

Office for Professional Body AML Supervision (OPBAS)

HM Treasury

RPC rating: **fit-for-purpose**

Description of proposal

The Fourth Money Laundering Directive (4MLD) requires UK authorities responsible for monitoring sectors at risk of facilitating money laundering to comply with their obligations set out in the Money Laundering Regulations (MLRs). Currently, the supervision system comprises 25 organisations operating largely independently of each other. Having reviewed the functioning of the system in 2015 (National Risk Assessment), the Department concluded that the current arrangement does not guarantee a consistent approach to supervision.

After a subsequent Call for Information and the conclusion of the Cutting Red Tape Review of the UK's AML and CFT Regime, the Department is proposing to create the Office for Professional Body AML Supervision (OPBAS) – a new organisation within the Financial Conduct Authority, overseeing and coordinating functioning of the UK AML supervision system.

The IA explains that the Call for Information supported greater oversight of the current regime. The assessment also states that creating a new body within the FCA is likely to be the most cost effective option. In addition, HMT states that “the FCA was considered the best fit for OPBAS because OPBAS’s objectives are closely aligned with those of the FCA”.

Impacts of proposal

The IA states that the policy would affect professional body AML supervisors, regulated businesses, the UK financial sector and the public.

The professional body AML supervisors will face the costs related to funding OPBAS and the requirement to engage with OPBAS on a day to day basis. They are expected to benefit, as a result of a more coordinated approach to all regulated businesses and a more effective exchange of information across the system.

Regulated businesses are expected to benefit from “*being able to draw on a single piece of user-friendly guidance for their sector, reducing uncertainty and unnecessary costs in the regime.*”

The IA also anticipates that the UK financial sector and the public would benefit from a decrease in the flow of illicit funds into the UK financial system.

The Department is currently gathering evidence which will help estimate the impact of the policy at the final stage.

The IA states that this legislation ensures compliance with the requirements of the Fourth Money Laundering Directive and, therefore, would be exempt from the Business Impact Target.

This appears to be a non-qualifying regulatory provision that will not score under the business impact target.

Quality of submission

The IA describes the policy proposal in sufficient detail and presents a clear rationale for intervention.

The quality of the assessment would have been improved by including more detailed discussion of the options considered for the creation of OPBAS. The IA should have explained more on the structure of the new institution and the design of the oversight system. The IA should have also explained more clearly why the proposed policy is likely to be the most efficient way of complying with the Directive. The Department should seek evidence during consultation to support its final policy proposal.

The IA would have also benefited from explaining what the minimum EU requirements are and why the proposed policy does not include gold-plating. The final stage IA should present a detailed explanation of both of these aspects of the proposal.

The final stage IA should also consider the burden on businesses related to the need to familiarise themselves with the new system.

Departmental assessment

Classification	Non-qualifying regulatory provision (EU)
Equivalent annual net cost to business (EANDCB)	N/A
Business net present value	N/A
Societal net present value	N/A

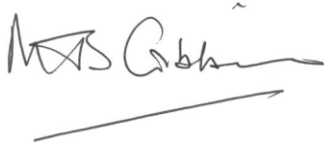
RPC assessment

Classification	Non-qualifying regulatory provision (EU)
EANDCB – RPC validated ¹	N/A

¹ For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.

Opinion: consultation stage
Origin: domestic
RPC reference number: RPC-4007(1)-HMT
Date of implementation: not applicable

Business Impact Target (BIT) Score ¹	N/A
Small and micro business assessment	Not required (European origin)



Michael Gibbons CBE, Chairman