   | LE   |
| Information and guidance                 | LE   | LE   | LE   | E    | LE   | IE   | LE   | LE   | E    |
| Staff competence and training            | IE   | LE   | PE   | E    | PE   | IE   | LE   | PE   | E    |
| Enforcement                              | PE   | LE   | PE   | PE   | PE   | IE   | LE   | PE   | PE   |
| Record keeping                           | IE   | PE   | LE   | LE   | LE   | IE   | LE   | LE   | LE   |

|    |                     |   |                                |
|----|---------------------|---|--------------------------------|
| E  | Effective           | Achieving intended outcomes consistently        | Only minor improvement needed  |
| LE | Largely Effective   | Achieving intended outcomes frequently          | Moderate improvement needed    |
| PE | Partially Effective | Achieving intended outcomes only occasionally   | More major improvement needed  |
| IE | Ineffective         | Little or no demonstration of intended outcomes | Fundamental improvement needed |

- 2.6** Of the 9 PBSs OPBAS assessed, only 3 had marginally improved their overall effectiveness since their last assessment, while most had marginally or more materially declined.
- 2.7** We issue findings letters to all PBSs post-assessment. These set out areas for improvement with timescales and are followed up through proactive engagement. We will always take further action if we are not satisfied with the speed of progress, including using our supervisory and enforcement powers when appropriate. In this assessment cycle, that has included issuing directions against 2 PBSs under Regulation 14 of the OPBAS Regulations 2017.

## Governance

- 2.8** PBSs continue to perform relatively well on their governance arrangements, with the majority of those assessed found to be largely effective, except for a couple of outliers. We found that PBSs in the legal sector, on balance, performed slightly better in this area compared to those we assessed in the accountancy sector.

- 2.9** Most PBSs were largely effective in exercising their supervisory functions independently of advocacy and disciplinary functions. However, many would benefit from strengthening their AML oversight and engagement from senior management. To improve the current levels of PBSs' effectiveness we expect to see more evidence of regular and detailed management information (MI) flowing to boards and equivalent governance functions with, for example, more challenge where planned delivery of AML supervision activity is off track. PBSs should also document formal decisions on prioritisation and areas for supervisory focus more clearly and consistently.
- 2.10** Resourcing the AML supervisory function also remains an issue, with some PBSs still not sufficiently resourced. We found instances of overreliance on a senior member of staff performing the AML function, staff turnover and difficulties with recruitment. Regulation 49(2)(a) of the MLRs requires PBSs to ensure they have adequate resources in place to carry out supervisory functions. We set out our expectations in Section 3 of our sourcebook and expect improvements.

#### **Case study of less effective practice: Conflict of interest**

OPBAS identified a PBS which relied on a third-party technology provider for its AML work and proprietary platform maintenance. OPBAS found that this counterparty had links to the PBS's senior management. While there was no suggestion of wrongdoing, this arrangement was not clearly evidenced in the PBS's conflicts of interest process or disclosures. The PBS was directed to produce and provide this information to OPBAS. As the direct result of OPBAS's intervention, the PBS confirmed it would be ceasing its business relationship with the provider.

### **Risk-based approach**

- 2.11** PBSs in the 2023/24 assessment cycle demonstrated a weaker and less consistent risk-based approach than the PBSs assessed in the last cycle. Weaknesses in the risk-based approach can fundamentally undermine the ability to identify, assess and mitigate AML-related risk.
- 2.12** Our analysis of consolidated data from the Treasury's 2022/23 annual supervisory report found that 56% of supervised populations were assessed by PBSs as low-risk, with a significantly higher proportion in the legal sector (87% - and a notable increase year on year). Over a third of the total PBSs' supervised populations were considered medium risk, the majority of which accounted for the accountancy sector, with only 9% considered medium risk in the legal sector. This very high proportion of low and medium risk firms is notable in two sectors which nonetheless offer a range of services considered by the NRA as high-risk.

- 2.13** While it is right for PBSs to apply their more detailed knowledge of their supervised populations when assessing risk, it is important, given the inherent high-risk services offered in these sectors, that they regularly verify the risk profiles of their populations. Yet less than half of the PBSs we assessed were largely effective in this area. We therefore expect PBSs to maintain regular assessments to verify the risk profiles of their supervised populations.
- 2.14** More effective PBSs had a clear methodology which evidenced the appropriateness of their risk-based approach. They considered a broad range of risk factors, including client, transaction, product and service, delivery channel and geographical risks. They also used multiple data sources to develop risk profiles and carried out risk assessments and reviews promptly, with the frequency intensifying for high-risk members.
- 2.15** The less effective PBSs used a relatively narrow set of risk indicators in their risk categorisation and did not review their risk-based approach regularly enough to ensure they kept key risk factors up to date. The least effective could not explain how they weighted risk factors, did not actively identify risk specific to their supervised populations beyond broad sectoral risks, or did not reflect the UK NRA in their risk categorisation. For example, TCSP risk did not feature in a PBS's risk assessment, despite this being highlighted in the UK NRA as a high-risk factor in the population it oversees. We also found an instance where a PBS based its risk categorisation on members' self-declaration and did not carry out any dip sampling or other process to validate the data.
- 2.16** PBSs performed better at allocating supervisory resources to areas with a higher money-laundering risk. We saw examples of PBSs applying a risk-based approach to focus their resources on high-risk inspections but also carrying out dip sampling on low-risk activities. However, the less effective PBSs did not carry out sufficient dip sampling or thematic reviews, which contributed to deficiencies in their understanding of risks. For example, some PBSs tended to focus their resource on high-risk members, but not sample a statistically significant number of medium or low-risk members to validate their risk categorisation. Weaknesses in a PBS's risk assessments can have a direct effect on the quality of supervision. For example, if mis-categorisation results in inappropriate allocation of supervisory resource.
- 2.17** Some further weaknesses in implementing an effective risk-based approach involved outsourcing supervisory inspections. For example, we found instances where subcontracted inspectors were not familiar with the PBS's risk categorisation before carrying out an inspection. We also found cases where PBSs struggled to demonstrate how they apply insight from subcontracted inspections to inform their risk-based approach.

### Case study of more effective practice: Risk-based approach to supervision

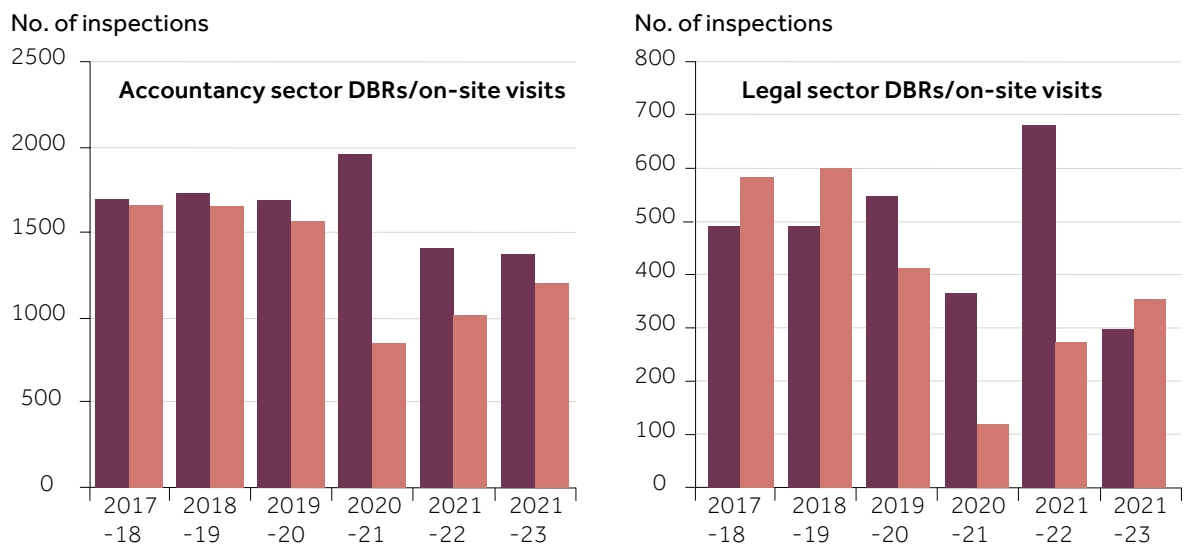
A legal PBS has created an annual AML certificate to assess the inherent risk profile of each member of its supervised population in detail. This enables it to effectively grade its members into bands of low, medium and high risk. The PBS adapts and amends the certificate's annual questionnaire each year to consider current trends and emerging risks. It has also produced an AML risk appetite statement which sets out its risk-based approach and how this is applied in its supervision work. The AML statement and certificate help to inform the PBS's supervision, which targets inspections on firms with a high risk scoring. The PBS also conducts compliance assurance checks on medium and low risk firms.

## Supervision

- 2.18** Weaknesses remain in PBS AML supervision, with a large proportion of the PBSs assessed to be only partially effective. Only 1 of the 9 PBSs improved its performance, while 3 were rated less effective since their last assessment. We observed that unplanned resource challenges and related unmanaged key person dependency risk had a knock-on effect on PBSs' AML supervision activity.
- 2.19** Overall, the accountancy sector PBSs we assessed could evidence relatively more effective supervision than the legal sector, but gaps remained in PBSs' supervisory approaches across the board.
- 2.20** We saw weaknesses in the design of supervisory approaches, lacking clearly defined methodology, selection criteria for inspections or formalised supervisory cycles, with many PBSs in the legal sector not performing well in this area. For example, one PBS in the legal sector had not implemented timescales for supervisory action in its remediation framework. Another PBS had not classified any members of its supervised population as high risk, despite some of its members providing TCSP services. This PBS also used only desk-based reviews (DBRs) to verify risk rating and test the appropriateness of its supervisory approach.
- 2.21** Significant gaps remain in the effective use of tools to supervise members. PBSs' policies outlined a broad range of supervisory tools available to supervise their members. However, these were either not applied in practice or the type of tools used were not always appropriate to the level and nature of risks.
- 2.22** We found inconsistencies in terminology and use of DBRs and on-site visits. PBSs applied different definitions to record DBRs and on-site visits, with some introducing terms like 'virtual' and 'hybrid' visits. In some cases, we could not see a clear distinction between a DBR and an on-site inspection. The range of differing interpretations of these terms makes it difficult for us to compare like with like. For this reason, OPBAS has encouraged and supported the AMLSF to investigate whether, post-pandemic, traditional definitions of DBRs and on-site visits have been overtaken with the rise of improved technology and we have also engaged with the Treasury to address inconsistencies and improve Regulation 46A reports.

- 2.23** Some of the PBSs we assessed subcontract inspectors to carry out inspections, but we identified instances of shortcomings in their effective oversight of these contractors. In our view, outsourced inspectors would benefit from undergoing the equivalent in-house PBS AML training as full-time employees to ensure consistency of decision-making and understanding of PBSs' policies and procedures, including PBSs' risk categorisation.
- 2.24** We were also concerned about the frequency and coverage of supervisory inspections and noted a decline in the number of visits by some PBSs. Our analysis of consolidated data across 22 PBSs from the Treasury's 2022/23 report showed the number of overall inspections (DBR/on-site) has declined in 2022/23, compared to 2021/22. Although it was positive to see the number of on-site inspections has increased to 1,555 from 1,287 in 2021/22, the number of DBRs in 2022/23 has decreased to 1,665 from 2,090 in 2021/21.
- 2.25** The Treasury's report also indicates that there was an increase in PBSs' supervisory response to non-compliance. However, this was largely an increase in informal supervisory action, while members took action to address their AML gaps.
- 2.26** Most PBSs were either effective or largely effective in getting and monitoring criminality checks. However, we identified one PBS which did not upload Disclosure and Barring Service (DBS) certificates on its system and, another was not always informed when its members updated their beneficial owners, officers or managers' (BOOMs) details.

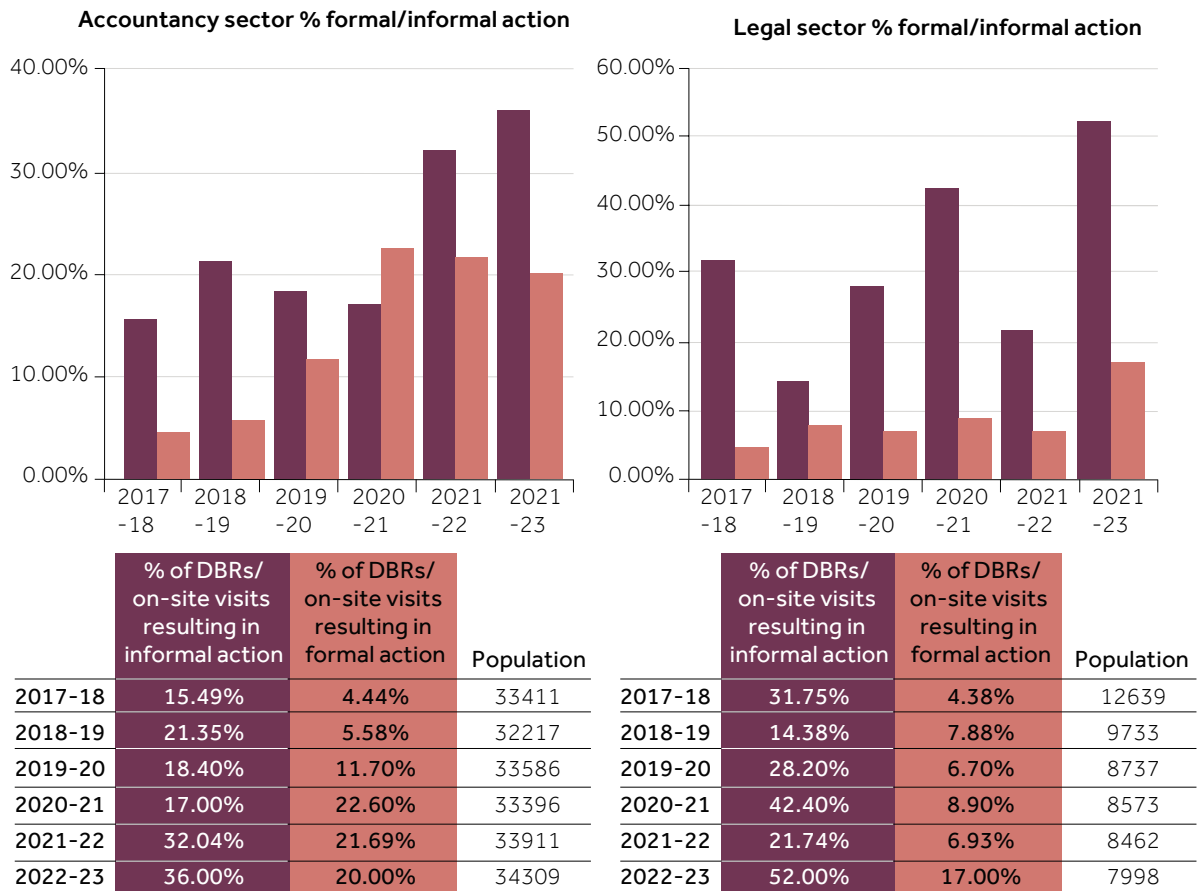
**Graph 1: Supervision – Accountancy and Legal Sector**



|         | DBRs | On-site visits | Population |
|---------|------|----------------|------------|
| 2017-18 | 1696 | 1660           | 33411      |
| 2018-19 | 1733 | 1654           | 32217      |
| 2019-20 | 1686 | 1566           | 33586      |
| 2020-21 | 1966 | 851            | 33396      |
| 2021-22 | 1410 | 1015           | 33911      |
| 2022-23 | 1368 | 1201           | 34309      |

|         | DBRs | On-site visits | Population |
|---------|------|----------------|------------|
| 2017-18 | 491  | 583            | 12639      |
| 2018-19 | 492  | 600            | 9733       |
| 2019-20 | 549  | 414            | 8737       |
| 2020-21 | 364  | 117            | 8573       |
| 2021-22 | 680  | 272            | 8462       |
| 2022-23 | 297  | 354            | 7998       |

**Graph 2: Supervision – Accountancy and Legal Sector**



**Case study of less effective practice: Desk-based reviews (DBRs)**

A large PBS contacted OPBAS to advise that they were considering scaling back the content of their DBR process and activity. The proposed changes to the DBR process would mean the PBS would no longer request AML policies, controls and procedures or firm-wide risk assessments for review. While the PBS can decide its supervisory strategy and approach in line with the MLRs, we challenged it on whether the proposed changes would make their supervisory approach more effective. Following our challenge, the PBS decided against amending its DBR process and kept the existing format.

**Intelligence and information sharing arrangements**

**2.27** Intelligence and information-sharing is critical to reducing money laundering and money laundering risk. Close cooperation and coordination of activities between PBSs, statutory supervisors and law enforcement is a foundation for a fully effective system. However, more than half of the PBSs we assessed were only partially effective in this area.

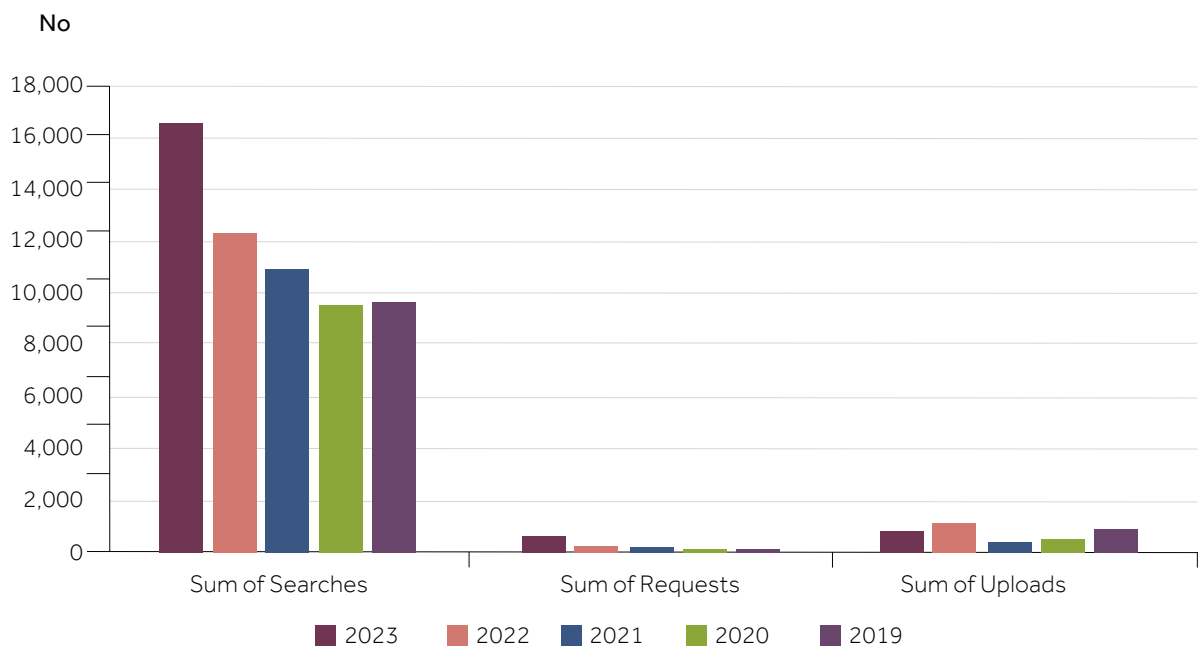
**2.28** We found a range of positive practice and engagement with forums such as AMLSF, the ISEWGs and sector affinity groups. However, there is still some reluctance to fully use information-sharing gateways such as MLRs Regulation 52. There is also limited evidence of sharing information about live investigations, which may mean PBSs are not consistently identifying where another supervisor or law enforcement body also has an interest in a particular firm or individual. These issues, together with gaps in staff training, hamper effective progress in this area.

***Use of SIS and FIN-NET***

**2.29** The OPBAS sourcebook sets out our expectations that PBSs should participate in existing intelligence and information-sharing arrangements, such as the FIN-NET and the SIS, or demonstrate effective intelligence and information sharing via alternative mechanisms. In terms of adoption, 8 PBSs are members of FIN-NET, with 18 being members of SIS. Some PBSs belong to both mechanisms, with 2 PBSs not a member of either.

**2.30** The majority of the PBSs we assessed were only partially effective at using the intelligence and information-sharing platforms. Most PBSs who are registered with the SIS platform used it for searches and requests, but less so for sharing intelligence about active misconduct investigations. This matters, because to move the dial on identification, investigation and/or disruption of enablers, PBSs and other supervisors, including the FCA, must work together to ensure that relevant information and intelligence is appropriately available.

**Graph 3: Annual SIS usage for accountancy and legal PBSs combined**



- 2.31** For FIN-NET, the number of referrals submitted by the 8 PBSs which participate in the network remained static for 2021 (5 referrals) and 2022 (5 referrals), with a small increase in 2023 (7 referrals). However, the number of referrals can be deceptive, as FIN-NET also has an added value to PBSs using the platform for building networks and relationships with relevant partners. For example, one referral can result in many interactions between a PBS and law enforcement. As evidenced by the two FIN-NET case studies below, membership of FIN-NET can lead to better bilateral cooperation and intelligence sharing between PBSs, law enforcement and other partners. This also applies to those using SIS.

**Table 2: Number of referrals submitted by the PBS under FIN-NET**

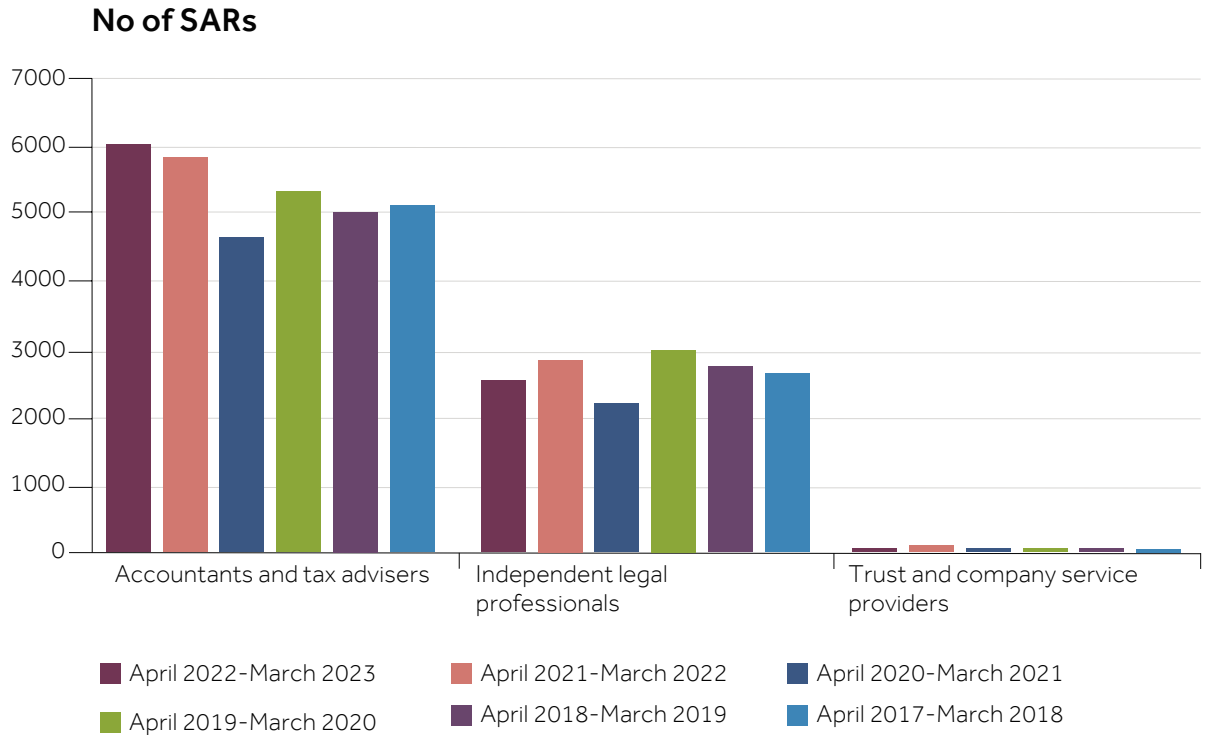
|   | 2023 | 2022 | 2021 |
|---|------|------|------|
| Referrals submitted by 8 PBSs who participate | 7    | 5    | 5    |

### ***Suspicious Activity Reports (SARs)***

- 2.32** The NCA's [SARs Annual Report 2023](#) shows the number of SARs submitted by the PBSs' supervised populations has increased slightly in the accountancy sector but declined in the legal and TSCP sectors, compared with the previous year. In the coming supervisory cycle, we plan to undertake work on SARs' quality. Volumes of SARs are lower than we might expect from an underlying population exceeding 42,000 across sectors. However, quality remains paramount to maximise and exploit the full value of SARs.
- 2.33** The UK Financial Intelligence Unit (UKFIU) is a member of our regional ISEWGs, bringing great value to discussions about trends and emerging threats, and we continue to work closely with them. Continuing to encourage PBSs' reviews of their populations' SARs, and striving to improve submission rates and the quality of SARs, are key changes that will improve our understanding of system vulnerabilities and identify effective ways to manage them. Under the Professional Enablers strategy, we are supporting actions designed to improve information flows between the UKFIU and PBSs.

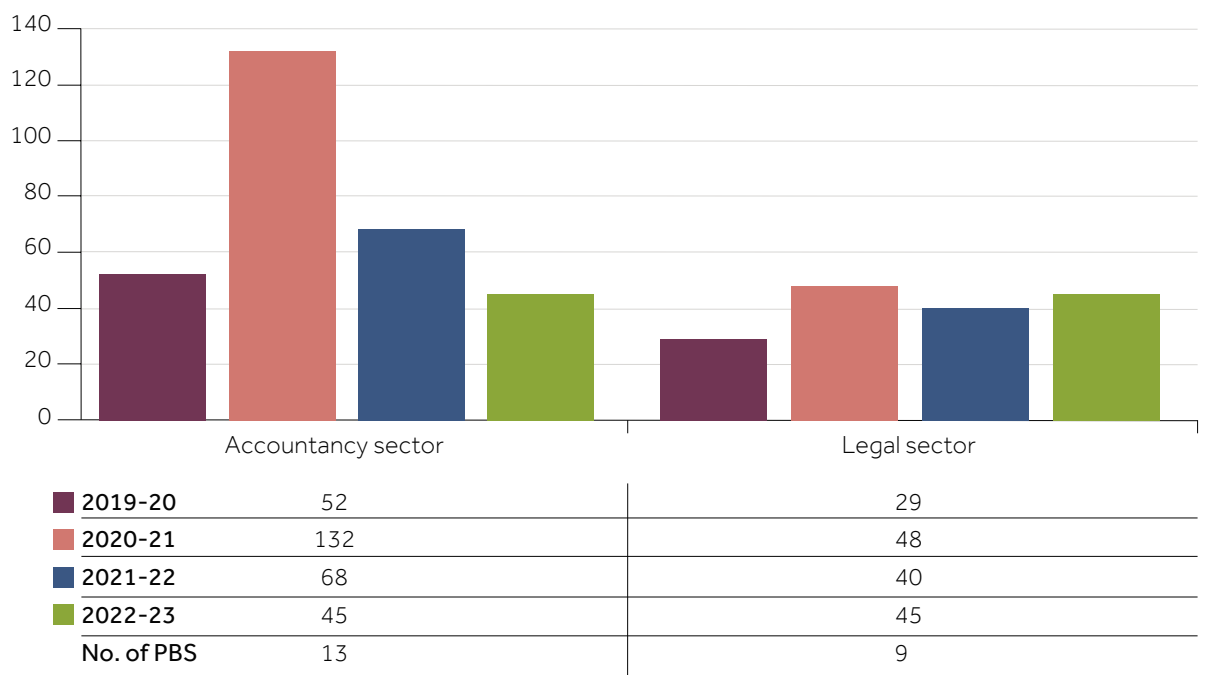


**2.34 Graph 4: NCA Suspicious Activity Reports 2023 submitted by accountancy, legal and trust and company service providers**



**Graph 5: SARs submitted by accountancy and legal PBSs**

**SARs disclosures submitted under Part 7 or 8 of Proceeds of Crime Act 2002 (POCA)**



### **Case study of more effective practice: Use of FIN-NET to facilitate intelligence sharing to improve PBSs' due diligence**

A case manager from an accountancy PBS was investigating a complaint against one of its members who allegedly had failed to carry out proper AML client checks. Further PBS's investigation led to concerns over potential links of the member's client with companies held at an offshore island, but the PBS could not verify it through available open-source checks. To address the information gap, the PBS contacted FIN-NET who set up a direct contact with the intelligence team at the offshore island. As a result, the PBS got the information it needed, including shareholder and beneficial owner information. The case is still in its early stages and ongoing, but the collaboration with FIN-NET was a huge help in taking forward the PBS's enquiry.

### **Case study of more effective practice: Use of FIN-NET for intelligence sharing to support compliance with sanctions regime**

An accountancy PBS received a complaint about potential evasion of sanctions against one of its members who was allegedly providing accountancy services to clients on the sanctions list. The PBS reached out to FIN-NET who set up direct liaison with the Office of Financial Sanctions Implementation (OFSI), enabling the PBS to share all relevant intelligence documents. OFSI helped the PBS by giving views on whether the PBS's concerns were substantiated. In this case the PBS was reassured that there was no breach of sanctions. As a follow up, OFSI gave the PBS additional valuable information which enabled the PBS to do more enhanced checks on other firms to ensure sanctions compliance.

## **Information and guidance to supervised population**

- 2.35** In the 2023/24 assessment cycle PBSs demonstrated a particular strength in providing information and guidance to supervised populations.
- 2.36** The most effective PBSs in this area used a range of communication channels such as webinars, newsletters and podcasts to educate their supervised population and ensure they communicated in a way that was specific to the information or guidance material.
- 2.37** Some effective and largely effective PBSs had dedicated AML webpages to share information and guidance with their members about their AML obligations and related risks. For example, publishing AML articles on matters such as the Economic Crime and Corporate Transparency Act 2023, Companies House identity verification checks and cryptoassets.
- 2.38** While PBSs sought feedback from their members and took additional steps such as tracking member engagement levels, we observed some could do more to ensure they documented member feedback and questions. This will allow these PBSs to tailor

communications more effectively and help decide the information and guidance they give to members.

- 2.39** One PBS communicated with members on a weekly basis, but the communications were insufficiently tailored to AML and risk. PBSs should provide supervised members with relevant tailored information to increase awareness of the money laundering risks and trends within their sector.

## Staff competence and training

- 2.40** We expect PBSs to ensure their staff are equipped to take decisions on whether the AML policies, controls and procedures of their supervised populations are appropriate to the risks identified. All PBSs should provide general AML training for all staff and specialist AML training for staff in specialised AML roles. This training should be regularly tailored to individual and business needs.
- 2.41** In the 2023/24 assessment cycle more effective PBSs in this area had staff who undertook specific training on SARs and Defence Against Money Laundering (DAMLs), and participated in a range of training initiatives, such as AML educational modules and supervisory inspections. We saw PBSs using specialist advisers and trainers to tailor AML training content for their staff.
- 2.42** Less effective PBSs rarely offered targeted AML training, and did not consistently keep feedback and training records for AML specialist staff. We saw staff training records which, if they were kept at all, were not comprehensive or sufficiently detailed. One PBS could not provide evidence of any AML training given to the Nominated Officer, who also serves as the Single Point of Contact (SPOC).
- 2.43** We also identified a PBS in the legal sector that considered the inherent risk of money laundering to be low in its supervised population and so did not provide regular AML training to its staff in specialist AML roles. The risk landscape is ever-evolving and gaps in anti-money laundering training can potentially undermine supervision and the ability to apply an effective risk-based approach.

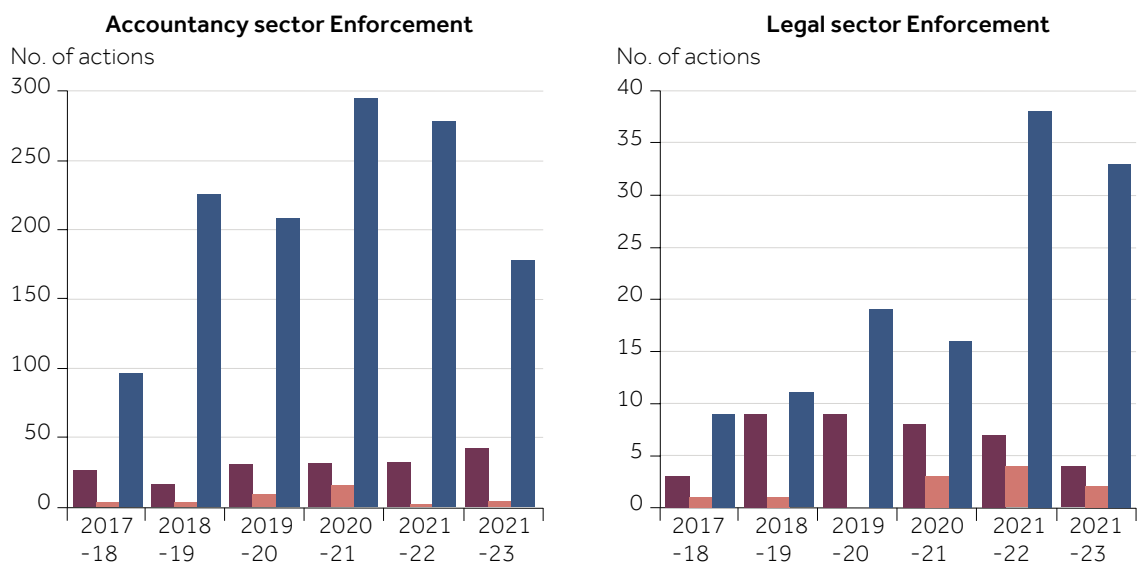
## Enforcement

- 2.44** Enforcement plays a key role in correcting weaknesses in processes, procedures, systems or controls and in influencing and fostering a culture that contributes to effective risk management and compliance. However, in this supervisory cycle we identified significant weaknesses in PBSs' enforcement approach.
- 2.45** PBSs can use a range of enforcement powers and tools. However, in our assessment the majority did not use them effectively in a dissuasive and proportionate way. We found instances of extended timeframes for investigations and remediation, with examples of insufficient checks to confirm members had addressed identified failures. Some PBSs showed a preference for 'assisted compliance' to correct compliance failures, instead of taking robust enforcement action. Assisted compliance is a method by which PBSs seek to work with practices and firms to improve compliance, but some used it inappropriately instead of enforcement.

**2.46** The least effective PBSs did not have clearly defined timescales to rectify compliance failures in a timely manner and enforcement strategies. They were also reluctant to, or did not, publish outcomes of enforcement action and, when published, the information was either difficult to find or presented in the form of anonymised case studies.

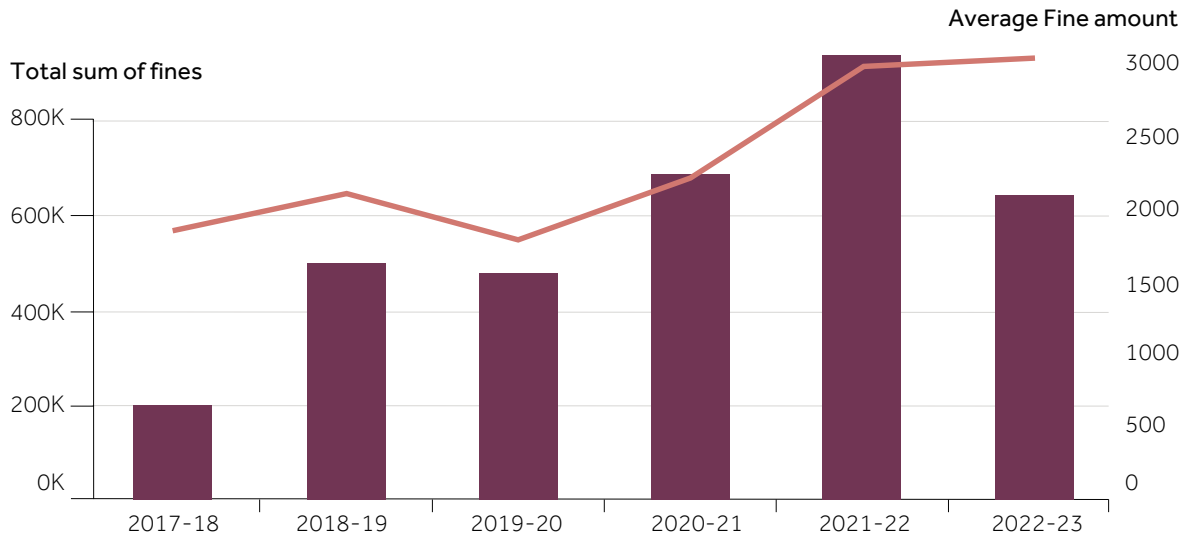
**2.47** Our findings are in line with consolidated data from the *Treasury's 2022/23 report* which shows the number and value of fines issued in 2022/23 have declined compared to the previous year in both sectors despite findings of supervisory actions for non-compliance increasing. Similarly, there were relatively few suspensions or cancellations given the size of the supervised population. The number of cancellations and suspensions in 2022/23 in the legal sector nearly halved compared to 2021/22. Eleven PBSs did not issue any suspensions or membership cancellations in 2022/23. In our view this data on the use of enforcement tools indicates that PBSs are not using the full range of their powers in an appropriate and dissuasive way.

**Graph 6: Enforcement action for contravention of MLRs**



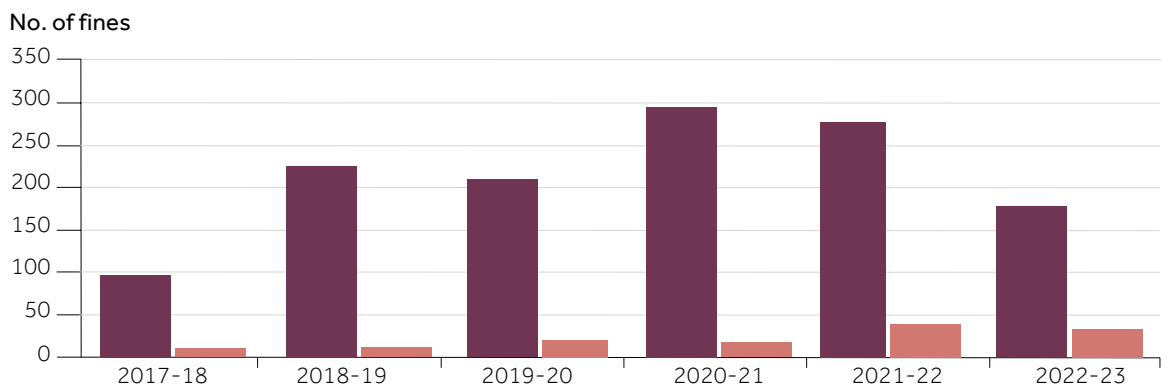
| Period  | Membership cancelled | Membership suspended | No. of fines | Population | Membership cancelled | Membership suspended | No. of fines | Population |
|---------|----------------------|----------------------|--------------|------------|----------------------|----------------------|--------------|------------|
| 2017-18 | 26                   | 3                    | 96           | 33411      | 3                    | 1                    | 9            | 12639      |
| 2018-19 | 16                   | 3                    | 226          | 32217      | 9                    | 1                    | 11           | 9733       |
| 2019-20 | 31                   | 9                    | 209          | 33586      | 9                    | 0                    | 19           | 8737       |
| 2020-21 | 32                   | 15                   | 295          | 33396      | 8                    | 3                    | 16           | 8573       |
| 2021-22 | 33                   | 2                    | 278          | 33911      | 7                    | 4                    | 38           | 8462       |
| 2022-23 | 43                   | 4                    | 178          | 34309      | 4                    | 2                    | 33           | 7998       |

**Graph 7: Fines issued for contravention of MLRs – Accountancy and Legal Sectors Combined**



| Period  | Average Fine amount | Total sum of fines |
|---------|---------------------|--------------------|
| 2017-18 | 1,851               | 194,382            |
| 2018-19 | 2,106               | 499,051            |
| 2019-20 | 1,784               | 475,217            |
| 2020-21 | 2,202               | 684,846            |
| 2021-22 | 2,977               | 940,728            |
| 2022-23 | 3,037               | 640,781            |

**Graph 8: Fines issued for contravention of MLRs – in proportion to supervised population in accountancy and legal sectors**



|         | Fines issued by accountancy PBS | Fines issued by legal PBS | Proportion of fines to supervised population (accountancy) | Proportion of fines to supervised population (legal) |
|---------|---------------------------------|---------------------------|--|--|
| 2017-18 | 96                              | 9                         | 0.29%  | 0.07%  |
| 2018-19 | 226                             | 11                        | 0.70%  | 0.11%  |
| 2019-20 | 209                             | 19                        | 0.62%  | 0.22%  |
| 2020-21 | 295                             | 16                        | 0.88%  | 0.19%  |
| 2021-22 | 278                             | 38                        | 0.82%  | 0.45%  |
| 2022-23 | 178                             | 33                        | 0.52%  | 0.48%  |

### **Case study of less effective practice: Lack of effective enforcement framework**

OPBAS identified a PBS in the legal sector which did not have a framework in place for dealing with enforcement cases. The PBS told OPBAS this was because the underlying population was inherently low risk and that enforcement action had not been needed to date, but that it would be taken forward on a case-by-case basis. OPBAS rejected this argument and imposed directions to the PBS to put a framework in place.

## **Record keeping and quality assurance**

- 2.48** We found most PBSs' record-keeping was adequate, but with outliers and overall scope for improvement. Evidence of key supervisory and enforcement decisions were generally available and clear. However, PBSs were not consistently using periodic review schedules for key AML policy and process documentation which meant that some policies had not been reviewed for several years. Documents were not consistently or reliably date marked or version controlled. AML supervision team meeting discussions and decisions could be better documented and more clearly linked to an agreed supervisory strategy and related management information-reporting.
- 2.49** Not all PBSs conduct formal quality assurance (QA) or have internal audit functions (but where conducted, this was generally satisfactory). While QA is not mandatory, in our view PBSs should subject supervisory work and decision-making to quality assurance testing to ensure judgements and the standard of scrutiny are appropriate, consistent, and proportionate.
- 2.50** We expect PBSs to maintain accurate, up-to-date, and comprehensive records and robust quality assurance procedures to provide evidence of verifiably appropriate, consistent and proportionate standards and decision-making.

## **Regulation 46A Annual Reports**

- 2.51** Regulation 46A of the MLRs requires PBSs to submit a standalone annual report on their AML supervisory activities to the Treasury and to publish it. Reports should be published and publicly available on the professional body's website by 1 November each year.
- 2.52** We assessed the quality of reports submitted by the 22 regulatory PBSs in 2023 and noted that PBSs continue to improve the content and quality of their reports compared to the previous period. While the reports can be helpful background, we do not consider them a standalone measure to indicate the effectiveness of a PBS as a supervisor. There was notable improvement in describing the type and number of measures taken by PBSs to monitor compliance in their supervised populations and PBSs' assessment of emerging money laundering and terrorist financing threats and trends in their sectors. This is an important way to raise awareness and drive action in supervised populations. However, there is further opportunity to increase the quality of future reports and achieve this more consistently across PBSs. We outlined our recommendations in a [joint letter](#) with the Treasury.

## Chapter 3

# Information and intelligence sharing

- 3.1** This section describes some of the work OPBAS is doing to help and encourage information and intelligence sharing between PBSs, and PBSs and law enforcement.
- 3.2** As noted in paragraph 2.28 we remain concerned about PBSs' commitment to consistent, proactive information and intelligence sharing. While some PBSs have made concerted efforts to improve in the last year, there is still too much inconsistency. There are new opportunities to encourage and facilitate collaborative working, for example between PBSs and Companies House, using the new information sharing gateways that the Economic Crime and Corporate Transparency Act 2023 gives to Companies House. OPBAS is committed to supporting and facilitating that join-up.

## External engagement

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- 3.3** Over the last year, we have stepped up our work to raise awareness of available legal gateways and opportunities for information and intelligence sharing. We actively promoted the inclusion of relevant action in ECP2, recognising that it would be harder to achieve ECP2's objectives without more effective collaborative working.
- 3.4** Last year, we noted that OPBAS would jointly chair a new group targeting professional enablers. We give more information on this work in paragraph 4.19. We expect this multi-agency group's work to lead to a step-change in the way that PBSs work with others, including law enforcement and public authorities, to identify and tackle this issue. It has been encouraging that PBSs welcome this work and are keen to engage with it.
- 3.5** We have engaged with the Treasury on their consultation on the Money Laundering Regulations, supporting improvements to the information sharing gateway within the MLRs. These involve expanding the scope of the gateway, and potentially adding to the purposes under which information can be shared.
- 3.6** We continue to promote information and intelligence sharing through both existing and new forums. We have continued our close partnership working with the National Economic Crime Centre (NECC). We have also started working with a number of Regional Organised Crime Units (ROCU) to increase police knowledge and awareness of PBSs' capability, and how to work most effectively with them. Our close working with the NECC has also improved outcomes on a case-by-case basis, where challenges have been reported by both PBSs and law enforcement in effectively collaborating with each other. For example, in one case, there were joint misunderstandings about the other's capabilities, which we were able to help to resolve.
- 3.7** We are collaborating with Companies House as they implement their major reforms, participating in working groups for specific new provisions and giving them awareness training about OPBAS's work.

- 3.8** In particular, we are engaged with the work on Authorised Corporate Service Providers (ACSPs). These are firms or individuals offering company formation or filing, who in future will have to meet new requirements. Because many of these will belong to our sectors (legal and accountancy), we are taking an active interest in the regulations and guidance needed to implement the new measures. For example, our work on raising PBSs' awareness of the Register of Overseas Entities (ROE), has already resulted in PBSs engaging more proactively with Companies House, with some making improvements to their systems to allow better information sharing. In particular, this collaboration involves those providing verification services for ROE entities. ROE verifiers are required to be UK AML-supervised entities and PBSs are helping to ensure that those providing such services are actually supervised by them.
- 3.9** We will continue to provide support to Companies House as they implement the frameworks for the new ACSPs requirements and ID verification, as well as collaborating more generally on implementing the reforms, especially where these also concern PBSs.

### **The Intelligence Sharing Expert Working Groups (ISEWGs)**

- 3.10** The purpose of the ISEWGs is to increase information and intelligence sharing between the PBSs, law enforcement, statutory supervisors and other relevant agencies. The groups can be used for both strategic and tactical sharing. There are two main ISEWGs for the accountancy and legal sector PBSs across the UK (currently chaired by ICAS and the SRA respectively). Both Scotland and Northern Ireland also have a regional ISEWG, in recognition of the differences in the threat landscape in each jurisdiction. These are chaired by OPBAS, and intentionally focus on local trends and threats.
- 3.11** Members of the ISEWGs include PBSs, law enforcement, OPBAS, NECC, UKFIU and HMRC. Companies House has recently been invited to join the regional ISEWGs. Other partners may be invited on an ad-hoc basis.
- 3.12** At the ISEWGs, participants discuss current trends and patterns in money laundering and other economic crime, as well as providing a network to help and support each other in investigations. As there is no central register of supervised persons, it can be difficult for law enforcement and other partners to identify the supervisor of any given firm or individual. Last year, we reported that a contact book was being prepared setting out contact details for the accountancy PBSs. This has been completed and shared with appropriate law enforcement partners. The accountancy ISEWG chair encourages PBSs to keep it up-to-date. It is hosted in a secure, shared area of the Accountancy AML Supervisors' Group (AASG).
- 3.13** In addition, all PBSs now include a member search function on their websites. Although these do not all allow a search by name (with a small number of PBSs offering a function for members of the public to search by geographic location only), it is a big step forward from our last report, when only a few offered such a function. There are challenges for some PBSs in publishing names of members, and we continue to work through these with them.



- 3.14** In the coming year, OPBAS will work with the main ISEWG Chairs to ensure these forums are operating as intended. OPBAS has recently helped with a revision of the Terms of Reference for the Accountancy ISEWG to better reflect the current landscape.

## Chapter 4

# OPBAS projects and other work

- 4.1** As well as our supervisory assessments and information and intelligence sharing engagement, as part of playing our part in strengthening the UK's AML landscape, OPBAS has undertaken a range of project work to enhance our understanding of risks in the accountancy and legal sector and address PBS vulnerabilities.

## Trust and Company Service Providers (TCSPs)

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- 4.2** Last year the OPBAS multi-PBS report on TCSP risk set out recommendations for PBSs to improve their understanding of TCSP risks within their supervised populations.

- 4.3** Since then, we have engaged with HMRC and PBSs to:

- Identify core TCSP risk indicators and agree a more consistent understanding and approach to 'supply chain' risk aligning with HMRC's approach.
- Move towards agreeing a set of TCSP standardised questions for PBSs to circulate to their supervised populations annually. These would include a breakdown of firms'/sole practitioners' SARs and enforcement data, which will also strengthen law enforcement's understanding of PBSs' vulnerabilities in this area.
- Increase accessibility of the HMRC TCSP register to increase transparency and accountability for PBSs with members providing TCSP services. HMRC is required to hold the register of all relevant persons in the UK that act or may potentially act as TCSPs, except for those already registered with the FCA. HMRC continues to explore the practicalities of submission of PBSs' data and future accessibility options for the register.

- 4.4** We have also supported the work of the NECC's TCSP cell and the newly launched Professional Enablers Strategy to create better understanding of TCSP risks among key stakeholders.

- 4.5** In the year ahead, we will continue to engage with PBSs to ensure they effectively incorporate lessons from our TCSP work in their supervisory approach. We will also review PBSs' engagement with Companies House data, post-reform. We see these reforms, including the register of overseas entities, as a key instrument that may reduce risk, particularly around company formation. We expect to see improvements in this area which we will test via our engagement and assessment cycle. We are also supporting the development of the next UK NRA.

## Risk identification and verification (RI&V) project

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- 4.6** An effective risk-based approach underpins all aspects of anti-money laundering supervision. So it is important that PBSs accurately assess and categorise the risks from their supervised population to drive targeted and proportionate supervisory action. In

June 2023 OPBAS wrote to PBSs setting our views and observations on RI&V, following our work in this area.

- 4.7** Limited engagement from supervised populations, and issues with general levels of risk awareness in supervised populations continue to be a challenge for some PBSs. We strongly encouraged PBSs to examine if and how the risks identified in our risk identification and verification work apply to their own populations and decide the most effective risk-based approaches to address them. We expect further opportunities for coordinated activity within and across PBSs, such as training and thematic work, that could further demonstrate PBSs' subject matter expertise of their supervised populations and across sectors.

## Sub-sector work

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- 4.8** As part of the OPBAS risk-based supervision strategy for 2023/24, we looked at sub-sectors to get a better understanding of risk areas specific to bookkeeping, advocates and barristers, and conveyancing. We set out key findings below.

### Advocates and barristers

- 4.9** Three PBSs are responsible for the AML supervision of barristers and advocates. Our work concluded that AML supervision within this sub-sector has not materially improved since our previous supervisory cycles, with weaknesses across key areas such as risk-based approaches, supervision and enforcement. In our view, the PBSs in this sub-sector did not appear to sufficiently prioritise AML supervision on a par with other regulatory obligations, with relatively low AML resource (staffing) levels and low expenditure dedicated to AML.
- 4.10** There was a consistent view among the PBSs in this subsector that the risk of money laundering and terrorist financing to barristers and advocates is low. We increasingly agree this low relative risk assessment is reasonable, but that some level of risk remains. This low-risk view is based on the 2020 NRA, which assessed barristers as exposed to lower risks of money laundering and terrorist financing. While barristers and advocates cannot provide a number of the high-risk legal services outlined in the NRA, such as conveyancing and client account services, we found there was an absence of the PBSs' own objective analysis of their population risk.
- 4.11** Our supervisory work showed evidence that PBS-supervised populations were not always clear about the legal services that fall within scope of the MLRs. This resulted in inaccurate reporting from 1 PBS's supervised members. We also noted a lack of assurance conducted on the legal services provided by non-AML supervised members, indicating a weakness in policing the regulatory perimeter for AML supervision. OPBAS expects PBSs to have accurate data about their supervised populations and, where barristers and advocates are not clear about in-scope legal services, to take the steps needed to give their supervised populations the required clarity.
- 4.12** We found inconsistencies in the level of engagement with these populations through PBSs' supervisory activity, which ranged from short review meetings to engaging with

chambers instead of individual barristers. In our view, limited engagement, regardless of the perceived level of AML risk, limits a PBS's ability to fully assess barristers' understanding of the MLRs and compliance requirements. Relatively low risk areas can still be vulnerable to money laundering and terrorist financing if not appropriately supervised.

## Bookkeepers

**4.13** We took a deeper dive into some PBSs whose supervised population cover bookkeepers and found:

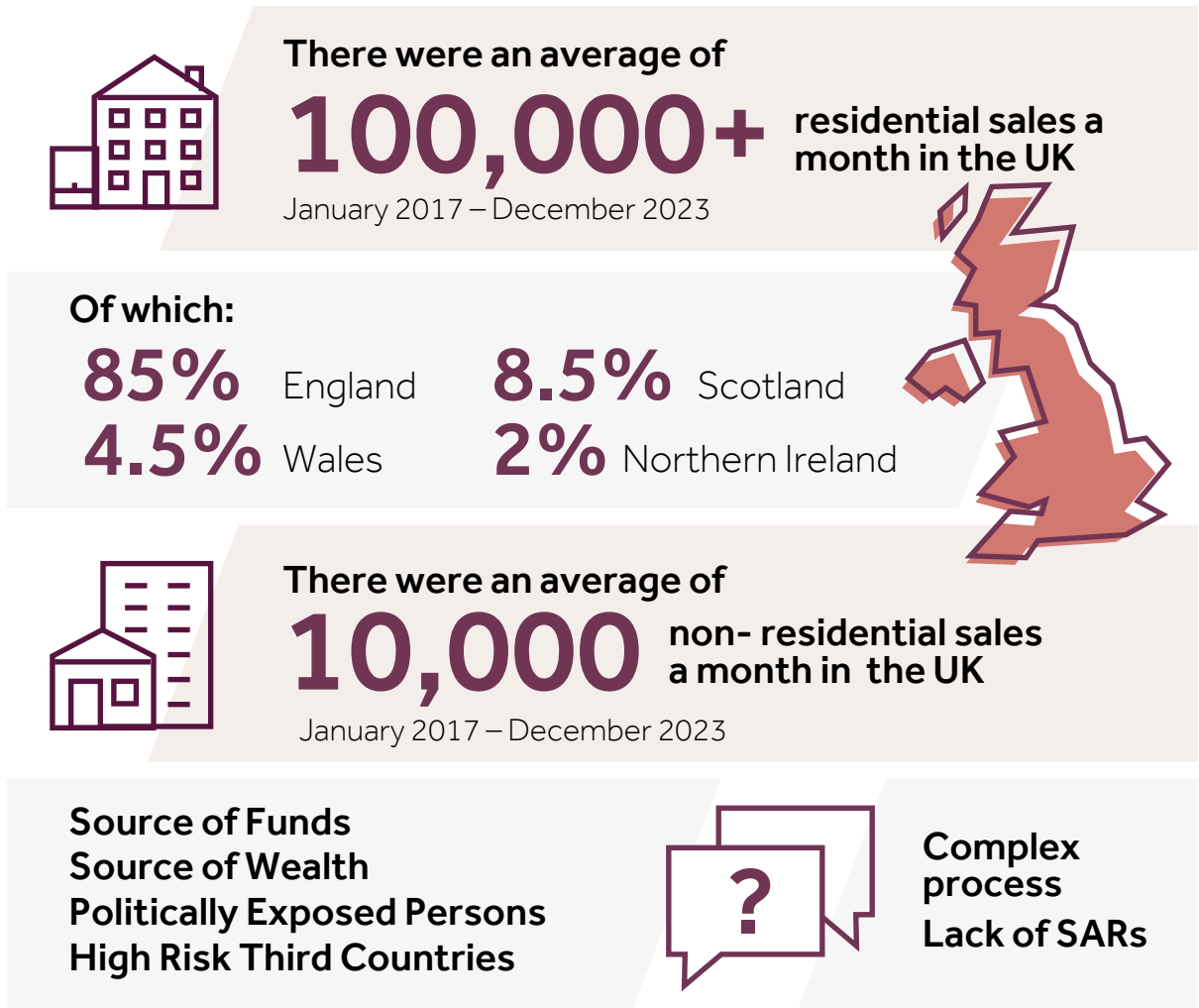
- Some PBSs had limited AML supervision resources. OPBAS expressed concerns about PBSs' governance for key person risk and inadequate contingency planning.
- PBSs harness technology in their supervision but their capability to maintain the resilience of complex technology and deliver IT change programmes remains unclear and untested. OPBAS is technology neutral but in this case sees the use of new technologies as both an opportunity and a risk factor.
- PBSs use and instruct external contractors to perform inspections of their members, in varying ways. However, OPBAS is not yet comfortable with the level and rigour of oversight of these contractors and has requested more stringent controls to be put in place.
- PBSs are aware of the generally heightened inherent risk payroll services pose but have demonstrated limited understanding of the risk in their specific populations and taken only limited proactive action to understand and address these.
- The most common forms of non-compliance with AML/counter terrorist financing obligations by members overseen by the PBSs in the sample involved inadequately documented policies and procedures, and an overreliance on off-the-shelf templates without sufficient tailoring. These issues may stem from the fact that most practices are sole practitioners or small businesses and can face challenges in maintaining adequate resources or access to the expertise and knowledge often available at bigger practices.
- PBSs received complaints from their members on the proportionality of their actions and fines. OPBAS does not have a formal complaints arbitration role, but regularly sees or is copied on complaints and disputes.
- PBSs demonstrated strength in providing information and guidance to members by using a variety of communication channels, virtually and in-person, to educate members on money laundering risks and give updates on regulatory requirements.

**4.14** We will be engaging directly with the PBSs in this sub-sector to address the specific findings, including technology risk management. We also plan to propose more collaborative work with the Treasury and other regulators in the field (such as the Legal Services Board and the Financial Reporting Council) to help coordinate a proportionate approach to technology, resilience and cyber security risks.

## Conveyancing

**4.15** The 2020 NRA classifies conveyancing as inherently high risk for money laundering. OPBAS's RI&V work agreed that conveyancing drives money laundering risks within PBSs' supervised populations which requires proportionate risk-based focus.

**4.16** To raise awareness of risks in the conveyancing sector and encourage more proactive PBSs' risk management of their supervised population active in this area, we held a targeted workshop in January 2024 concentrating initially on relevant legal sector PBSs. Before this, we had carried out open-source research in summer 2023 and engaged with non-PBS stakeholders involved in the conveyancing processes.



**4.17** We found that conveyancing services for both residential and commercial properties continue to be viewed as high risk due to the high value and large volume of transactions (see infographic). Mapping the end-to-end conveyancing process and associated AML risks is complex due to the number of professionals and third parties involved and varying levels of regulation (and therefore oversight).

**4.18** We concluded that the existing NRA's red flags remain relevant but would benefit from more detail and consideration of compound risk factors. There was consensus on main risk factors which included verifying unexplained source of funds and wealth (pooled deposits, crowd funding), identifying third parties, inappropriate use of client accounts, and the focus on high-end property which could be to the detriment of risks at the lower end of the market.



**Case Study: Organised Crime Group linked to human trafficking operating a business in the UK.**

An organised crime group with links to human trafficking operated a prostitution business in the UK, via massage parlours, and needed legal and estate agency services. The first solicitor approached declined and submitted a SAR, but a second solicitor agreed to act for the criminal group. This second solicitor did not carry out due diligence for the services they were asked to provide against the stated activities or ask relevant questions. This meant that the solicitor did not identify and report risk indicators including cash deposits from overseas (from unconnected third parties) and proof of multiple declarations of earnings on mortgage application forms.

**Control failings & risk indicators in this case:**

- failure to report any suspicious activity
- no enhanced due diligence undertaken despite the transactions presenting higher risk indicators
- lack of examination of source of funds, extending into other parties' activities
- failure to understand the nature of the business and so identify it was illicit
- inadequate understanding of the purpose of property purchase/sale, investment schemes and/or business schemes, the business rationale, relationships and background

## Professional enablers

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- 4.19** One of the ECP2 actions OPBAS is heavily involved with is a cross-system strategy for tackling the threat from professional enablers. The NECC and OPBAS have worked closely with partners to develop the strategy, and we are now taking forward the actions within it. It is a truly collaborative initiative, including law enforcement, government departments, statutory supervisors, PBSs, the Crown Prosecution Service, Companies House and the private sector.
- 4.20** ECP2 defines a professional enabler as *'an individual or organisation that is providing professional services that enable criminality. Their behaviour is deliberate, reckless, improper, dishonest and/or negligent through a failure to meet their professional and regulatory obligations'*. This definition was agreed with the sectors most at risk of exploitation, and there is now system-wide agreement about the nature of the problem. Professional enablers enable money laundering and other economic crime, and the new strategy will reduce their ability to do so. The commitment of all parties to delivering the strategy is commendable. By working together, we can deliver maximum impact. OPBAS is wholly committed to doing all we can to tackle this key threat to the UK's systems and controls.
- 4.21** By leading and/or supporting a number of actions, OPBAS is playing a key role in ensuring that the strategy meets its aims. This includes developing and/or delivering training and awareness packages; promoting and facilitating information sharing, including by using the training and awareness mentioned previously; identifying common themes in MLR breaches reported by PBSs, and ways to mitigate these; and using OPBAS's convening power to bring interested parties together.

## Overview of PBSs

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- 4.22** In parallel to OPBAS's supervisory assessments, we conducted additional research on the **variable characteristics of PBSs** using open-source data, including annual Regulation 46A reports submitted by PBSs and the Companies House register. We outline our observations below.
- 4.23** **Prevalence of supervisory 'outsourcing'**. A significant proportion (at least 6 of the 22) of PBSs do not conduct all their AML supervision or inspection activity in-house. Some PBSs employ independent third-party external contractors to undertake all or some of their AML inspections. One accountancy PBS outsources its AML reviews of all its medium and high-risk members to another PBS in the accountancy sector. We expect PBSs to be able to evidence that they actively monitor and proactively manage risk from any supervisory outsourcing, noting the responsibility for supervision remains with individual PBSs as AML supervisors.
- 4.24** **PBSs' member search functions exist but they vary**. All PBSs now have some form of publicly accessible member search function, but these do not have a consistent format or content. Currently, there is no single, consolidated and easily accessible database to search for the AML supervision status of a lawyer or an accountant. Many PBSs

support, in principle, the idea of a single register of AML-supervised entities and persons but raised concerns around managing data integrity risk and funding. In our view, a single central register of the AML supervised population could improve the UK AML framework's effectiveness and transparency. OPBAS will continue to work with PBSs and the Treasury to better understand the barriers, although this is a longer-term ambition and there are many practical issues that would need to be addressed.

- 4.25 Variation in corporate structures.** PBSs do not have a uniform structure or form. Structures range from entities limited by guarantee to Royal Charter, private bodies and registered charities. Each of the 22 PBSs needs to be assessed on a case-by-case basis. PBS corporate or legal structures should not hinder the effectiveness of their AML supervision, but variations pose challenges to achieving a consistent supervisory approach across the 22 PBSs.
- 4.26 Lack of full financial transparency.** Many, but not all, PBSs have audited financial statements available to view at Companies House. However, at least two PBSs use a small companies (Companies Act 2006) exemption from external audit. We suspect that exemption was not intended for a body operating as an AML supervisor. We expect that PBSs, as UK AML supervisors, should want to be financially transparent, not least to their members. We also encourage the presence of an internal audit function (as an additional line of defence) and the commissioning of regular external audits. These activities could improve how operational risk is managed (including proactively managing the potential for an uncontrolled insolvency or wind-down) at PBSs.
- 4.27 PBSs' use of collected AML fines.** As with many other factors, PBSs have different provisions in relation to the use of fines and do not demonstrate a consistent approach in how they apply AML fines imposed on their supervised populations. This impacts on consistent application of effective, proportionate and dissuasive sanctions. Where prescribed by law, a small number of PBSs in the legal sector ultimately remit AML fines to the Treasury through Tribunal functions and other arrangements. All accounting sector PBSs keep AML fines in full, although with no guarantee that these will be ring-fenced to directly fund AML work. We note that, over the life of OPBAS, the accounting sector PBSs have issued a larger sum of total AML fines than the legal sector, relative to the size of their supervised populations. In the 2022/23 reporting period PBSs issued fines totalling £640,781; £468,679 of this was attributed to the accountancy sector.
- 4.28 Uncontrolled failure risk is not fully mitigated.** PBSs are not required to have formal wind down plans in place to transfer their populations to another supervisor in the case of failure, nor do they need to hold a specified sum to fund such a wind down. This increases the risk of an uncontrolled PBS failure. HMRC can be seen as the 'supervisor of last resort' in the accounting sector, but there is no equivalent entity to perform that role in the legal sector. Prudential oversight of PBSs is a live risk area and not within OPBAS's current remit. Firm failures in supervised sectors can and do happen. We would expect an effective PBS to identify the risk of its uncontrolled failure and manage it proportionately, preparing for the worst with a funded plan to deliver a managed wind-down if needed.
- 4.29 AML supervision treated as a cost centre.** There is a risk that the vital AML supervision work being conducted by PBSs can be treated as a cost function rather than a value-



added function. AML budgets and funding are often not in the direct control of Money Laundering Reporting Officers (MLROs) or SPOCs who deliver the AML work at PBSs. Where this occurs, we see some PBS AML supervision teams being pressed on costs. This includes AML teams having to make tough prioritisation decisions on, for example, spend for supervision work, systems, staff training and recruitment. Boards and oversight functions applying a solely commercial approach or cost minimisation mindset can actively inhibit the effectiveness of PBSs as AML supervisors. Insufficiently funded AML functions and SPOCs risk being set up to fail. PBSs must have funding and resources in place to effectively monitor supervised populations (a regulatory requirement under Regulation 46(1) of MLRs 2017).

## Chapter 5

# Priorities for the year ahead

- 5.1** Over the coming year, we will continue our supervisory oversight and take robust, proactive actions to address identified shortcomings and drive further improvements in the consistency and effectiveness of PBSs' AML supervision. We will maintain our focus on multi-PBS work in high-risk areas and other emerging issues, engaging with PBSs to ensure they incorporate lessons effectively in their supervisory approach. We will intervene where we see a lack of progress, using the tools and powers we have within the current AML framework.
- 5.2** We will continue to work with PBSs to help drive effective implementation of sanctions among the legal and accountancy sectors. PBSs stepped up to the challenge relatively well and we will continue to monitor how PBSs are contributing to their supervised populations' compliance with the sanctions regime. We will also focus on the way PBSs oversee their supervised populations' compliance under the MLRs to assess and mitigate proliferation financing risks.
- 5.3** In parallel, we will continue to support the ECP2 actions to strengthen the current AML supervisory regime. We will continue to facilitate and encourage collaboration and information sharing between PBSs, law enforcement and other stakeholders. For example, there are new opportunities for collaborative working between PBSs and Companies House, through using the new information sharing gateways under the Economic Crime and Corporate Transparency Act 2023. We will continue to co-lead on the Professional Enablers Strategy that sets out several key actions to ensure a whole system approach to reducing the risk to the UK from professional enablers.
- 5.4** We are also contributing to preparations of the next NRA, providing insight from our supervisory work to help inform wider government understanding of the current and emerging risks and ways to reduce them.
- 5.5** Finally, OPBAS will continue to play its part in driving global compliance. We will look for opportunities to share information and best practice with international fora, including FATF colleagues, and continue the dialogue with counterparts from across the world through regular meetings.

## Annex 1

# Regulation 46A reports submitted by PBSs

Association of Accounting Technicians

Association of Chartered Certified Accountants

Association of International Accountants

Association of Taxation Technicians/ Chartered Institute of Taxation

Bar Standards Board

CILEX Regulation

Chartered Institute of Management Accountants

Council for Licensed Conveyancers

Faculty of Advocates

Faculty Office of the Archbishop of Canterbury

General Council of the Bar of Northern Ireland

Insolvency Practitioners Association

Institute of Certified Bookkeepers

Institute of Chartered Accountants in England and Wales

Institute of Chartered Accountants in Ireland

Institute of Chartered Accountants in Scotland

Institute of Financial Accountants

Institute of Accountants and Bookkeepers

Solicitors Regulation Authority

Law Society of Northern Ireland

Law Society of Scotland

## Annex 2

# List of PBSs

**OPBAS oversees 22 PBSs (plus 3 professional bodies which have delegated regulatory functions).**

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**They cover a wide range of professions across the accounting and legal sectors. They are:**

Association of Accounting Technicians

Association of Chartered Certified Accountants

Association of International Accountants

Association of Taxation Technicians

Chartered Institute of Legal Executives/CILEx Regulation

Chartered Institute of Management Accountants

Chartered Institute of Taxation

Council for Licensed Conveyancers

Faculty of Advocates

Faculty Office of the Archbishop of Canterbury

General Council of the Bar/Bar Standards Board

General Council of the Bar of Northern Ireland

Insolvency Practitioners Association

Institute of Certified Bookkeepers

Institute of Chartered Accountants in England and Wales

Institute of Chartered Accountants in Ireland

Institute of Chartered Accountants of Scotland

Institute of Financial Accountants

International Association of Bookkeepers

Law Society/Solicitors Regulation Authority

Law Society of Northern Ireland

Law Society of Scotland

## Annex 3

# Regulatory PBS member search functions

| PBS   | Location of PBS member list / search function  |
|---|--|
| Association of Accounting Technicians                   | <a href="http://www.aat.org.uk/licensed-members/directory">www.aat.org.uk/licensed-members/directory</a>   |
| Association of Chartered Certified Accountants          | <a href="http://www.accaglobal.com/gb/en/member/find-an-accountant/directory-of-member.html">www.accaglobal.com/gb/en/member/find-an-accountant/directory-of-member.html</a>   |
| Association of International Accountants                | <a href="http://www.aiaworldwide.com/find-an-accountant/">www.aiaworldwide.com/find-an-accountant/</a>   |
| Association of Taxation Technicians                     | <a href="https://pilot-portal.tax.org.uk/utilities/att/find-a-member">https://pilot-portal.tax.org.uk/utilities/att/find-a-member</a>  |
| Chartered Institute of Taxation                         | <a href="https://pilot-portal.tax.org.uk/utilities/ciot/find-a-member">https://pilot-portal.tax.org.uk/utilities/ciot/find-a-member</a>  |
| Chartered Institute of Management Accountants           | <a href="http://www.aicpa-cima.com/membership/landing/find-a-cima-student-member-or-mip">www.aicpa-cima.com/membership/landing/find-a-cima-student-member-or-mip</a>   |
| Institute of Certified Bookkeepers                      | <a href="http://www.bookkeepers.org.uk/Find-a-Bookkeeper">www.bookkeepers.org.uk/Find-a-Bookkeeper</a>   |
| Institute of Chartered Accountants in England and Wales | <a href="https://find.icaew.com/">https://find.icaew.com/</a>  |
| Institute of Chartered Accountants in Ireland           | <a href="http://www.charteredaccountants.ie/Find-a-Firm">www.charteredaccountants.ie/Find-a-Firm</a>   |
| Institute of Chartered Accountants of Scotland          | <a href="http://www.icas.com/find-a-ca">www.icas.com/find-a-ca</a>   |
| Institute of Financial Accountants                      | <a href="http://www.ifa.org.uk/find-an-accountant">www.ifa.org.uk/find-an-accountant</a>   |
| Institute of Accountants and Bookkeepers                | <a href="http://www.iab.org.uk/find-a-professional/">www.iab.org.uk/find-a-professional/</a>   |
| Insolvency Practitioners Association                    | <a href="https://insolvency-practitioners.org.uk/ipa-search-members/">https://insolvency-practitioners.org.uk/ipa-search-members/</a>  |
| CILEx Regulation  | <a href="https://cilexregulation.org.uk/practitioners-directory/">https://cilexregulation.org.uk/practitioners-directory/</a>  |
| Council for Licensed Conveyancers                       | <a href="http://www.clc-uk.org/consumers/find-a-licensed-conveyancer/">www.clc-uk.org/consumers/find-a-licensed-conveyancer/</a>   |
| Faculty of Advocates                                    | <a href="http://www.advocates.org.uk/advocates">www.advocates.org.uk/advocates</a>   |
| Faculty Office of the Archbishop of Canterbury          | <a href="http://www.facultyoffice.org.uk/notaries/find-a-notary/">www.facultyoffice.org.uk/notaries/find-a-notary/</a>   |
| Bar Standards Board                                     | <a href="http://www.barstandardsboard.org.uk/for-the-public/search-a-barristers-record/the-barristers-register.html">www.barstandardsboard.org.uk/for-the-public/search-a-barristers-record/the-barristers-register.html</a> |
| General Council of the Bar of Northern Ireland          | <a href="http://www.barofni.com/page/find-a-barrister">www.barofni.com/page/find-a-barrister</a>   |
| Solicitors Regulation Authority                         | <a href="http://www.sra.org.uk/consumers/register/">www.sra.org.uk/consumers/register/</a>   |

| PBS                             | Location of PBS member list / search function  |
|---------------------------------|--|
| Law Society of Northern Ireland | <a href="http://www.lawsoc-ni.org/solicitors">www.lawsoc-ni.org/solicitors</a>                 |
| Law Society of Scotland         | <a href="http://www.lawscot.org.uk/find-a-solicitor/">www.lawscot.org.uk/find-a-solicitor/</a> |

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