

# The Money Laundering and Terrorist Financing (Amendment and Miscellaneous Provision) Regulations 2025 Statutory Instrument Impact Assessment

<b>Lead department</b>	HM Treasury
<b>Summary of proposal</b>	The proposal seeks to make the Money Laundering Regulations clearer, more proportionate, and better targeted at current and emerging risks.
<b>Submission type</b>	Impact assessment (IA) – 18 November 2025
<b>Legislation type</b>	Secondary
<b>Implementation date</b>	TBC
<b>RPC reference</b>	RPC-HMT-25105-IA(1)
<b>Opinion type</b>	Formal
<b>Date of issue</b>	06 January 2026

## RPC opinion

<b>Rating<sup>1</sup></b>	<b>RPC opinion</b>
<b>Fit for purpose</b>	The IA provides sufficient evidence and analysis for the RPC to be able to validate the EANDCB. The assessment of impacts on small and microbusinesses is sufficient. The Department has provided a brief cost benefit analysis, that would benefit from monetising more of the identified impacts.

	<b>Department assessment</b>	<b>RPC validated</b>
<b>Equivalent annual net direct cost to business (EANDCB)</b>	-£172.1 million	-£172.1 million (2025 prices, 2025 pv)
<b>Business net present value</b>	£1,481.2 million	
<b>Overall net present value</b>	£1,481.2 million	

<sup>1</sup> The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). RPC ratings are fit for purpose or not fit for purpose.

## RPC summary

<b>Category</b>	<b>Quality<sup>2</sup></b>	<b>RPC comments</b>
EANDCB	<b>Green</b>	The Department has sufficiently set out the assumptions, data, and calculations behind its estimates of the impact of the proposal, based on reducing unnecessary compliance activity and associated costs for regulated firms, as a result of changing due diligence requirements for 'High Risk Third Countries'.
Small and micro business assessment (SaMBA)	<b>Green</b>	The IA includes an adequate SaMBA, describing the possible impacts on smaller businesses and sole traders, such as legal and accountancy professionals that could be affected. The assessment would benefit from discussing potential courses of mitigation for small and micro businesses.
Rationale and options	<b>Satisfactory</b>	The IA presents evidence from a 2024 consultation which identified a variety of issues with how the current MLR system is operating to form the rationale for intervention. The Department presents its preferred options separately across a range of different measures, each assessed against a 'Business as Usual' scenario. The IA would benefit from discussing more alternatives options for some of the proposals.
Cost-benefit analysis	<b>Satisfactory</b>	The IA provides a brief cost-benefit analysis of the proposal to calculate the net present value (NPV) over a 10-year appraisal period. The assessment also does well to illustrate many of the un-monetised benefits qualitatively. The IA could have attempted to monetise some of these to provide a broader quantitative analysis.
Wider impacts	<b>Satisfactory</b>	The IA provides a satisfactory assessment of the proposal's impacts on a range of wider issues, with a good discussion of the potential trade implications. The IA would be improved by considering the impact on the business environment from the package as a whole.
Monitoring and evaluation plan	<b>Weak</b>	The assessment includes a weak M&E plan. The Department does commit to including the proposals in an ongoing periodic 5-year review process, however provides only brief detail on potential monitoring and evaluation activities.

<sup>2</sup> The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. The definitions of the RPC quality ratings can be accessed [here](#).

## Summary of proposal

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs), alongside legislation such as the Proceeds of Crime Act (POCA), form a core part of the UK's legislative framework for preventing and detecting money laundering and terrorist financing. The MLRs are underpinned by international standards set by the Financial Action Task Force (FATF), of which the UK is member. Since their introduction, the MLRs have been amended on several occasions to reflect evolving risks, changes to the international landscape, and lessons learned from supervision and enforcement.

Following a consultation in 2024 and subsequent policy development, the government is now bringing forward a package of 15 targeted measures through this SI. The intention is to close regulatory loopholes, clarify and update requirements, improve proportionality, and strengthen the overall effectiveness of the regime. The measures are designed to address specific weaknesses identified by stakeholders, support a more risk-based and outcome-focused approach, and ensure continued alignment with international standards.

The proposed set of measures has been assessed against a 'Business As Usual' baseline scenario, with an NPV of 1,481.2m (2025 prices, 2025 present value (pv) base year) over a 10-year appraisal period from 2024/25 to 2043/44. The EANDCB is -£172.1m (2025 price and pv year).

## EANDCB

The IA's evidence and analysis of direct impacts on business is sufficient and the RPC can validate the EANDCB figure presented.

The IA helpfully sets out the potential ways in which the proposed reforms may affect businesses. These include a range of potential costs, such as one-off costs to update internal procedures, training costs as staff familiarise themselves with changes, and minor administrative costs arising from new reporting and notification duties. These are offset by benefits such as fewer duplicative compliance checks leading to lower administrative costs, low-risk trusts having streamlined processes, reducing unnecessary compliance burdens and greater regulatory clarity leading to lower ongoing compliance costs. The assessment could be improved by the inclusion of potential familiarisation costs incurred by businesses as a result of the overall package of measures, rather than only considering impacts individually for each proposal.

The Department's EANDCB estimate is -£172.1m (2025 prices, 2025 present value (pv) base year) over 10 years, based on reducing unnecessary compliance activity and associated costs for regulated firms, as a result of changing due diligence requirements for 'High Risk Third Countries'. This has been calculated by estimating the current total annual cost to industry of carrying out Enhanced Due Diligence (EDD) on customers and transactions related to 'Increased Monitoring' (IM) countries, before assuming a proportion of these costs will be saved due to reduced EDD activity. The Department has assumed half of affected business will move from

EDD to Customer Due Diligence (CDD) and that CDD is 56% of the cost of EDD. The IA would benefit from doing more to justify assuming that savings will be a midpoint between total EDD and CDD costs.

The Department's analysis of the potential direct impact on businesses could be improved by monetising more of the identified costs and benefits. Whilst this has been justified by the lack of baseline data, the IA would benefit from greater consideration of costs such as the transitional familiarisation costs of the proposed measures. The IA should also present the EANDCB estimate more clearly, rather than using the description 'Net cost to business per year'.

## SaMBA

The Department has provided a satisfactory small and micro business impact assessment (SaMBA), with a qualitative assessment of how smaller businesses and sole traders, such as legal and accountancy professionals could be affected. Due to limited data availability, the Department has not calculated the number of small and micro businesses in the sector, though does use a survey of MLRs-regulated firms and data held by the Department to give an indication of the potential scale. The IA notes that most of the measures introduced are likely to benefit small and micro businesses as they involve a reduction in regulatory requirements or a clarification to existing requirements. Some measures could negatively impact small businesses, such as enhanced due diligence requirements for cryptoasset exchange providers, the majority of which are small and micro. The small and micro business impact has been considered further for some of the measures individually. The IA would benefit from considering in more detail the nature of affected businesses and how measures will affect smaller businesses relative to larger ones.

The Department has not exempted small and micro businesses from the proposed measures, as they are a requirement of the global Financial Action Task Force, which the UK has committed to comply with. This justification is sufficient. This could be improved by the inclusion of a discussion of any possible mitigations that could apply for measures that are expected to incur costs. This could include a discussion on how to manage any mismatch between supervisory expectations and realities of SMBs dealing with compliance obligations. The SaMBA also could have been improved with an indication of the potential impact of the policy on medium sized businesses.

## Rationale and options

The IA's rationale for intervention is based on evidence from a 2024 consultation which identified a variety of issues with the current MLR system is operating. These weaknesses include regulatory loopholes, requirements needing clarification and disproportionate requirements. The Department has provided specific detail on the problem under consideration and subsequent rationale for intervening individually for each of the measures, largely focussed around ineffective regulations, insufficient clarity, high admin burdens and regulatory gaps. The Department should set out its overall rationale for intervention to cover the whole package of measures in greater

detail. The IA would also benefit from using the SMART framework to more clearly describe the objectives of the proposals.

The Department presents two options, a 'do nothing' baseline scenario and the preferred option for each of the measures. In addition to this, for some of the proposals the Department has considered other non-regulatory alternatives to intervention. The IA would benefit from justifying why further options were not considered for the rest of the proposals. The IA could also be improved by including more background on policy development conducted by the Department.

## Cost benefit analysis

The IA includes a cost-benefit analysis which sets out the potential impact of the proposed policy. The only fully quantified measure however is the enhanced due diligence on 'complex or unusually large' transactions on businesses policy. Assessed against a 'do nothing' baseline scenario, this produces an estimated NPV of £1,481.2m (2025 prices, 2025 present value (pv) base year) over a 10-year appraisal period. This has been based on reducing unnecessary compliance costs for firms, as a result of reduced due diligence requirements for 'High Risk Third Countries'.

### *Evidence and Assumptions*

The IA is based on a reasonable level of evidence. The data and assumptions used in the modelling are based on responses from the Department's 2024 consultation, along with data from annual anti-money laundering reporting and the 2023-24 Economic Crime Levy Report. The assessment would benefit from going into greater depth about how survey responses have been used to produce specific quantified assumptions. The Department does well to set out details of the available evidence it has separately for each of the proposed measures.

The IA helpfully provides a clearly defined baseline scenario separately for each measure, setting out clear assumptions for how the Department expects sectors to operate without intervention. For many of the proposed interventions, despite setting out a range of data sources and analytical assumptions, these have not been used to produce monetised estimates of the costs and benefits. This is particularly the case for the CDD triggers, EDD on complex transactions, Trust Registration Services measures and definition of insurance undertaking policies. The IA should do more to justify why it has not been possible to use some informed assumptions to produce these estimates.

### *Methodology*

The IA only features a monetised analysis for one of the measures, enhanced due diligence on 'complex or unusually large' transactions. As before, this has been estimated using the current total annual cost to industry of EDD, before assuming a proportion of these costs will be saved due to reduced activity. The IA does well to set out the methodological process used to produce this estimated benefit, going through the relevant steps, data sources and assumptions used. The assessment usefully uses lower and upper bounds to illustrate the potential uncertainty around

the estimated benefits, however this would be improved by using this to demonstrate the potential variability in the assumptions that have been used, rather than assigning an arbitrary 25% range. This could have been achieved using sensitivity analysis.

## Wider impacts

The IA provides details on the potential wider impacts of the proposed reforms. This includes an assessment of the trade implications for the package altogether. The Department argues that the measures will improve the competitiveness of UK firms by aligning requirements with the US and other jurisdictions. The Department does not expect any new barriers to entry or discriminatory requirements for overseas businesses.

The IA helpfully considers the wider impacts of individual measures, considering issues such as the impact on innovation in the crypto sector, or the increased ease of doing business due to reduced CDD requirements. The IA would benefit from considering the impacts on the business environment for the entire package in addition to assessing the measure individually, covering areas such as competition, investment and innovation.

The IA also considers wider impacts such as on equalities, consumers and the public sector. As before, this would benefit from a more consistent approach, along with being summarised in the overarching evidence base for the intervention.

## Monitoring and evaluation plan

The IA includes a weak monitoring and evaluation plan, with periodic reviews of MLRs occurring every 5 years. As the next review is set to occur in 2027, the Department should explain how it intends to evaluate the outcomes of the intervention after such a short timeframe. The plan usefully includes a summary of data sources to be used for some of the measures, however this is very brief.

The M&E plan would be improved by considering potential evaluation questions it seeks to answer as part of the review process and what data could be used for each of these, in order to determine the success of the policy. The assessment could be improved by including a discussion of the potential unintended consequences of the proposed intervention and the potential effect of external factors, as well as how the Department could respond to these issues.

## Regulatory Policy Committee

For further information, please contact [enquiries@rpc.gov.uk](mailto:enquiries@rpc.gov.uk). Follow us on X [@RPC\\_Gov\\_UK](https://twitter.com/RPC_Gov_UK), [LinkedIn](https://www.linkedin.com/company/rpc) or consult our website [www.gov.uk/rpc](http://www.gov.uk/rpc). To keep informed and hear our views on live regulatory issues, subscribe to our [blog](#).