



HM Treasury

Anti-money laundering and
counter-terrorist financing:
Supervision Report: 2022-23

May 2024

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Foreword



Illicit finance in the UK fuels serious organised crime and poses a material threat to our national security and economic prosperity. The fight against money laundering and terrorist financing is also the fight to protect the safety and prosperity of our citizens and communities, and the integrity of the financial system.

The UK's robust anti-money laundering and counter-terrorist financing (AML/CTF) regulatory regime is our first line of defence against illicit finance. But our second line – the supervisory bodies who work to ensure that regulated firms have effective controls in place to tackle money laundering and terrorist financing – is just as important. There are constant changes in the patterns of risk associated with different regulated sectors and so too with the tools that are most effective to address them. Supervisors are crucial in keeping on top of these changes and driving an agile, proportionate approach to compliance. The government recognises this, and while it is committed to ensuring that regulations keep pace with an ever-changing economic crime landscape, it is also committed to ensuring that businesses and their regulatory supervisors are as effective as they can be in delivering the outcomes intended by regulation.

The UK's AML/CTF supervisory regime has its strengths, but we know that improvements can still be made. Following the Treasury's review of the UK's AML/CTF regulatory and supervisory regime in 2022, the government committed to a series of improvements of the UK's supervisory landscape. The Economic Crime Plan 2023-26 published last year reiterated that we, along with partners across the public and private sectors, are focused on delivering an ambitious and meaningful programme of changes to AML/CTF supervision.

We will set out more in the coming months about the future structure of the supervisory system following the consultation in 2023. We are also already consulting on updates to the Money Laundering Regulations themselves to ensure that we give businesses the right tools to identify and prevent money laundering and terrorist financing; and finalising a new effectiveness framework to better evaluate the effectiveness of AML/CTF supervision.

This is all to say that confronted with increasingly complex, sophisticated, and dangerous illicit finance threats the government remains committed to ensuring that our supervisory regime is best equipped to ensure the safety, security, and integrity of the UK.

Against this background, the government's annual supervision report for the financial year 2022-23 offers a timely insight into the activities of the UK's 25 anti-money laundering supervisors during a period of transformation.

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Introduction

1.1 The UK has a comprehensive anti-money laundering and counter-terrorist financing (AML/CTF) supervisory regime responsible for ensuring that a range of sectors and firms take effective action to identify and prevent money laundering and terrorist financing. HM Treasury works closely with the supervisors to deliver this: the Financial Conduct Authority (FCA), His Majesty's Revenue and Customs (HMRC), the Gambling Commission (GC) and the 22 legal and accountancy Professional Body Supervisors (PBSs), as well as with the Office for Professional Body Anti-Money Laundering Supervision (OPBAS).

1.2 AML/CTF supervisors continue to play a critical role in protecting the UK against the threat of economic crime. This includes important actions such as registering regulated firms, updating them on the latest risks in their sector, overseeing firms' application of the MLRs, supporting and monitoring firms' compliance and effectiveness, and taking enforcement action where necessary.

1.3 This is HM Treasury's eleventh report on AML/CTF supervision. This report provides information on the performance of AML/CTF supervisors in the 2022-23 financial year and fulfils HM Treasury's obligation, under Section 51 of the Money Laundering Regulations (MLRs), to publish an annual report on supervisory activity using information requested from supervisors.

1.4 Each chapter of the report considers a specific area:

- Chapter 2 details each supervisor's risk-based approach in relation to supervising their population, outlines their supervisory activity and considers information-sharing.
- Chapter 3 considers supervisors' use of dissuasive enforcement to promote compliance with the AML/CTF standards among their supervised population.

The UK's AML/CTF regulatory and supervisory regime

1.5 The government takes a robust and holistic approach to tackling all forms of economic crime, with sustained action to improve the response spanning law enforcement, industry and a range of key public bodies such as HMRC, the FCA and Companies House. An effective AML/CTF regulatory and supervisory regime is a critical component of this whole system approach.

1.6 In 2018, when the Financial Action Task Force (the FATF), the global standard-setter for AML/CTF regulation, last assessed the UK it recognised that the UK's AML/CTF regime was one of the strongest assessed by FATF to date. However, while the UK achieved high ratings overall, the FATF assessed the UK's supervision regime to be only moderately effective. Specifically, it found that there were significant

weaknesses in the risk-based approach to supervision among all the UK AML/CTF supervisors, with the exception of the Gambling Commission. The FATF's assessment also highlighted concerns surrounding the approach to supervision taken by the PBSs but noted that the government had established OPBAS to drive improvements in PBS supervision.

1.7 In 2022, HM Treasury's review of the UK's AML/CTF regulatory and supervisory regime concluded that, despite OPBAS delivering substantial improvements in PBS supervision, significant weaknesses remained in the UK's supervision regime, and that there was a case for further reform.

1.8 In 2023, the government acknowledged this as part of Economic Crime Plan 2023-26 (ECP2). This strategy, agreed between the public and private sectors, sets out a programme of specific actions and milestones that span the whole of the UK's economic crime landscape. It builds on the foundations laid in the first Economic Crime Plan to focus directly on impact and outcomes, helping to cut crime, protecting our national security, and supporting the UK's legitimate economic growth and competitiveness.

1.9 As part of this, ECP2 set out a range of actions to improve the effectiveness of the AML/CTF regulatory and supervisory regime, building on commitments from the 2022 review of the Money Laundering Regulations (MLRs). These include:

- HMT consulting on, and then delivering an agreed package of changes, to improve the effectiveness of the MLRs and reform the UK's future AML/CTF supervisory regime.
- HMT and OPBAS strengthening their existing oversight of the AML/CTF supervisors.
- AML/CTF supervisors taking action to make further improvements to their effectiveness.

Improving the Effectiveness of the MLRs

1.10 As mentioned above, HM Treasury is currently consulting on potential changes to the MLRs. The consultation covers a range of issues identified in the 2022 Review of the MLRs and other priority issues raised by stakeholders. Proposals particularly relevant to the supervisors include those aimed at:

- Strengthening system coordination across the UK's AML/CTF regime. This is intended to ensure continuing effective cooperation as the system evolves to take account of new and emerging threats, technological change, and changes in the legislative landscape. The consultation, for instance, asks whether Companies House should be added to the list of bodies with whom supervisors must cooperate.
- Considering the boundary of AML/CTF regulation. This includes consulting on issues with and updates to the guidance that

supports firms and supervisors to comply with the regime and proposals to keep pace with wider regulatory and market changes, following the UK's exit from the EU.

1.11 The consultation is intended to elicit responses from a wide range of stakeholders, including supervisors, businesses and their representative bodies, law enforcement and the public. Depending on responses to the consultation, legislative changes will be considered on the basis that they strengthen the existing regulations and are complementary to any reform of the supervision regime. In order to help assess the impact of any changes, HM Treasury is also running a survey on the cost of compliance with the MLRs for regulated businesses.

Reforming the UK's future supervision regime

1.12 HM Treasury's 2022 review found that the structure of the supervisory system was crucial to long-term effectiveness, a conclusion aligned with the findings of FATF at the UK's last assessment. Reforming the UK's AML/CTF supervision regime is also an action in the Economic Crime Plan 2. Improved supervision will support businesses across the regulated sector to understand and effectively implement their obligations under the MLRs and ensure that appropriate action is taken against firms that fail to meet these obligations. It will also reinforce other important reforms elsewhere in the system, such as the transformation of Companies House and wider measures introduced through the Economic Crime and Corporate Transparency (ECCT) Act.

1.13 In 2023, therefore, HM Treasury consulted on systemic reform of the AML/CTF supervision regime. The consultation set out our proposed objectives for this reform: to strengthen the effectiveness of the supervisory system, to improve co-ordination across the UK's AML/CTF system, and to ensure the chosen policy is feasible. There were four potential models set out in the consultation, ranging from new powers which would bolster the existing regime to making a public body responsible for some or all UK AML/CTF supervision.

1.14 This work remains a priority, and HM Treasury will publish a document in due course outlining what responses it has received and setting out next steps. In the meantime, however, the quality and consistency of the current supervision system remains immensely important. It is also vital that the UK can measure and assess the effectiveness of any supervision reform, both before and after any reform.

Measuring the effectiveness of supervision

1.15 As part of ECP2, HM Treasury committed to develop a framework to better evaluate the effectiveness of anti-money laundering and counter-terrorism financing supervision. HM Treasury has therefore developed a set of enhanced data requests to be made of supervisors by which it can better measure effectiveness of supervision. This will be known as the Effectiveness Framework.

1.16 The Framework aligns with the expectations for PBS supervisors set out in the OPBAS sourcebook and includes metrics across a range of supervisory activity that we assess to be the key components of effective supervision. These themes range from improving firm-specific risk understanding, to dissuasive enforcement and the smoother sharing of intelligence, and broadly mirror the components of supervisory effectiveness underpinning the government's objectives for supervision reform.

1.17 HM Treasury has developed the Framework with FATF methodology in mind so it includes data that will be required as part of the UK's next Mutual Evaluation Report (MER). By building the additional data points required by the FATF into the Framework, and so into supervisors' regular reporting cycle, supervisors should find the data collection process as part of the MER considerably easier and more straightforward. The Framework also strengthens HM Treasury's oversight of supervision and supports the continuous improvement of supervisors.

1.18 When developing the Framework, HM Treasury conducted two rounds of engagement and sought input from all supervisors, as well as OPBAS and the National Crime Agency. It has also worked with the Home Office and industry as part of ECP2 to ensure that this new framework fits with wider reporting requirements.

1.19 During engagement, supervisors welcomed the greater rigour in HMT oversight that the Framework promotes but voiced a clear desire for clarity and specificity in the data requested. HM Treasury has responded to these concerns in the development of the final Framework.

1.20 The key additional metrics which will be collected through the Framework will include:

- **Educational activity**

- Number of guidance/training materials shared relating to money-laundering risk
- Number of guidance/training materials shared relating to terrorist-financing risk
- Number of guidance/training materials shared relating to compliance with the MLRs
- Average email open rates, monthly hits, and attendance/views of material shared related to the above, where relevant

- **Risk-based approach**

- Number of desk-based reviews carried out on firms split by risk categorisation (i.e. high, medium, low)
- Number of onsite visits carried out on firms split by risk categorisation

- Number of firms found to require a higher risk categorisation identified through a random selection of total supervised population
- **Risk-based enforcement**
 - Number of formal enforcement actions and fines conducted against firms split by risk categorisation
 - Number of informal enforcement actions conducted against firms split by risk categorisation
- **Effectiveness of supervisory interventions**
 - Number of non-compliant firms identified that were non-compliant in previous supervisory intervention
 - Number of compliant firms identified that were non-compliant in previous supervisory intervention
 - Number of follow-up assessments on non-compliant firms conducted in the reporting period which were done within 12 months of the relevant supervisory intervention

1.21 The new metrics build on the data already requested of supervisors to capture the pillars of effective supervision, such as improved firm risk and understanding of their obligations. The new metrics also have a renewed focus on the effectiveness of supervisors' own risk-based approach to supervision by asking for interventions and enforcement actions split by risk-categorisation. Additionally, the new metrics move away from tracking simply the number of interventions a supervisor makes, towards measuring the effectiveness of such interventions. They do this by looking at the results of those interventions and any subsequent change in compliance ratings.

1.22 Taken together with existing data, therefore, the Framework will enable HM Treasury to build up a holistic picture of a supervisor's effectiveness over time. HM Treasury recognises, however, that not all metrics will be equally relevant for every supervisor and that the qualitative element of supervisors' existing returns will remain important to elaborate and contextualise any data provided under the Framework. Naturally, some metrics will be more helpful to assess individual supervisor trends over time rather than to compare individual supervisors, given that every supervisor operates in a different context and with different constraints. HM Treasury also recognises the work involved for supervisors in collecting this data and is committed to making the reporting process as streamlined as possible for supervisors going forwards.

1.23 The Framework in full will be shared with supervisors shortly as part of this year's request for annual data covering 2023-2024, although HM Treasury recognises that data collection for some of the new

metrics may not be possible retrospectively and will require supervisors to update their internal systems and recording processes.

Preparing for the FATF's next assessment of the UK

1.24 The Financial Action Task Force (FATF) is soon to begin its fifth round of assessments of global efforts to tackle money laundering, and terrorist and proliferation financing. As part of this, the UK will undergo an in-depth evaluation by its peers, resulting in a new Mutual Evaluation Report (MER). The assessment, which will be published in 2028, but for which data will need to be gathered and preparation begun several years beforehand, will consider the effectiveness of the UK's AML/CTF/CPF (Counter Proliferation Financing) regime and the UK's technical compliance with the FATF's 40 Recommendations.

1.25 This round of FATF assessments will be based on a new methodology, which has been revised to place a greater emphasis on effectiveness, risk and context. Mutual evaluations in this round will assess the effectiveness of the supervision of the financial sector and the non-financial businesses and professions separately. This will provide a clearer overview of the level of effectiveness of supervision in these distinct areas, and stronger and more targeted recommendations for improvement.

1.26 As the UK is a leading member of FATF, the government welcomes a renewed international focus on the effectiveness of supervision and expects supervisors to demonstrate effective implementation of the required standards. Indeed, many of the supervisors demonstrate implementation in their own publications and reports of supervisory activity and enforcement, such as those which the government requires the Professional Body Supervisors to publish under Regulation 46A of the MLRs. OPBAS also continues to drive improvements in supervisory effectiveness through its updated Sourcebook for Professional Body Supervisors, which was published in January 2023 and aims to deliver a stronger and more consistent standard of supervision of the accountancy and legal sectors.

Updating the UK's National Risk Assessments

1.27 Understanding the nature and extent of money laundering, terrorist financing and proliferation financing (PF) risk is crucial to informing effective and appropriately risk-based supervision. The Treasury and the Home Office are jointly responsible for publishing periodic risk assessments on money laundering and terrorist financing, and the Treasury is responsible for publishing equivalent assessments of proliferation financing risk.

1.28 The government is aware that these assessments provide important insight to all actors who help tackle economic crime. The MLRs require supervisors to refer to the National Risk Assessments of Money Laundering and Terrorist Financing when they carry out their own AML/CTF risk assessments. Regulated persons under the MLRs must also undertake their own risk assessments of proliferation

financing and manage and mitigate proliferation financing risks. The third ML/TF NRA was jointly published by HM Treasury and the Home Office in December 2020 and has continued to support supervisors in building a robust intelligence picture of relevant sectors. The Treasury also published the UK's first PF NRA in 2021.

1.29 Work on the next NRAs on ML/TF and on PF is due to commence shortly, underpinned by a rigorous process undertaken in collaboration with law enforcement, UK government departments and other key stakeholders to identify and assess risks.

The role of supervision in sanctions compliance

1.30 Following Russia's full-scale invasion of Ukraine in February 2022, the government acted quickly to impose an unprecedented package of coordinated sanctions alongside our international partners.

1.31 These sanctions have included cutting Russia off from the global financial system; limiting Russian energy-related and other revenues; and immobilising the majority of Russia's foreign exchange reserves globally. We continue to impose new sanctions on Russia, and tighten our existing measures, including through recent amendments to the Oil Price Cap and sanctions targeting those facilitating Russia's ability to circumvent sanctions.

1.32 UK persons, including supervised firms, are required under the Sanctions and Anti-Money Laundering Act (SAMLA) to screen their activity against the UK sanctions list, to prevent funds, economic resources or services being provided to designated persons or for the provision of any other prohibited activity, therefore ensuring robust compliance with UK sanctions. Additionally, under the MLRs, supervisors consider the systems and controls that a relevant firm has in place to mitigate the risks of breaching relevant sanctions, such as asset freeze provisions, relating to counter-terrorism and counter-proliferation sanctions, as part of their AML compliance checks. Through the consultation on the potential reforms to the AML/CTF supervisory system, we are considering the expansion of sanctions supervision in the MLRs to cover all UK sanctions, to strengthen sanctions implementation across the regulated sector.

Methodology for this report

1.33 This report is informed by an annual data return which HM Treasury collects from all AML/CTF supervisors in accordance with Regulation 51 of the Money Laundering Regulations 2017. The types of data that supervisors are required to collect and submit to HM Treasury are set out in Schedule 4 of the MLRs, but future data requests are subject to change. As detailed earlier in this document, HM Treasury intends to request additional data in future under the new Effectiveness Framework, and in readiness for the UK's next FATF assessment.

1.34 As with previous reports, HM Treasury asked supervisors to provide information using a standard questionnaire. The questionnaire

includes questions on the number of regulated firms and persons supervised; the supervisory activities carried out; the number of breaches of the MLRs; the sanctions employed using powers provided under the MLRs; and case studies demonstrating effective use of supervisory powers.

1.35 HM Treasury sought both quantitative and qualitative evidence to inform this report. Due to the differences between the supervisory bodies, such as size of supervised population and distribution of ML/TF risk, it is not always appropriate to compare supervisors based on quantitative data alone. The qualitative element of supervisors' annual return to HM Treasury, which has been drawn upon in the drafting of this report, also plays an important role in contextualising and explaining the data provided and enables a more holistic picture of supervisors' activity. It should also be noted that updates to how supervisors collect data on their supervised populations has meant that it can be difficult to carry out year-on-year comparisons.

1.36 HM Treasury has sought to capture the data reported by supervisors as accurately as possible, issuing clarification requests to supervisors where information was unclear or different to previous returns.

Chapter 2

Supervisory activities

Risk-based approach to supervision

2.1 The MLRs require AML/CTF supervisors to take a risk-based approach to the supervision of their population. Supervisors must understand the ML/TF risks of their supervised populations to effectively target resources on the activities that are most likely to be exploited by criminals. This approach ensures that supervision is focused where it will have the greatest impact in detecting, deterring, and disrupting criminal activity whilst minimising unnecessary burdens on businesses.

2.2 An effective risk-based approach requires a clear understanding of the supervised population; successfully differentiating between types of firms, the services they provide, their clients, and other sector-specific factors. In addition to supervisors' own activities and knowledge of their sectors, there are various resources published by the government, law enforcement agencies, and leading international AML/CTF bodies to assist supervisors in building an understanding of ML/TF risks within their regulatory population. These include the UK's National Risk Assessments, National Crime Agency's (NCA) risk assessments and briefings, and publications by the FATF.

2.3 Supervisors use a range of approaches to ensure that the firms they supervise are implementing appropriate controls. These techniques are key to shaping the risk-based approach required under the MLRs and draw on powers such as the ability to request information and attendance at interview, and to access firms' premises. Supervisory activities help supervisors to improve their understanding of ML/TF risk within their supervised population and refine their approach to focus resources on areas where they will have the greatest impact. For Professional Body Supervisors, the OPBAS Sourcebook published in January 2023 sets clear expectations for what constitutes effective risk-based supervision across a range of areas.

2.4 Collaboration and information sharing among AML/CTF supervisors, law enforcement, and the private sector is key to sharing skills, knowledge, and experience. In addition to improving supervisors' monitoring of their members, these relationships also enable supervisors to aid law enforcement investigations and to better mitigate risks through shared understanding of common risk factors within their populations. Supervisors and law enforcement also collaborate to help businesses within the regulated sectors better understand how to produce high quality suspicious activity reports (SARs) – which alert law enforcement to potential instances of money

laundering or terrorist financing and provide them with actionable intelligence. This ensures that prevention opportunities are maximised; criminals are successfully identified and prosecuted; and that there is increased intelligence and information sharing between PBSs, public sector supervisors, law enforcement, and other agencies for this purpose.

2.5 Adequate data protection safeguards, both in terms of processes and integrity of supervisory personnel, underpin this collaboration and are key to ensuring information is used appropriately.

Onsite visits and desk-based reviews

2.6 Supervisors have a range of onsite and off-site supervisory tools available to them to monitor supervised businesses, including:

- Interviewing senior management
- Desk-based reviews (DBRs)
- Questionnaires and information requests

2.7 The MLRs require supervisors to monitor their supervised populations effectively and to vary the frequency and intensity of their supervision based on the different risk profiles within their supervised populations.

2.8 This section of the report sets out data provided to HMT by AML/CTF supervisors, as part of their annual returns, on the number of supervisory interventions (onsite visits and DBRs) they carried out. Also included are the supervisors' assessments of their regulated businesses' compliance with the MLRs.

2.9 For all tables in this chapter, the data for the 2020-2021 and 2021-2022 periods is included as a means of comparison with the data covered in the previous supervision report. It should be noted that due to the specific attributes and differences between the regulated sectors – including size of supervised population and differences in risk distribution within the population – it is not always appropriate to compare supervisors based on quantitative data alone. It should also be noted that the data does not reflect the scope and intensity of the onsite visits and DBRs undertaken.

Summary of activity across all supervisors

2.10 The reporting period 2022-23 saw supervisors continue to recover from the impact of Covid-19, which significantly limited supervisory activity in 2020-21. The 2022-23 period saw 5,253 desk-based reviews and onsite visits conducted by all supervisors, which translates to 5.5% of AML/CTF-regulated businesses.

2.11 There was significant variation in supervisory approaches. Some supervisors (such as HMRC) renewed their focus on onsite visits following the difficulties during the pandemic, while others continued

to invest in desk-based reviews (which increasingly include virtual interactions with firms such as online interviews). Some supervisors pursued innovative methods of supervision, such as the FCA's Modular Assessment Proactive Programme (see below).

2.12 According to supervisors' returns, approximately 10% of all regulated businesses were identified as high risk by supervisors in 2022-23. This is in line with 2020-21 (9%) and 2021-22 (11%).

The FCA's supervisory activity

2.13 The Financial Conduct Authority (FCA) is the supervisory authority for financial services firms in the UK. In 2022-23 approximately 18,000 firms were registered with the FCA for AML/CTF supervision.

2.14 In 2022-23 there were the equivalent of 52.8 full-time financial crime specialist employees dedicated to AML/CTF supervision at the FCA, with 15.8 of these dedicated to the supervision of crypto-asset businesses. These employees were supported by sector supervisors who are also responsible for assessing the compliance of FCA-supervised firms with AML requirements alongside wider regulatory obligations and undertaking less complex AML/CTF work. In addition, the specialists and sector supervisors work with FCA employees working in functions such as Intelligence, Enforcement and Authorisations.

2.15 Based on risk assessments of its sectors, the FCA's view was that, in the reporting year 2022-23, retail banking (including payments), wholesale banking, wealth management and crypto-asset firms remained particularly vulnerable to financial crime and posed the greatest risk of being exploited for money laundering.

2.16 During the 2022-23 reporting period, the financial crime specialists within the FCA conducted a total of 231 desk-based reviews and 7 onsite visits. Of these 238 assessments, 181 were completed on high-risk firms, 34 on medium-risk firms, and 23 on low-risk firms. Wider supervisory teams outside the dedicated financial crime specialist teams opened an additional 375 cases related to financial crime and sanctions, excluding fraud-related cases, and including 95 cases in relation to crypto-assets in the 2022-23 reporting period.

2.17 The FCA's supervisory approach in 2022-23 was intended to be agile, risk-based, and targeted. Outreach tools such as 'Dear CEO' letters were used to set clear expectations for all firms, while data and intelligence were used to identify pockets of risk to investigate using new, lighter-touch interventions. This allowed the FCA to target firms where there was the greatest risk of money laundering for the more traditional and resource-intensive desk-based reviews and onsite visits.

2.18 The key elements of this new data-led approach included:

- **REP-CRIM** – the FCA’s annual financial crime reporting obligation, known as ‘REP-CRIM’, is a comprehensive survey that gathers information on AML controls from firms. This was extended to significantly more firms, including crypto-asset businesses and additional payments/e-money institutions from April 2022. In the reporting period 2022-23, 5,702 firms submitted their REP-CRIM data return to the FCA – more than double the average for previous surveys of around 2,000 firms. The expansion of REP-CRIM supported Financial Crime Specialists and Sector Supervisors within FCA, who use this data, along with other available data sources such as intelligence, SARs and crypto blockchain analytics, to identify risk more accurately and to better target supervisory interventions. The FCA plans to extend REP-CRIM to more regulated firms over time
- **Outliers/Proactive AML Programme (PAML P)** – The FCA has developed data analytical tools that use REP-CRIM and other available data sources (such as SARs and whistle-blower intelligence) to analyse large amounts of firm data. This was used in 2022-23 to allow the FCA to identify hotspots, outliers, and emerging themes that direct supervisory attention to where risks are most likely to occur and focus the FCA’s proactive engagement
- **Modular Assessment Proactive Programme (MAPP)** – This new modular approach to supervision involves reviewing multiple firms’ financial crime systems and controls in relation to a specific risk simultaneously. These modules are quicker to complete than deep dives into a single firm and provide a more in-depth assessment on a specific risk or target area across their regulated population, such as those posed by Politically Exposed Persons. In the reporting period 2022-23, this enabled the FCA to review the largest firms, and most important firm systems, more frequently and enabled it to compare the mitigation of that risk across the sample
- **Focused Supervisory Interventions (FSI)** – As part of increasing the breadth of the FCA’s proactive AML supervision, the FCA also targeted engagement with firms on specific issues or risk indicators via Focused Supervisory Interventions. These issues were identified through assessing firm-related data and intelligence

2.19 The FCA reported that of the firms subject to a DBR by financial crime specialists in 2022-23, 45% were found to be compliant, 13% generally compliant, and 4% non-compliant. 88 (38%) of the DBRs conducted did not reach a point in the FCA’s review cycle by which the final rating could be determined for the reporting year 2022-23. Of the FCA’s 7 onsite visits conducted by financial crime specialists within the report period, 6 (86%) of the firms assessed were found to be generally compliant, with only 1 (14%) rated not compliant.

2.20 Common issues of non-compliance identified by the FCA through DBRs, on-site visits, and multi-firm work included:

- Inadequate client and firm-wide risk assessments

- Insufficiently risk-sensitive or granular enhanced due diligence (EDD) processes, leading to poor identification and monitoring of customers. For e.g., PEPs who were high risk
- Ineffective application of enhanced due diligence which in turn leads to poor identification and monitoring of high-risk customers
- Insufficient compliance monitoring, and insufficient quality assurance and testing programmes to assess operational effectiveness of systems as well as their design
- Inadequate resources dedicated to, and training of staff responsible for, compliance
- Inadequate documentation of risk-assessments and measures taken to monitor risk

2.21 Firms that were found to be non-compliant were expected to establish remediation plans to address their specific deficiencies. The FCA also took formal action following every assessment where a firm was given a non-compliant rating (4% of firms subject to a DBR or an onsite visit), and took informal action where firms were assessed to be only generally compliant (16%).

2.22 As of January 2020, the FCA became the AML supervisor for crypto-asset businesses, such as exchanges and custodian wallets, that are active in the UK. As part of the FCA's risk-based approach, it applied a robust assessment process at the registration gateway for these businesses, and identified significant weaknesses in firms' controls, resulting in a large number of firms withdrawing their applications or being rejected or refused by the FCA. This helped to provide confidence that firms whose applications have been approved have strong systems and controls in place.

2.23 From February 2022, the FCA diverted resources to mitigate the risks arising from the Russian invasion of Ukraine. In the reporting period of 2022-23, 69% of DBRs and onsite-visits conducted by financial crime specialists included sanctions-related assessments. The FCA sent direct communications to over 10,000 regulated firms that were considered higher risk from sanctions evasion. All firms were instructed to report to the FCA any notifications made to the Office of Financial Sanctions Implementation (OFSI) regarding interactions with asset freezes, designated persons, and suspected breaches, enabling the FCA to form a picture of potential exposure to sanctions risk across the supervised population.

2.24 The FCA also conducted work on developing supervisory processes to assess firms' systems and controls around sanctions, along with rolling out an automated sanctions screening testing tool to assess the adequacy of firms' screening capabilities. As part of this test, the FCA sends individual firms a list of over 100,000 test names to assess whether their systems could identify exact and similar matches against UK-sanctioned persons.

Case study – The FCA’s supervisory activity

The UK’s 2020 National Risk Assessment of money laundering and terrorist financing (the NRA) highlighted the risk that criminals may be attracted to the fast on-boarding process that challenger banks advertise to prospective customers. There is also a risk that information gathered at the account opening stage is insufficient to identify higher risk customers.

Given these risks, the FCA conducted a multi-firm review of financial crime controls at a sample of challenger banks that compete with the longer-established, traditional retail banks to help them to make their own assessment of the financial crime risks to which challenger banks may be exposed. This review focused on challenger banks that were relatively new to the market and offered a quick and easy application process.

Their sample selection included 6 challenger retail banks, which primarily consist of digital banks – over 50% of the relevant firms – and covered over 8 million customers. As the focus of the review was assessing challenger banks that provide a similar product offering to traditional retail banks, the FCA excluded e-money issuers and payment services providers.

The review of financial crime controls covered:

- governance and management information
- policies and procedures
- risk assessments
- identification of high risk / sanctioned individuals or entities
- due diligence and ongoing monitoring
- communication, training and awareness

Following the FCA’s review, those specific challenger banks with identified material issues established remedial programmes to address the FCA’s concerns, which may result in more stringent and proportional onboarding procedures for new customers, and exiting banking relationships with existing customers where the bank is unable to safely continue doing business with the customer.

Where appropriate, the FCA also used a range of regulatory tools, including appointing skilled persons, to mitigate the risks they identified.

The Gambling Commission's supervisory activity

2.25 The Gambling Commission (GC) is the AML/CTF supervisory authority for all online (remote) and land-based (non-remote) casinos operating in Great Britain or providing casino facilities or advertising to British consumers. The GC is also the regulator for other gambling businesses operating in Great Britain or providing gambling facilities or advertising to British customers, including betting, lotteries, bingo, and arcades.

2.26 Any gambling company operating in Great Britain, or with customers based in Great Britain or advertising to British consumers, must hold the appropriate licence issued by the GC. Within these licensed businesses, individuals who hold certain key management functions must hold personal management licences issued by the GC. Holders of personal management licences and personal functional licences are subject to a five-year maintenance cycle where, every five years, their identity, integrity, and criminality is reassessed.¹

2.27 During the 2022-23 reporting period, the total size of the GC's supervised population was 263, and the majority of supervised casinos were remote casino operators. Many remote and non-remote casinos have part, or all, of their ownership structure based outside of the UK. These jurisdictions vary, but the GC frequently sees companies, holding companies, trusts, and beneficial owners based overseas.

2.28 During the 2022-23 reporting period, the GC had four full-time employees dedicated to AML/CTF. However, AML/CTF work is integrated into the wider work of the GC, with 119 supporting employees in licensing, enforcement, compliance, intelligence, legal and forensic accountant teams.

2.29 The GC's methodology for assessing risk involves rating ML/TF risk in terms of both likelihood and impact.

2.30 The [GC's 2020 money laundering and terrorist financing risk assessment of Great Britain's gambling industry \(the 2020 risk assessment\)](#) classified the casino sector as a whole as high risk, and in the 2022-23 reporting period, there were 34 'very high', 51 'high', 15 'medium', and 103 'low' risk firms identified. During the reporting period, however, 28 casinos were either not trading or were newly licensed and had not yet submitted relevant information on gross gambling yield, and 32 were closed. The GC did not therefore assign these casinos a risk rating for the reporting-period.

2.31 The 2020 risk assessment identified remote gambling (particularly casino and betting) and non-remote casino and off-course betting as being exposed to a high risk of money laundering, but also

¹ Individuals working in casinos as dealers, cashiers, inspectors, security staff or supervisors of gaming activities are required to hold personal functional licences issued by the Commission.

identified gambling overall as having a low risk of being exposed to terrorist financing.

2.32 The GC assess, however, that the non-remote casino sector has a higher risk of money laundering relative to other gambling sectors. This is due to widespread compliance failures in the sector, personal management licence holders' competency levels, and inadequate CDD and EDD checks being completed within the businesses, and that the sector sees high levels of cash transactions.

2.33 In relation to licences, the GC has powers of entry to inspect, question, access written or electronic records, and remove and retain any items relevant to a suspected offence under the Gambling Act 2005, or where there has been a breach of a licence condition/s. Any gambling company operating in Great Britain or providing gambling services to British customers must hold the appropriate licence.

2.34 For the 2022-23 reporting period, the GC published 19 cases of AML failings.

2.35 During the 2022-23 reporting period, the GC carried out 25 desk-based reviews and 9 onsite visits. In addition to this supervisory activity, the GC completes thematic pieces of work relating to their supervised population, has a programme of regular and ad hoc outreach work, and has released podcasts and videos, hosted webinars and forums and attended workshops and meetings with licensees and their trade associations.

2.36 The GC also requires annual assurance statements from their highest impact operators. These statements are intended to be a concise self-assessment of the risks to the licensing objectives posed by the business, how well the business is managing those risks, where the business needs to improve, and how it will do so. This information is useful when combined with other information received from and about an operator, such as intelligence or 'key event' submissions, as the content can assist in determining the action the operator is taking in managing risks, which can then be tested during any compliance assessment.²

2.37 During the 2022-23 reporting period, the GC found that 48% of firms subject to a DBR, and 89% of firms subject to an onsite visit, were non-compliant.

2.38 The most common causes of non-compliance identified by the GC over the reporting periods were:

- Inadequate documented policies and procedures
- Inadequate staff training programmes for AML/CTF

² Operators are required to submit certain 'key events' through the GC's online portal within five working days (as required under the Licence Conditions and Codes of Practice). A 'key event' is an event that could have a significant impact on the nature or structure of an operator's business.

- Inadequate customer risk profiling
- Lack of ongoing customer monitoring
- Failure to apply or sufficiently apply ECDD measures on a risk-sensitive basis, and failure to adequately identify the source of a customer's funds by obtaining information and evidence
- Inadequate record keeping
- Failure to tailor risk assessments adequately to the specific risks pertinent to their business, taking into account the GC's money-laundering and terrorist-financing risk assessment
- Insufficient staff training and resources allocated to AML practices
- AML concerns being outweighed by commercial and/or reputational concerns
- An over reliance on monetary thresholds, rather than adopting a proper risk-based approach to the control and prevention of money laundering and terrorist financing

Case study – The Gambling Commission’s supervisory activity

The Gambling Commission (the Commission) placed a land-based casino under the ‘special measures’ process following a compliance assessment. They identified key issues, such as failure to comply with AML provisions and evidence that personal management licence holders had failed to maintain sufficient oversight of such provisions. The key concerns from the compliance assessment found that:

- Due to gaps in the operator’s policies, procedures and triggers, customers were able to use cash in excess of £10,000 within the casino without triggering Enhanced Customer Due Diligence (ECDD) alerts or being risk assessed. The highest amount of cash observed being used in this way was shown to be in excess of £17,000 in less than a six-month period
- The controls in place did not appear to sufficiently identify the risk of potential disproportionate spend. The Commission identified instances where a customer’s level of spend was not proportionate to the level of income which could be evidenced in the customer’s risk profile. Additionally, in some cases the customer’s occupation had not been confirmed which increased the risk of disproportionate spend further
- The AML policy stated that the managing director was the person solely responsible for sign-off of all high-risk customers. This represented a conflict of interest, and this issue had been highlighted during an earlier compliance assessment
- The information obtained for ECDD purposes was inadequate and did not sufficiently mitigate the risk of ML and TF

The casino fully engaged with the Commission as part of the special measures process and provided regular updates on the progress and completion of their action plan. This plan was fully implemented and updated compliance provisions were embedded within the business.

The Commission conducted a further special measures compliance assessment to test the updated actions and controls. During the assessment, the operator demonstrated tangible improvements and appeared to have mitigated the risks highlighted during their earlier assessment and so special measures were removed.

HMRC's supervisory activity

2.39 HMRC is the supervisory body for estate and letting agency businesses, art market participants, high value dealers, money service businesses, trust and company service providers (TCSPs) who are not supervised by the FCA or PBSs, and accountancy service providers who are not supervised by one of the accountancy PBSs.

2.40 The total size of the population supervised by HMRC was 35,411 in 2022-23, consisting of 26,917 firms and 8,494 sole practitioners. These totals broke down by sector as follows:

2.A Breakdown of HMRC's supervised population

Sector	Total size of relevant population	Relevant firms	Relevant sole practitioners	Total BOOMs ³ as defined in Regulation 26
Money Service Businesses	1,049	998	51	1,158
High Value Dealers	310	300	10	891
Trust and Company Service Providers	1,540	1,404	136	2,172
Accountancy Service Providers	16,504	9,339	7,165	17,906
Estate Agency Businesses	15,234	14,571	1,102	25,360
Bill Payment Service Providers	273	216	57	115
Telecommunications, Digital and IT Payment Service Providers	82	64	18	63
Art Market Participants	1,135	1,000	135	1,748
Letting Agency Businesses	1,921	1,832	89	0

³ Business Owners, Officers and Managers, required to be approved under Regulation 26 of the MLRs.

2.41 HMRC had 397 full-time employees dedicated to AML supervision in 2022-23. This demonstrates a year-on-year increase in supervisory staff from the 298 and 343 full-time employees dedicated to AML supervision in 2020-21 and 2021-22, respectively.

2.42 Overall, HMRC reported that the majority of firms and sole practitioners within their supervised population were classified as low risk for 2022-23, but that 4% and 27% were considered high and medium risk, respectively.

2.43 However, these high and medium risk firms are not evenly distributed across all of HMRC's sectors. HMRC identified money service businesses, art market participants, and the TCSP sectors, in particular, as presenting the highest inherent risks for money laundering. Money service businesses were also identified as presenting the highest inherent risk of being exploited for terrorist financing.

2.44 In accordance with the risk-based approach, supervisors are required to vary the frequency and intensity of their supervision based on the different risk profiles identified within their supervised populations. HMRC carries out detailed risk assessments for each of its sectors, drawing on external reports, including the National Risk Assessment and publications from Financial Action Taskforce (FATF), and information made available from HM Treasury and Home Office, information from the NCA and HMRC's Risk and Intelligence Service. It has also drawn on findings from its own investigations into the sectors, the knowledge of experienced staff and, where appropriate, work with industry, including Public/Private Threat Updates.

2.45 HMRC does not consider that each business within these sectors represent the same level of risk, however. Instead, it takes into account factors such as the nature of the product offered, geographical risk and client size, while also considering the impact on risk of business size, scope or reach, and any potential relationships or links to other businesses.

2.46 HMRC has also undertaken considerable outreach activity to drive understanding of risk within their supervised population and address particular compliance failings within a specific population. This includes emails, webinars, attendance at industry events, and media publications.

2.47 During the 2022-23 reporting period, HMRC conducted 834 DBRs and 907 onsite visits, meaning roughly 5% of HMRC's population were subject to this type of supervisory action (2% of firms were subject to a DBR and 3% to an onsite visit). This is similar to levels in 2021-2022 (roughly 5%), but still slightly short of pre-COVID levels in 2019-2020 (6%), though this may reflect an increase in the complexity of cases worked by HMRC.

2.48 Of the 1,741 onsite visits and desk-based reviews conducted in 2022-23, 493 visits resulted in assessments of non-compliance (28%). HMRC also undertook intervention activity on firms that should have

been registered for supervision, but were not, closing 454 of these cases in the reporting period.

2.49 The most frequent forms of non-compliance identified in cases closed by HMRC during the 2022-23 reporting period included:

- Engaging in supervised activity before registering for supervision
- Inadequate firm-wide risk assessment
- Inadequate policies, controls, and procedures (PCPs)
- Inadequate customer due diligence measures, including in cases requiring enhanced customer due diligence

2.50 HMRC has identified a common failing is that risk assessments do not always fully address all of the risks present. HMRC also find compliance failings where PCPs are insufficient to properly manage the risks associated with the relevant activity being undertaken.

2.51 In the 2022-23 reporting period, HMRC took formal action against 100% of firms that were found to be non-compliant. These formal actions included financial penalties, suspension or removal of authorisation to operate, or a formal warning letter. HMRC's largest fine in the reporting period 2022-23 was exceeded £1,490,000.

Case study – HMRC’s supervisory activity

HMRC has undertaken a multi-year project, to test the onboarding process of agents by larger Money Service Businesses (MSB) Principals. This was to ensure businesses are only recruiting agents who would be considered fit and proper, as per the requirements of the 2017 Regulations. A majority of Principals who operate through an agent network were engaged within the first three years.

- In 2018-19, HMRC visited the largest Agent networks run by seven MSB Principals with combined responsibility for 80% of agents
- In 2019-20, HMRC visited the next twelve largest Agent networks
- In 2020-21, HMRC visited smaller Agent networks
- In 2021-22, HMRC drew on the outcomes from these visits, cash exports and wider intelligence to create a dedicated MSB Agent Team within their economic crime supervision function
- During the last reporting period on 2022-23, this team has been conducting direct testing of MSB agents based on risk and/or intelligence to test directly the fitness and propriety of MSB Agents, and the efficacy of MSB principals’ scrutiny of their agents.

This resulted in businesses revising their policies, controls and procedures and removing agents due to issues raised during the process. Important messages around responsibilities, training, risk assessments and policies controls and procedures were delivered quickly to as wide an audience as possible by various means, including direct engagement with specific businesses and through HMRC’s MSB Forum.

Across the review, a number of MSB agents also ceased MSB activity, demonstrating the effectiveness of the Fit and Proper Test when exercised on MSB Agents. In some instances, HMRC have found that agents cease MSB activity when subjected to the test by HMRC rather than their principal. In such cases, HMRC confirm that the agent has indeed ceased trading, and have visited the corresponding principals to test their agent onboarding procedures and their own fitness and propriety.

This work has led to significantly increasing HMRC’s line of sight on the overall agent network and the actions and nature of agents. HMRC’s presence as a strong supervisor of both agent and principal MSBs reduces the risk of ML/TF in the sector, increasing confidence in the soundness of the overall MSB Agent Network.

Table 2.B FCA's supervisory activity, 2020-23

Year	Size of AML population	Total no. of DBRs	No. of DBRs assessed as compliant	No. of DBRs assessed as generally compliant	No. of DBRs assessed as non-compliant	Informal actions taken following DBRs	Formal actions taken following DBRs	Total no. of onsite visits	No. of onsite visits assessed as compliant	No. of onsite visits assessed as generally compliant	No. of onsite visits assessed as non-compliant	Informal actions taken following onsite visits	Formal actions taken following onsite visits
2022-23	18,000	231	103	31	9	31	9	7	0	6	1	6	1
2021-22	21,500	78	28	10	17	10	13	0	0	0	0	0	0
2020-21	22,000	210	58	137	15	137	15	0	0	0	0	0	0

Source: HMT Return from FCA

Table 2.C Gambling Commission’s supervisory activity, 2020-23

Year	Size of AML population	Total no. of DBRs	No. of DBRs assessed as compliant	No. of DBRs assessed as generally compliant	No. of DBRs assessed as non-compliant	Informal actions taken following DBRs	Formal actions taken following DBRs	Total no. of onsite visits	No. of onsite visits assessed as compliant	No. of onsite visits assessed as generally compliant	No. of onsite visits assessed as non-compliant	Informal actions taken following onsite visits	Formal actions taken following onsite visits
2022-23	263	25	6	7	12	5	7	9	0	1	8	7	1
2021-22	265	32	5	10	17	12	5	9	3	2	4	2	0
2020-21	210	51	13	2	36	7	22	0	0	0	0	0	0

Source: HMT Return from Gambling Commission

Table 2.D HMRC’s supervisory activity, 2020-23

Year	Size of AML population	Total no. of DBRs	No. of DBRs assessed as compliant	No. of DBRs assessed as generally compliant	No. of DBRs assessed as non-compliant	Informal actions taken following DBRs	Formal actions taken following DBRs	Total no. of onsite visits	No. of onsite visits assessed as compliant	No. of onsite visits assessed as generally compliant	No. of onsite visits assessed as non-compliant	Informal actions taken following onsite visits	Formal actions taken following onsite visits
2022-23	35,411	834	76	105	232	181	232	907	181	197	261	378	261
2021-22	36,960	1,426	111	243	511	354	511	289	8	21	20	29	20
2020-21	37,194	843	107	160	140	267	140	153	12	15	38	27	38

Source: HMT Return from HMRC

Supervisory activity by Professional Body Supervisors

2.52 The 22 Professional Body Supervisors (PBSs) are responsible for AML/CTF supervision for the accountancy and legal sectors. These cover a range of services including accountancy, auditing, bookkeeping, legal, and notarial. The sizes of PBSs' supervised populations vary between fewer than 10 and 10,402.⁴ Some PBSs supervise both firms and sole practitioners, whereas others solely supervise one of these types of business.

2.53 During the 2022-23 reporting period, there were 34,309 supervised businesses in the accountancy sector and 7,998 in the legal sector. Of the supervised businesses in the accountancy sector, 56% were firms and 44% were sole practitioners. Of the supervised businesses in the legal sector, 73% were firms and 27% were sole practitioners.

2.54 Across the PBSs, there were the equivalent of 147.8 full-time employees (FTE) dedicated to AML/CTF supervision across all PBSs in 2022-23, resulting in an average of just under the equivalent of 7 FTE per PBS. This continues a year-on-year increase from the reporting periods covered in the previous supervision report. However, as noted above the number of firms supervised varies a great deal, so this figure is not representative of staffing levels across all PBSs.

2.55 Overall, of the population supervised by PBSs in 2022-23, 8% were identified as high risk, 35% as medium risk, and 56% as low risk. Due to the diverse nature of their populations and distribution of ML/TF risk within their supervised populations, percentages of supervised businesses in each risk category vary significantly between PBSs.

2.56 PBSs conducted a total of 1,665 DBRs and 1,555 onsite visits during the 2022-23 reporting period, meaning that roughly 9% of their supervised population was subject to direct supervisory activity.

2.57 Across the reporting period covered by this report, accountancy and legal PBSs reported the most common breaches identified as:

- Inadequate documented policies and procedures
- Inadequate CDD procedures
- Inadequate client risk assessment or records
- No or inadequate firm-wide risk assessment

2.58 Many PBSs also noted that a lack of knowledge or understanding of the regulations was a common theme among firms with non-compliance or poor procedures. This was sometimes due to the size of

⁴ The General Council of the Bar of Northern Ireland however reported a supervised population of 0 for the reporting year 2022-2023.

the firm or their available resource. Often, this was linked to firms using templates or third-party policies without fully tailoring them to the individual firm. Some PBSs also noted that smaller firms and sole practitioners sometimes considered the regulations to be disproportionate.

2.59 In the 2022-23 reporting period, accountancy PBSs reported that, on average, 17% of those subject to a DBR and 20% of those subject to an onsite visit were non-compliant with the MLRs. Legal PBSs reported that, on average, 16% of those subject to a DBR and 25% of those subject to an onsite visit were given a non-compliant rating.

2.60 Supervisory activity was not consistent across all 22 PBSs. Some PBSs carried out no DBRs and some conducted no onsite visits, while others carried out over 1,000 of both. This was due to the varying supervised population sizes between PBSs, with some supervising fewer than ten firms or sole practitioners that were relevant to the MLRs, and others supervising thousands.⁵ This variation in size extends to the two sectors supervised by PBSs, with the accountancy sector being over three times larger than the legal sector.

2.61 PBSs took informal action against 39% of those who received a DBR/onsite visit in 2022-23, and formal action against 19%.

2.62 As in previous years, PBSs have continued to carry out additional supervisory activities to promote compliance within their supervised populations. These vary across bodies but include:

- Use of risk bulletins to quickly share new information with firms
- Requiring recurring 'continued professional development
- Providing additional support to firms who require action after a review
- Outreach work through webinars, forums, emails, training, and events
- Publishing guidance on compliance with the MLRs

⁵ Once more, this excludes the General Council of the Bar of Northern Ireland who reported a supervised population of 0 for the reporting year 2022-23.

Case study – Accountancy PBS supervisory activity

An accountancy PBS conducted an AML monitoring visit to a large accountancy firm in 2022. This firm had been classified as a 'highest' risk, primarily due to its wide range of services and the diverse client base. The purpose of the visit was to establish whether the changes and improvements made following the previous visit had been sustained.

The PBS had previously found the firm to have poor compliance and widespread AML issues resulting in ineffectiveness in the firm's overall controls. The PBS made significant time during the monitoring visit and in additional meetings, to discuss the issues identified with the firm and recommend follow-up actions.

The firm took the monitoring visit results seriously, appointing a new Money Laundering Reporting Officer (MLRO) and allocating more resources to AML compliance when embarking on a programme of improvement.

The PBS's monitoring team conducted two follow-up visits: one shortly after the visit and one six months later to ensure all the changes required had been implemented effectively.

Ultimately in 2022, the PBS concluded that despite further changes to the MLRO the firm had made significant and sustained improvements and rated the firm 'compliant'.

Case study – Legal PBS supervisory activity

One legal sector PBS carried out an onsite inspection of a high-risk law firm to assess their compliance against the MLRs. The firm undertakes 57% of work in scope of the regulations, and at the time of the inspection, there were 16 fee earners who worked at the firm, split over two offices.

During the inspection, the PBS identified several breaches of the MLRs, and that until August 2022, the firm had also been relying on an AML policy that had not been updated since 2016.

The PBS found insufficient records of staff training, and after discussions with fee earners, concluded that they were unclear of what a client/matter risk assessment was, or when identification and verification needed to be carried out.

The PBS identified issues on six of the files it reviewed, including:

- a lack of identification and verification documents
- a lack of source of funds/wealth information, despite money coming from overseas
- unclear client/matter risk assessment process. In some matters, a client/matter risk assessment had not been carried out.

The firm also found problems with the Money Laundering Compliance Officer (MLCO's) knowledge of the MLRs.

After conducting a formal investigation into the firm, the PBS provided the firm with a compliance plan alongside their feedback letter and the firm is also likely to receive a fixed penalty notice for failings around its firm-wide and client-matter risk assessment process.

Table 2.E Accountancy PBSs' supervisory activity, 2020-23

2022-23 2021-22 2020-21	Size of AML populatio n	Total no. of DBR s	No. of DBRs assessed as compliant	No. of DBRs assessed as generally compliant	No. of DBRs assessed as non- compliant	Informal actions taken followin g DBRs	Formal actions taken followin g DBRs	Total no. of onsit e visits	No. of onsite visits assessed as compliant	No. of onsite visits assessed as generally compliant	No. of onsite visits assessed as non- compliant	Informal actions taken followin g onsite visits	Formal actions taken followin g onsite visits
Association of Chartered Certified Accountants	6,951	326	15	291	20	326	19	12	0	8	4	12	1
	6,846	299	0	271	28	299	17	0	0	0	0	0	0
	6,637	156	1	132	23	156	19	0	0	0	0	0	0
Association of International Accountants	320	36	1	35	0	35	0	1	0	0	1	0	1
	314	18	0	16	2	16	2	0	0	0	0	0	0
	310	15	2	11	2	12	3	0	0	0	0	0	0
Chartered Institute of Management Accountants	1,619	2	1	0	1	1	0	22	4	3	15	18	0
	1,598	3	1	2	0	2	0	21	3	5	13	17	2
	1,547	0	0	0	0	0	0	20	1	13	6	20	0
	860	29	5	20	4	24	0	3	0	1	2	3	0
	889	49	24	13	12	25	0	0	0	0	0	0	0

Chartered Institute of Taxation	868	51	16	20	15	35	0	0	0	0	0	0	0
Association of Taxation Technicians	595	32	7	22	3	24	1	1	0	1	0	1	0
	590	24	15	4	5	9	0	0	0	0	0	0	0
	543	29	10	15	4	19	0	0	0	0	0	0	0
Institute of Chartered Accountants of England & Wales	10,402	450	102	287	61	43	18	676	58	504	114	70	44
	10,476	568	114	396	58	48	10	424	38	301	85	56	29
	10,530	980	126	808	46	35	11	386	63	262	61	43	18
Institute of Chartered Accountants of Ireland	471	1	1	0	0	0	0	53	25	15	7	3	7
	462	5	4	0	1	0	1	51	46	2	1	0	1
	457	4	3	0	1	0	1	40	34	4	2	4	2
Institute of Chartered Accountants of Scotland	824	31	12	17	2	0	19	56	27	22	7	0	29
	881	40	18	18	4	0	16	30	6	14	10	0	14
	922	81	65	12	4	0	16	9	5	3	1	0	4
Institute of Certified Bookkeepers	3,098	75	6	0	69	12	57	63	8	11	44	11	44
	3,036	32	5	0	27	1	26	113	39	0	74	6	65
	3,197	286	68	0	218	0	218	122	16	23	83	8	98

Institute of Financial Accountants	1,981	155	27	90	38	53	4	1	0	0	1	1	0
	1,983	173	27	81	65	65	4	0	0	0	0	0	0
	1,846	221	76	79	66	66	11	0	0	0	0	0	0
Association of Accounting Technicians	6,202	150	106	26	18	102	44	106	56	14	36	64	36
	5,856	125	92	24	9	86	33	109	71	15	23	71	29
	5,593	124	87	29	8	37	12	70	30	29	11	34	11
International Association of Bookkeepers	719	24	3	6	11	0	17	176	79	88	9	39	137
	704	36	0	11	25	0	26	255	86	118	51	32	233
	686	14	0	14	0	0	14	204	64	86	54	7	196
Insolvency Practitioners Association	267	57	36	21	0	34	21	31	23	8	0	39	9
	276	38	32	6	0	32	6	12	10	2	0	12	2
	260	5	1	2	2	2	2	0	0	0	0	0	0

Source: HMT Returns from accountancy professional body supervisors

Table 2.F Legal PBSs' supervisory activity, 2020-23

2022-23 2021-22 2020-21	Size of AML population	Total no. of DBRs	No. of DBRs assessed as compliant	No. of DBRs assessed as generally compliant	No. of DBRs assessed as non- compliant	Informal actions taken following DBRs	Formal actions taken following DBRs	Total no. of onsite visits	No. of onsite visits assessed as compliant	No. of onsite visits assessed as generally compliant	No. of onsite visits assessed as non- compliant	Informal actions taken following onsite visits	Formal actions taken following onsite visits
Solicitors	6,007	96	31	39	26	46	27	151	35	76	40	110	41
Regulation Authority	6,408	132	9	33	10	33	10	164	38	77	18	77	18
	6,516	168	48	79	16	79	16	85	16	45	8	45	8
Law Society of Northern Ireland	435	69	41	24	4	24	4	111	48	34	22	34	25
	450	105	68	29	8	29	8	51	24	13	12	13	12
	457	54	43	9	2	9	2	11	3	4	4	4	4
Law Society of Scotland	686	58	19	23	16	15	10	23	5	14	4	8	0
	721	49	19	8	22	15	10	14	5	3	6	1	5
	696	57	23	28	9	9	8	0	0	0	0	0	0
Council for Licensed Conveyancers	231	5	0	1	2	2	1	51	4	23	22	48	1
	226	17	3	6	8	14	0	25	7	6	12	15	2
	226	44	4	22	18	40	4	7	0	5	2	7	0
The Bar Standards Board	486	10	1	0	0	0	0	0	0	0	0	0	0
	489	278	1	0	0	0	0	0	0	0	0	0	0
	490	10	10	0	0	0	1	0	0	0	0	0	0

General Council of the Bar of Northern Ireland	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Chartered Institute of Legal Executives	21	21	17	4	0	4	0	0	0	0	0	0	0	0
Regulation	28	28	22	6	0	6	0	0	0	0	0	0	0	0
Faculty of Advocates	26	25	18	7	0	8	0	0	0	0	0	0	0	0
	8	0	0	0	0	0	0	8	8	0	0	0	0	0
	7	7	7	0	0	2	0	0	0	0	0	0	0	0
	6	6	6	0	0	2	0	0	0	0	0	0	0	0
Faculty Office of the Archbishop of Canterbury	124	38	1	37	1	38	1	10	1	9	0	9	0	0
	133	64	64	0	0	0	0	18	15	2	1	2	1	1
	156	0	0	0	0	0	0	14	13	1	0	1	0	0

Source: HMT Returns from legal professional body supervisors

Cooperation, coordination, and information sharing

2.63 As part of the first Economic Crime Plan, improving information-sharing between AML/CTF supervisors and law enforcement agencies was highlighted as a key action required to improve the effectiveness of the UK's supervisory regime. Efficient information sharing is crucial to combatting illicit finance as it ensures that all parts of the UK's counter-illicit finance regime are working together effectively and towards the same aims.

2.64 The MLRs contain a specific provision under Regulation 52 for intelligence and information sharing from supervisory authorities to other relevant authorities. This provision was enhanced by a statutory instrument laid by HM Treasury in 2022, which aimed to improve the effectiveness of information sharing by:

- Expanding the information and intelligence sharing gateway to allow for reciprocal sharing between supervisors and relevant authorities (including law enforcement)
- Expanding the list of 'relevant authorities' explicitly to include other government agencies, such as the Department for Business, and Trade (DBT) and Companies House
- Enabling the FCA to disclose the confidential information it receives, in relation to its MLRs duties, more widely

2.65 Regulation 50(1) of the MLRs requires all AML/CTF supervisors to take appropriate steps to:

- Cooperate with other supervisory authorities, HM Treasury, and law enforcement authorities in relation to the development and implementation of policies to counter money laundering and terrorist financing
- Coordinate activities to counter money laundering and terrorist financing with other supervisory authorities and law enforcement authorities
- Cooperate with overseas authorities to ensure the effective supervision of a relevant person where that person is established either a) in the UK with its head office in another country or b) in another country but with its head office in the UK

2.66 In their annual returns, supervisors highlighted their regular attendance at a range of forums and discussion groups to coordinate AML/CTF activities, including:

- The Anti-Money Laundering Supervisors' Forum (AMLSF), which all supervisors are invited to attend. HM Treasury, the Department for Business and Trade, the Home Office, the National Crime Agency and OPBAS also attend.

- The Accountancy Anti-Money Laundering Supervisors' Group (AASG), which is attended by accountancy sector professional bodies and HMRC
- The Legal Sector Affinity Group (LSAG), which is attended by legal sector professional bodies

2.67 Several supervisors noted their continued involvement in Intelligence Sharing Expert Working Groups (ISEWGs), set up by OPBAS in conjunction with the National Economic Crime Centre, for the accountancy and legal sectors. These groups share intelligence, including typology reports, alerts and case studies, between PBSs, statutory supervisors, and law enforcement. ISEWGs continue to support collaborative working, purposeful information sharing and a more consistent approach to AML supervision.

2.68 Other intelligence-sharing activities were noted by supervisors including membership of the Financial Crime Information Network (FIN-NET). Established by the FCA, FIN-NET helps to facilitate the sharing of operational information between law enforcement, the government, and supervisors. Working relationships with law enforcement agencies was also noted by some supervisors.

2.69 Some supervisors also use the Shared Intelligence Service (SIS) to facilitate information and intelligence sharing between supervisory bodies. Membership of the SIS enables PBSs to proactively share intelligence between themselves and law enforcement, assisting in cooperation across the AML/CTF regime.

Chapter 3

Promoting and ensuring compliance

3.1 The MLRs (Regulation 49(1)(d)) require supervisors to ensure that regulated firms who breach the Regulations are liable to effective, proportionate, and dissuasive measures. This means that disciplinary measures should be effective at ensuring future compliance by sanctioned businesses, proportionate to the severity of the breach, and dissuasive of non-compliance by others.

3.2 Supervisors have a wide range of sanctioning powers available to them to achieve this, including:

- Fines
- Public censures
- Suspension or cancellation of registration
- Referral to law enforcement agencies

3.3 HMRC, the FCA and Gambling Commission derive sanctioning powers from pieces of legislation other than the MLRs (such as the Proceeds of Crime Act, Financial Services and Markets Act, and the Gambling Act), but these are only included in this section where these powers have been used in response to money laundering control breaches.

3.4 Direct comparisons between supervisors on levels of fines and numbers of cancellations/suspensions may not be appropriate due to the differing population sizes and risk categorisations of each supervisor's supervised population.

3.5 HM Treasury approves guidance for each sector, drafted by a combination of supervisors and sector-specific experts from industry to advise firms on how to detect, deter, and disrupt criminals and terrorists efficiently and effectively. This guidance also advises firms on how to best target their resources in a risk-based manner whilst reducing unnecessary burdens on their business activities. Under the MLRs, supervisors and law enforcement authorities should consider whether a firm has followed its sector specific guidance when deciding if they have breached their AML obligations.

3.6 Under the MLRs (Regulations 17(1), 47(1), 47(3)), supervisors are also required to provide up-to-date and appropriate information on AML/CTF requirements to their supervised populations. Most supervisors provide this online, through webinars, hosting forums, and

posting updates to their websites or mailing lists, whilst others offer other forms of communication with their supervised populations, such as a telephone line to call with AML-related enquiries, membership magazines, provision of training events, or AML/CTF sessions at professional conferences.

Refusing licences to provide services

3.7 Public sector supervisors subject key staff in regulated firms to tests to determine whether it is in the public interest that an individual be permitted to operate in their role. Several factors are considered when making this decision, including any potential risks that the individual may facilitate money laundering or terrorist financing. During the 2022-23 reporting period, for instance, the FCA received 292 applications for AML supervision, and approved 177.

3.8 The GC and FCA often issue 'minded to refuse' letters prior to declining an application for a license to practice, which often leads to a firm withdrawing its application for supervision before a formal rejection.

3.9 The GC has the power to issue licences to operate under the Gambling Act 2005 and, through specialist guidance and support from their AML team, considers AML compliance when assessing new licence applications. The GC also issues licences and regulates individuals who work within the casino sector. In the 2022-23 reporting period, this amounted to 11,621 personal functional licences and 2,247 personal management licences associated with the casino sector.

3.10 HMRC is not a membership organisation, and therefore the application to register for AML supervision is often the first contact that HMRC will have with an applicant and the first opportunity they have to refuse the right to practice. In 2022-23, HMRC received 9,967 applications for registration and approved 9,592.

3.11 HMRC also conducts fit and proper tests on certain individuals within Money Service Businesses and Trust and Company Service Providers as part of its supervisory strategy. In addition, HMRC are also required to carry out criminality tests for key individuals in accountancy service providers, art market participants, high value dealers, and estate and letting agency businesses to ensure that individuals with a relevant criminal conviction are not able to hold relevant positions.

3.12 In the 2022-23 reporting period, HMRC received 8,643 applications for individuals to become beneficial owners or managers of regulated firms and approved 8,358 of these.

3.13 Under Regulation 26 of the MLRs, supervisors have a responsibility to approve beneficial owners, officers, or managers of firms. The processes used by PBSs to evaluate applications for new regulated entities and to determine whether to provide them with the authority to practice in the legal and accountancy sectors vary from supervisor to supervisor, but some examples are:

- Requiring evidence of staff having received sufficient AML training

- Requiring evidence of staff holding certain qualifications
- Requiring evidence of staff having relevant work experience in the AML sector

3.14 PBSs must also receive sufficient information to determine whether an individual applying for approval has been convicted of a relevant criminal offence, which would include evidence of a criminality check.

3.15 As a result of these checks imposed prior to approval, prospective members of PBSs may be rejected for AML supervision due to their potential money laundering and/or terrorist financing risks. In the 2022-23 reporting period, PBSs received 2,597 applications for AML supervision and approved 2,363. PBSs also received 8,756 applications for the approval of business owners, officers and managers (BOOMs) to conduct regulated activity and approved 8,628 of these.

3.16 Some PBSs, such as the Bar Standards Board, authorise firms to practice rather than provide membership.

Enforcement action

3.17 All supervisors have a range of enforcement tools, as listed earlier, and are expected to investigate any failure to comply with the MLRs and to consider using an effective, proportionate, and dissuasive sanction in response.

3.18 The total sum of fines across all 25 supervisors in 2022-23 was £197,000,000 compared to £504,000,000 in 2021-22. However, this difference is largely driven by a few historically large fines made by the FCA in the year 2021-22. The average fine amount in 2022-23 was approximately £201,000. This average is also brought up by the FCA and the GC's higher relative fine averages of £19,546,000 and £2,819,000, compared to HMRC and the PBSs' averages which were £7,000, and £4,000, respectively.

Table 3.A Enforcement action by all supervisors, 2020-2023

Year	Expulsion/withdrawal of membership	Suspension of membership	No. of fines	Total value of fines
2022-23	47	6	1,007	£196,559,802
2021-22	40	6	614	£503,595,085
2020-21	40	18	364	£109,015,480

Source: HMT Returns

Enforcement action by the FCA

3.19 The FCA derives its enforcement powers from both the MLRs and the Financial Services and Markets Act 2000 (FSMA). Both acts provide the FCA with extensive powers to impose sanctions on supervised firms within its remit, including:

- Suspensions and restrictions
- Prohibition of practice
- Public censure
- Disgorgement (fining a firm to negate any profit made from a transaction that breached AML standards)
- Prosecution of firms and individuals who undertake regulated activities without authorisation

3.20 In the relevant reporting period, the FCA issued seven fines under the MLRs and the FSMA for a total sum of over £136m. Of these, two fines were issued through a Decision Notice.

3.21 In addition to financial penalties, the FCA also has powers under the MLRs and the FSMA to issue public censures and pursue criminal prosecutions. The FCA publishes all its enforcement decisions in a Final Notice or, if relevant misconduct comes under the MLRs, in the form of a Decision Notice. The Notices make clear the basis for the FCA findings, including the facts of the investigation and areas of deficiencies identified, and the FCA's reasoning for concluding serious misconduct has occurred. These documents enable the FCA to communicate its expectations and positions, and for the regulated sector to understand how deficiencies arise and how they can mitigate the risk of it occurring in their firms.

3.22 During the 2022-23 reporting period, the FCA brought criminal prosecutions to two regulated entities under the MLRs.

3.23 During the 2022-23 reporting period, the FCA published over 1,900 consumer alerts about unauthorised firms or individuals and opened 857 enquiry cases into unauthorised businesses. The FCA also submitted over 549 SARs to the National Crime Agency.

Table 3.B Enforcement action by the Financial Conduct Authority, 2020-23

Year	Expulsion/withdrawal of membership	Suspension of membership	No. of fines	Total amount of fines
2022-23	0	0	7	£136,823,100
2021-22	0	0	5	£476,730,020
2020-21	0	0	2	£86,113,800

Source: HMT Returns from the FCA

Case study – The FCA and enforcement action

In December 2022, the FCA fined a bank nearly £110 million after it found serious and persistent gaps in the firms' anti-money laundering (AML) controls, primarily affecting its Business Banking customers.

The FCA had found that from 31 December 2012 and 18 October 2017, the bank failed to properly oversee and manage its AML systems and controls, which significantly impacted the account oversight of more than 560,000 business customers.

Having become aware of significant issues with its AML framework, the bank made various changes to its AML operating model and processes for Business Banking. While some of these changes resulted in improvements, continued weaknesses in its AML framework meant that the bank failed to manage adequately the money laundering risks presented in its Business Banking customers.

In one case, a new customer opened an account as a small translations business with an expected monthly deposit base of £5,000. Within six months the same account was receiving millions in deposits which were then swiftly transferred to separate accounts. In March 2014 the account was recommended for closure but due to poor processes and structures this was not acted upon until September 2015 which resulted in the customer's account continuing to receive and deposit millions of pounds through its account.

During its investigation, the FCA found several other Business Banking accounts that the bank had failed to manage adequately, thus leaving the firm vulnerable to the risk of being used as a conduit for money laundering. Alongside other failures, this led to almost £300 million passing through the banks before it closed the accounts.

As stated above, the bank knew it had weaknesses in its AML framework and commenced a suite of work in 2013. While there were some improvements, the FCA did not consider that these were sufficient to adequately address the underlying weaknesses. The bank therefore began a process of restructuring its processes and systems, and at the time of the publication of the Final Notice, the bank was continuing to invest in a programme of transformation and remediation.

Enforcement action by the GC

3.24 The GC supervises its sector via a licensing regime rather than a membership scheme and undertakes numerous enforcement actions for breaches of licence conditions and codes of practice relating to AML and CTF breaches. The GC derives its powers to do so from the Gambling Act 2005, and these powers include:

- Entering an operator's premises to inspect, question, access written or electronic records, and remove and retain any items relevant to a suspected offence or a breach of a licence condition
- Removing or amending licence conditions
- Revoking or suspending licences
- Imposing financial penalties
- Imposing individual licence conditions or imposing licence conditions for a class of licence
- Issuing a warning

3.25 The GC issued 19 fines during the 2022-23 reporting period, for a total value of over £53 million. This figure also includes payments made in lieu of financial penalties as part of a regulatory settlement with a licensee.

3.26 In addition to financial penalties, the GC also utilised other forms of enforcement action in response to AML breaches, including:

- Public censure
- Prohibitions on members of management
- Regulatory settlements
- Formal warnings
- Impositions of additional licence conditions on a licence holder

Table 3.C Enforcement action by the Gambling Commission, 2020-23

Year	Expulsion/withdrawal of membership	Suspension of membership	No. of fines	Total amount of fines
2022-23	0	0	19	£53,556,707
2021-22	0	0	10	£23,421,923
2020-21	0	0	10	£19,138,652

Source: HMT Returns from the Gambling Commission

Case study – Gambling Commission enforcement activity

The GC carried out enforcement action against a regulated firm in the relevant period. They found:

- weaknesses and shortcomings in relation to the adequacy and maintenance of its policies, procedures and controls along with their implementation
- its policies, procedures and controls lacked guidance on appropriate action to take following the results of customer profiling and how its findings should be used to establish the appropriate outcome
- its procedures and controls lacked hard stops to prevent further spend and mitigate against AML risks before customer risk profiling is completed
- AML training delivered to staff provided insufficient information on risks and how they were managed
- certain customers were able to deposit large amounts of money without the Licensee conducting appropriate due diligence measures:
- Customer A was able to deposit £71,427 and lose £70,134 without the licensee having knowledge as to the source of funds or occupation details
- Customer B lost £38,000 between 21 April 2021 and 27 May 2021. Although operator profiling established the customer was a sales director, no financial information was gathered
- Customer C, who registered on 12 March 2021, was able to deposit and lose £36,000 in four days. The licensee acknowledged it should have acted sooner when the customer deposited and lost significant amounts in the first 24 hours.

Taking into account remedial action taken by the licensee, and in line with the GC's Statement of principles for licensing and regulation, the licensee voluntarily made a payment in lieu of a financial penalty of £12,500,000, which included a divestment of £284,361.57, and its licence was varied to add additional licence conditions imposed by the GC.

Enforcement action by HMRC

3.27 HMRC uses a wide range of enforcement tools to drive compliance in their supervised population, including:

- Financial penalties
- Withdrawal of a key person's 'fit and proper' status
- Referral to law enforcement
- Suspension or cancellation of a business' registration

3.28 In the 2022-23 reporting period, HMRC issued 770 fines in relation to AML/CTF breaches, for a total value of over £5 million.

3.29 Alongside these enforcement powers, HMRC can also pursue prosecutions through its law enforcement powers under the MLRs or the Proceeds of Crime Act 2002, and HMRC also made 2 referrals to law enforcement for money laundering related matters during the reporting period.

Table 3.D Enforcement action by HMRC, 2020-23

Year	Expulsion/withdrawal of membership	Suspension of membership	No. of fines	Total amount of fines
2022-23	0	0	770	£5,539,214
2021-22	0	0	283	£2,502,415
2020-21	0	0	41	£3,078,182

Source: HMT Returns from HMRC

Case study – HMRC’s dissuasive enforcement activity

In December 2022, after conducting compliance interventions to a Money Service Business with a large agent network and to a representative number of their agents across the country, HMRC issued a financial penalty in the sum of £1,489,611 (+ a £1,500 administration fee) to the business for breaches of the MLRs.

The breaches related to Regulation 18 (Risk Assessment by relevant persons), Regulation 19 (Policies, controls and procedures), Regulation 28 (Customer due diligence measures) & Regulation 33 (Obligation to apply enhanced customer due diligence). The imposition of the penalty was not challenged by the business.

HMRC also published the details of the penalty online on GOV.UK:

[HMRC issues £3.2 million in money laundering penalties | HM Revenue & Customs \(HMRC\) \(mynewsdesk.com\)](#)

Enforcement action by PBSs

3.30 PBSs have a range of enforcement tools available to them under the MLRs, including:

- Public censures
- Financial penalties
- Suspension, restriction, or withdrawal of membership or authorisation to practice
- The ability to direct members to take action to remedy non-compliance

3.31 This year, PBSs issued significantly fewer fines, and for a lower total value than the last year. In the 2022-23 reporting period, they issued 211 fines for a total value of £640,781 compared to 316 fines in 2021-22 for a total value of £940,637.

3.32 PBSs have maintained the stricter approach to approvals for AML supervision that they took in the previous reporting period, with the number of applications rejected by PBSs remaining at 6.2% in 2022-23, compared to 1.8% in 2019-20, to 6% in 2020-21 and 5.5% in 2021-22.

3.33 The population sizes, risk categorisations, and levels of non-compliance vary significantly between the 22 PBSs, with some supervisors not finding a single member within their supervised population to be non-compliant, and therefore not issuing any fines, suspensions, or cancellations.

Table 3.E Enforcement action by accountancy PBSs, 2020-23

2022-23 2021-22 2020-21	Memberships cancelled	Memberships suspended	Number of fines	Total value of fines
Association of Chartered Certified Accountants	3 0 1	1 0 0	20 12 6	£58,500.00 £56,000.00 £18,000.00
Association of International Accountants	6 7 3	1 1 9	24 18 14	£36,250.00 £10,600.00 £2,900.00
Chartered Institute of Management Accountants	2 0 1	0 1 4	3 0 1	£33,685.00 £0.00 £250.00
Chartered Institute of Taxation	0 1 0	0 0 0	15 8 11	£11,870.00 £3,728.00 £5,090.00
	0	0	10	£5,090.00
	0	0	6	£3,448.00

Association of Taxation Technicians	0	1	8	£4,539.00
Institute of Chartered Accountants of England & Wales	2	0	35	£218,275.00
	7	0	53	£267,002.00
	6	0	59	£178,947.00
Institute of Chartered Accountants of Ireland	0	0	7	£5,545.00
	0	0	0	£0.00
	0	0	2	£1,350.00
Institute of Chartered Accountants of Scotland	0	0	1	£4,000.00
	0	0	2	£20,000.00
	0	0	0	£0.00
Institute of Certified Bookkeepers	1	1	29	£31,800.00
	1	0	91	£121,400.00
	1	0	98	£233,650.00
Institute of Financial Accountants	3	0	6	£26,000.00
	1	0	3	£5,250.00
	1	1	9	£19,100.00
Association of Accounting Technicians	19	0	22	£33,201.00
	14	0	44	£43,436.00
	18	0	32	£27,620.00
International Association of Bookkeepers	7	1	6	£4,463.00
	2	0	39	£6,700.00
	1	0	53	£15,000.00
Insolvency Practitioners Association	0	0	0	£0.00
	0	0	2	£13,500.00
	0	0	2	£13,500.00

Source: HMT Returns from accountancy PBSs

Table 3.F Enforcement action by legal PBSs, 2020-23

2022-23 2021-22 2020-21	Memberships cancelled	Memberships suspended	Number of fines	Total value of fines
Solicitors	0	1	28	£136,602.00
Regulation Authority	6	3	35	£385,476.00
	7	3	14	£163,400.00
Law Society of Northern Ireland	0	0	1	£500.00
	0	0	0	£0.00
	0	0	1	£500.00
Law Society of Scotland	0	1	0	£0.00
	0	0	2	£3,000.00
	1	0	1	£1,000.00
Council for Licensed Conveyancers	4	0	4	£35,000.00
	1	0	1	£1,188.00
	0	0	0	£0.00
Bar Standards Board	0	0	0	£0.00
	0	0	0	£0.00
	1	0	0	£0.00
General Council of the Bar of Northern Ireland	0	0	0	£0.00
	0	0	0	£0.00
	0	0	0	£0.00
Chartered Institute of Legal Executives Regulation	0	0	0	£0.00
	0	0	0	£0.00
	0	0	0	£0.00
Faculty of Advocates	0	0	0	£0.00
	0	0	0	£0.00
	0	0	0	£0.00
Faculty Office of the Archbishop of Canterbury	0	0	0	£0.00
	0	1	0	£0.00
	0	0	0	£0.00

Source: HMT Returns from legal PBSs

Case study –Accountancy PBS enforcement activity

An accountancy PBS conducted a monitoring review of the Suspicious Activity Reports (SARs) submitted by a supervised firm as part of a risk-based review cycle. The PBS reviewed and assessed the quality of all SARs submitted by the firm in the last year.

The PBS found in one instance that the supervised firm had submitted a low-quality SAR in relation to a business who had applied for, and received, a Bounce Back Loan. As a director of that business had then transferred the funds into a personal bank account, the PBS-regulated firm had submitted a SAR as they suspected that the funds received had not been intended for this purpose.

The PBS found that the SAR submitted, however, was of poor quality as the supervised firm knew the name, national insurance number, date of birth and address of the director in question but did not include these details in their report.

The supervised firm had also failed to include the relevant glossary code and details of the services being provided to the client.

Upon discovering this, the PBS requested the firm submit another SAR with the missing details, and cross-reference this to the original SAR to ensure that law enforcement could make an accurate and informed assessment of the case. The firm confirmed that this had been done, and the PBS concluded that no further action was required. The remaining SARs reviewed had been of a good quality.

Case study –Legal PBS enforcement activity

One legal sector PBS played a key role in a recent AML enforcement case of a law firm estimated to have laundered almost £1.5 million in illicit funds. This led to the conviction of five individuals for money laundering offences. The firm had already been flagged as high-risk, and through good co-operation and information-sharing with law enforcement, the PBS was able to use its investigatory powers to identify important evidence and uncover further suspect activity at the firm.

The PBS:

- Submitted multiple SARs to law enforcement
- Conducted a formal interview of the two directors, the transcript of which was used extensively in the court case to support the prosecution
- The Court-appointed Judicial Factor then used their broader powers to enter properties and secure additional files as proof of suspicious activity

As a result, all five individuals were convicted, and received prison sentences ranging from 18 months to 7 or 8 years.

Annex A

List of supervisors

Accountancy Sector Professional Body AML/CTF Supervisors

- Association of Accounting Technicians
- Association of Chartered Certified Accountants
- Association of International Accountants
- Association of Taxation Technicians
- Chartered Institute of Management Accountants
- Chartered Institute of Taxation
- 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

Legal Sector Professional Body AML/CTF Supervisors

- Chartered Institute of Legal Executives/CILEx Regulation
- 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
- Law Society of England and Wales / Solicitors Regulation Authority
- Law Society of Northern Ireland
- Law Society of Scotland

Public Sector AML/CTF Supervisors

- His Majesty's Revenue and Customs
- The Financial Conduct Authority
- The Gambling Commission

Annex B

Definitions of sanctions and penalties

- Expulsion: To remove membership, authorisation, fit and proper status, and/or registration
- Suspension: To suspend membership, authorisation, fit and proper status, and/or registration
- Fine: To levy a financial penalty
- Reprimand: Any type of formal written warning issued by a tribunal, committee, or organisation
- Undertaking or condition: Any formal requirement to implement remediation or restrict ability to carry on business or offer specific services
- Action plan: Any communication seeking improvements which is considered as part of the general capacity development and monitoring programme, rather than part of a formal disciplinary programme
- Warning: Any communication with a firm cautioning against specific conduct

HM Treasury contacts

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If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk