



HM Government



CUTTING RED TAPE

Review of the UK'S Anti-Money Laundering
and Counter Financing of Terrorism regime:
Annexes

March 2017

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Annex A: Scope of the review

This Review is seeking evidence of the impact on business of the current anti-money laundering and terrorist finance regime, and specifically the role of supervisors in that regime. It seeks to identify any aspects of regulatory activity that could be made more efficient – both for those that operate the regime and are subject to it and for enforcing authorities. This includes impacts:

- on banks, financial institutions and other businesses that are affected directly by the regime; and
- on businesses who in turn are asked to comply with the anti-money laundering requirements of those banks and financial and other businesses.

This Review is seeking evidence of the impact on business of the current anti-money laundering and terrorist finance regime, and specifically the role of supervisors in that regime. The aim is to examine the potential to improve compliance and efficiency, by identifying aspects of the supervisory regime that appear to businesses in the regulated sector to be unclear, unnecessarily cumbersome, conflicting or confusing.

The government's domestic objective on anti-money laundering and terrorist financing is to protect the integrity and stability of the financial system, through effective and proportionate anti- money laundering, counter-terrorist and proliferation finance measures.

The government will not abrogate its international commitments and EU obligations as a result of the review. UK legislation generally follows on from EU Directives, the most recent of which was published in June 2015, and which the UK will bring into domestic law through new money laundering regulations by June 2017. EU Directives seek to give effect to the Financial Action Taskforce global standards on anti-money laundering and terrorist financing, and set out that banks, financial institutions and other businesses should carry out appropriate due diligence focused on where risk is greatest. The government's clear policy is that businesses' approach to money laundering and terrorist financing should be risk-based. This means that businesses are expected to form their own judgment on where the risks fall in a given case and how best to comply with the relevant legislation and sectoral guidance. This is the clear position of the international and EU community and is not open to review. However, the team would be interested to receive evidence on how implementation of this policy in practice might be improved.

The Review will seek evidence in relation to the role of all supervisors in the implementation of the current Money Laundering Regulations (2007). It will seek to identify any aspects of regulatory activity that could be made more efficient - both for those that

operate the regime and are subject to it and for enforcing authorities. In seeking evidence of the impacts on business of meeting their regulatory obligations, this includes impacts:

- on banks, financial institutions and other businesses that are affected directly by the regime; and
- on businesses who in their turn are asked to comply with the anti-money laundering requirements of those banks and financial and other businesses.

The review is seeking evidence of ineffective requirements imposed on business through legislation or its implementation. In respect of the law, the key legislative provisions are listed below.

In respect of supervision, implementation and enforcement by authorities, the review is seeking evidence of the impact on businesses, for example:

- The effectiveness and proportionality of the supervisors' approach to supervision and enforcement, and how could this be improved, specifically in relation to the bodies listed below
- How and where businesses access information about how to comply, and how effective and proportionate is AML/CFT guidance (for example FCA and JMLSG guidance).
- Evidence of over-implementation (given that due diligence on customers should be proportionate to the risks posed), and on the range of tools to address this and how are they used
- Whether self-regulation supports an effective and proportionate AML/CFT regime
- Good practice examples of activity or approaches taken by supervisors to support business compliance, which could be replicated elsewhere
- Evidence of the supervisory regimes in other countries that we can learn from, or that impacts on businesses in the UK

Evidence gathered by the review will be shared with relevant government departments, authorities and regulators (although businesses may request to have their evidence shared on an anonymous basis). Relevant findings from this exercise has also been fed into the analysis of responses received through other consultations such as that on the implementation of the 4th EU Money Laundering Directive and the Regulation on information accompanying transfers of funds.

Any issues concerning the regulation of systemic financial risk fall outside the scope of the review. This review will not cover the burdens associated with the requirement to report suspicious activity to the NCA through the Suspicious Activity Report regime.

Purpose of the regime and which businesses are in scope

The Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) regime exists to prevent proceeds of crime being processed through the UK's financial markets and institutions so that they appear to come from a legitimate source. The regime protects the integrity and stability of the UK's financial system and prevents serious and organised crime and terrorist activities from being enabled or facilitated.

The regime directly affects sectors that offer services that could be used to facilitate money laundering. The following types of business are subject to it:

- financial and credit institutions (such as banks, currency exchange offices, cheque cashers or money transmitters)
- independent legal professionals
- accountants, tax advisers, auditors and insolvency practitioners
- trust or company service providers
- estate agency businesses
- casinos
- high value dealers.

Regulations also indirectly affect customers and businesses who in turn are asked to comply with the requirements of banks and other regulated businesses, such as through the process of opening a bank account or purchasing property.

Sector coverage of the regime

- Approximately 293,000 businesses are directly subject to the AML/CFT regime (many more affected indirectly)
- 99% of those directly affected are micro, small and medium sized enterprises (SMEs)
- Businesses subject to the regime employ approximately 2.7 million people
- The economic value of those businesses accounts for approximately £219 billion of the UK economy, or the equivalent of 14% of GVA

The role of central government, regulators and supervisors

The UK's anti-money laundering regulations implement EU law, which is in turn based on the recommendations of the Financial Action Task Force (FATF), a global inter-governmental standard-setting task force. In the UK, firms' obligations under the regime are set out in the Money Laundering Regulations 2007 (MLR 2007), as amended, which implement the Third EU Money Laundering Directive. Annex G contains further detail on the relevant legislation and international agreements under which it is made.

HM Treasury is responsible for appointing supervisors, approving the guidance they produce, and leading the UK's contribution to international policy development on anti-money laundering and countering terrorist financing. Courts and designated authorities must consider whether an individual followed the "approved guidance" when deciding whether the person failed to comply with certain requirements under the regulations, or committed certain offences.

There are 27 supervisors overseeing a range of firms and sectors (see Annex B). Some of these are public sector regulatory authorities (FCA, HMRC, Gambling Commission and Department for Enterprise, Trade and Investment in Northern Ireland) – while the majority are appointed professional bodies responsible for supervision of their own members. For example, these include several accountancy bodies, and the Law Society of England and Wales.

Supervisors have a duty to monitor the compliance of businesses and help firms understand the requirements of the regime. Supervisors have differing powers to require information, undertake on-site inspections, and impose administrative penalties for firms that do not comply with the legislation. Supervisors have a range of techniques available to them to monitor compliance, including annual returns, visits, desk based monitoring, and telephone interviews. While some supervisors undertake AML/CFT duties as a standalone function, others with a broader supervisory remit will undertake this monitoring as part of the oversight of professional standards amongst their membership.

Supervisors refer firms to guidance on complying with AML regulations – either written by sector representative bodies such as the Joint Money Laundering Steering Group (JMLSG) for the financial services sector and the Consultative Committee of Accountancy Bodies (CCAB) for the accountancy sector – or guidance written by individual supervisors (such as the Law Society, for solicitors in England and Wales).

A business subject to AML regulation needs to register with the appropriate supervisory authority. If a business is a member of a designated professional body responsible for supervision, it will not normally need to register with another body.

Key requirements for business

The regulations require firms to put in place appropriate risk-sensitive policies and procedures to prevent and detect money laundering, specifically in relation to:

- customer due diligence (CDD) measures, requiring firms to identify customers and beneficial owners and obtain information on the purpose and nature of the intended business relationship;
- ongoing monitoring of customer transactions and information;
- record-keeping;
- internal control;
- risk assessment and management;
- staff training;
- appointing a nominated officer to whom knowledge or suspicion of money laundering or terrorist financing must be reported.

Annex B: Full list of anti-money laundering and counter financing of terrorism supervisors in the UK

1. Association of Accounting Technicians (AAT)
2. Association of Chartered Certified Accountants (ACCA)
3. Association of International Accountants (AIA)
4. Association of Taxation Technicians (ATT)
5. Chartered Institute of Management Accountants (CIMA)
6. Chartered Institute of Legal Executives (CILEX)
7. Chartered Institute of Taxation (CIOT)
8. Council for Licensed Conveyancers (CLC)
9. Department of Enterprise, Trade, and Investment Northern Ireland (DETINI)
10. Faculty of Advocates (Scottish Bar Association) (FoA)
11. Faculty Office of the Archbishop of Canterbury (AoC)
12. Financial Conduct Authority (FCA)
13. Gambling Commission (GC)
14. General Council of the Bar (England and Wales) (GCBEW)
15. General Council of the Bar of Northern Ireland (GCBNI)
16. HM Revenue & Customs (HMRC)
17. Insolvency Practitioners Association (IPA)
18. Insolvency Service (SoS)
19. Institute of Certified Bookkeepers (ICB)
20. Institute of Chartered Accountants in England and Wales (ICAEW)
21. Institute of Chartered Accountants in Ireland (ICAI)
22. Institute of Chartered Accountants of Scotland (ICAS)
23. Institute of Financial Accountants (IFA)
24. International Association of Book-keepers (IAB)
25. Law Society of England and Wales (LSEW)
26. Law Society of Northern Ireland (LSNI)
27. Law Society of Scotland (LSS)

Annex C: List of organisations that have provided evidence

Meetings / phone calls

- Allied Irish Banks (BBA round table)
- Association of Accounting Technicians
- Association of Arts and Antique Dealers
- Association of British Insurers
- Association of Company Registration Agents
- Association for Financial Markets in Europe
- Association of Foreign Banks
- Association of International Accountants
- Association of Tax Technicians
- Association of UK Payment Institutions
- Arbuthnot Latham & Co Ltd (BBA roundtable)
- Aviva (ABI roundtable)
- AXA (ABI roundtable)
- Bank of America Merrill Lynch (BBA roundtable)
- Bar Standards Board
- Barclays (BBA roundtable)
- Barclays Accelerator
- Bank of Tokyo Mitsubishi (BBA roundtable)
- Bilfinger GVA (RICs roundtable)
- British Bankers Association
- Building Societies Association
- Cambridge and Counties Bank (BBA roundtable)
- Chartered Institute of Legal Executives
- Chartered Institute of Taxation
- Citi (BBA roundtable)
- Council for Licensed Conveyancers
- CrowdCube (FinTech roundtable)

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- Crown Agents (BBA roundtable)
 - Deloitte
 - DueDil (Fintech roundtable)
 - EFG Private Bank (BBA roundtable)
 - Experian
 - Eileen Burbidge, Chancellor's Special Envoy for FinTech (FinTech roundtable)
 - Gambling Commission
 - Global Witness
 - Hampshire Trust Bank plc (BBA roundtable)
 - Hunters Solicitors (STEPs roundtable)
 - Innovate Finance
 - HSBC (BBA roundtable)
 - Insolvency Practitioners Association
 - Institute of Chartered Accountants in England and Wales
 - Institute of Financial Accountants
 - International Association of Book Keepers
 - Joint Money Laundering Steering Group
 - Law Society
 - Level 39 – and members at a roundtable event
 - Lloyds Banking Group
 - Nationwide (BBA roundtable)
 - miiCard (FinTech roundtable)
 - Mondo (FinTech roundtable)
 - National Australia Bank (BBA roundtable)
 - National Association of Estate Agents & National Federation of Property Professionals
 - NewGen Leisure
 - Nutmeg (FinTech roundtable)
 - Onfido (FinTech roundtable)
 - Passfort (FinTech roundtable)
 - Passion (FinTech roundtable)
 - Paycasso
 - PricewaterhouseCoopers

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- Prudential (ABI roundtable)
 - PWT Advice (STEPs roundtable)
 - RateSetter (FinTech roundtable)
 - Retail Motor Industry Federation
 - Revolute (Level 39 roundtable)
 - Royal Bank of Scotland
 - Royal Institution of Chartered Surveyors – and members at a roundtable event
 - Sainsbury's Bank (BBA roundtable)
 - Santander (BBA roundtable)
 - Société Générale (BBA roundtable)
 - Starling Bank
 - Society of Trust and Estate Practitioners
 - Tax Incentivised Savings Association
 - Tesco Bank (BBA roundtable)
 - Tradle (FinTech roundtable)
 - Transferwise Ltd (FinTech roundtable)
 - Transparency International
 - United Bank UK (BBA roundtable)
 - Vanquis Bank Ltd (BBA roundtable)
 - VTB Capital (BBA roundtable)
 - Wealth Management Association
 - Wine and Spirit Trade Association
 - Zurich (ABI roundtable)

Written submissions and website comments

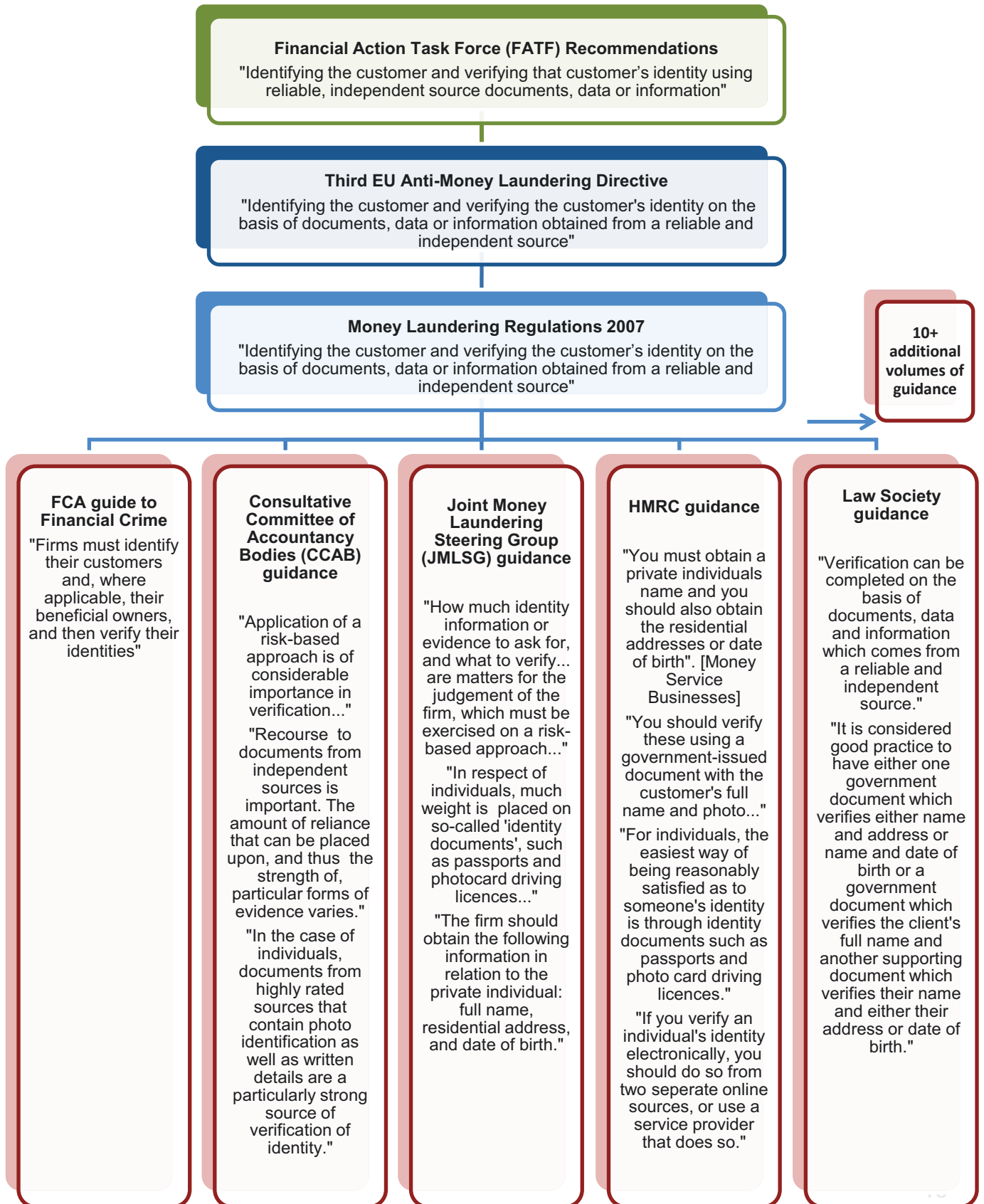
- Association of British Bookmakers
- Association of British Insurers (ABI)
- Association of UK Payment Institutions
- British Bankers Association
- Building Societies Association
- British Private Equity and Venture Capital Association
- Robert Carnaghan
- CBI
- Chartered Institute of Patent Attorneys
- gkCredit
- Electronic Money Association (web)
- Experian
- Global Witness
- ICAEW
- Innovate Finance
- Investment and Life Assurance Group (web)
- Legal Services Board
- National Association of Estate Agents
- National Pawnbrokers Association
- Peter Kennan, Hawsons Chartered Accountants
- Paycasso
- STEP (Society of Trust and Estate Practitioners)
- Remote Gambling Association (web)
- TransferWise Ltd
- Transpact
- Transparency International

Annex D: List of guidance documents and page length (non-exhaustive)

Organisation	Name of guidance	Number of pages
Government bodies		
HMRC	Supervision of Money Service Businesses	65
	Anti-money laundering guidance for high value dealers	58
	Anti-money laundering guidance for trust or company service providers	64
	Money Laundering Regulations 2007: supervision of Estate Agency Businesses	41
FCA	Financial Crime: a guide for firms. Part 1.	89
	Financial Crime: a guide for firms. Part 2.	95
Gambling Commission	Guidance for remote and non-remote casinos: second edition.	55
	Duties and responsibilities under the Proceeds of Crime Act 2002: Advice to operators (excluding casino operators): Second ed.	35
Supervisory bodies		
Faculty Office of the Archbishop of Canterbury	Guidance for notaries	140
Law Society	Anti-money laundering practice note: October 2013	137
Chartered Institute of for Legal Executives	Anti-money Laundering Guidance notes: January 2015	120
Association of Accounting Technicians	Guidance on anti-money laundering legislation	66
General Council of the Bar	Money laundering explanatory note	37
Institute of Chartered Accountants in Ireland	Practice note 12: Anti-money laundering guidance for the accountancy sector	11
Council for Licensed Conveyancers	Guidance for Licensed Conveyancers, Licensed Bodies and Recognised Bodies	11

Organisation	Name of guidance	Number of pages
Additional bodies		
Joint Money Laundering Steering Group	Prevention of money laundering/ combating terrorist financing. 2014 revised version. Guidance for the UK financial sector: Part I	187
	Part II: Sectoral guidance.	218
	Part III: Specialist guidance.	76
The Consultative Committee of Accountancy Bodies	Anti-money laundering guidance for the accountancy sector	115
Financial Reporting Council	Money laundering - guidance for auditors on UK legislation	34
NFPP / RICS / ARP / ARMA	Money laundering guidance for members of: NFPP, RICS, ARP, ARMA.	66
Total		1720

Annex E: Identification and Verification



Annex F: Key legislation

Firms' obligations under the regime are set out in the Money Laundering Regulations 2007 (MLR 2007), as amended, which implement the Third EU Money Laundering Directive. The regulations require firms to put in place appropriate risk-sensitive policies and procedures to prevent and detect money-laundering, specifically in relation to:

- customer due diligence (CDD) measures, requiring firms to identify customers and beneficial owners and obtain information on the purpose and nature of the intended business relationship;
- ongoing monitoring of customer transactions and information;
- record-keeping;
- internal control;
- risk assessment and management;
- staff training;
- monitoring and management of compliance with, and internal communication of, such policies and procedures; and
- appointing a nominated officer to whom knowledge or suspicion of money laundering or terrorist financing must be reported.

The regulatory regime is based on the recommendations of the inter-governmental Financial Action Task Force (FATF), which sets standards for the international prevention of Money Laundering and Terrorist Financing and monitors their implementation among its members. These principles form the basis of EU directives, which are transposed into UK law.

Development of the regime

In March 2015, The Small Business, Enterprise and Employment Act received royal assent, requiring the establishment of a Register of Persons of Significant Control. This amends the Companies Act 2006 and requires companies to keep a register of people who have significant control over the company.

In June 2015, 4MLD was adopted at EU level; the UK government will implement it through transposing regulation by June 2017. HM Treasury published an initial consultation on the transposition of 4MLD in September 2016 and will publish a response with a 4 week consultation window soon.

In October 2015, the UK published its first AML/CFT National Risk Assessment (NRA) in compliance with FATF recommendations. Issues identified in the NRA included inconsistencies in the supervisory regime, the need for greater knowledge of money laundering risk in key parts of the regulated sector and a need for greater information sharing between the private sector and supervisors. The NRA also covered sectors that are not regulated for AML/CFT purposes but which stakeholders felt may facilitate money laundering such as retail betting and charities.

In April 2016 the government published its Action Plan for anti-money laundering and counter-terrorist financing, which set out how the government will work with supervisors and the private sector to address the risks set out in the NRA.



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