

# OPBAS

OFFICE FOR PROFESSIONAL BODY AML SUPERVISION  
FINANCIAL CONDUCT AUTHORITY



## **Anti-Money Laundering Supervision by the Legal and Accountancy Professional Body Supervisors:**

Progress and themes from our 2020/21 supervisory assessments

**September 2021**

## Contents

<b>1</b>	Introduction	3
<b>2</b>	Executive summary	5
<b>3</b>	Key Themes	9
<b>4</b>	Intelligence and Information Sharing	25
<b>5</b>	Supporting work and next steps	28
	<b>Annex</b>	<b>30</b>



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# 1 Introduction

**1.1** The National Risk Assessment 2020 (NRA) estimates that serious and organised crime costs the UK economy £37bn a year. The UK's accountancy and legal sectors (the sectors) remain vulnerable to criminals using professional services to add legitimacy to their operations. The latest NRA kept the level of risk of abuse for these sectors as 'high' for money laundering and 'low' for terrorist financing.

**1.2** The Office for Professional Body Anti-Money Laundering Supervision (OPBAS) supervises the Professional Body Supervisors (PBSs) of the accountancy and legal sectors. We have two objectives, which are to:

- Ensure the PBSs deliver a consistently high standard of Anti Money Laundering (AML) and Counter Terrorism Financing (CTF) supervision.
- Facilitate collaboration and information and intelligence-sharing among the PBSs, law enforcement agencies (including the National Crime Agency (NCA) and the National Economic Crime Centre (NECC)), and the statutory supervisors. The statutory supervisors are HM Revenue & Customs (HMRC), the Financial Conduct Authority (FCA) and the Gambling Commission.

We do not directly supervise accountancy or legal firms.

**1.3** There are 22 PBSs responsible for AML and CTF supervision of the accountancy and legal sectors (plus 3 who have delegated their regulatory functions). The PBSs have a crucial role in raising the sectors' defences against criminal exploitation. PBS supervision covers a range of services including accountancy, insolvency, legal and notarial. The PBSs vary in their size, scale and resource. We provide a full list in the Annex. In this report, when we refer to AML, this includes CTF unless we state otherwise.

**1.4** In 2019, we published a report setting out our supervisory findings from our first year of operation. These were based on how well the PBSs met our expectations set out in the OPBAS Sourcebook for PBSs (the Sourcebook) and the Money Laundering Regulations 2017 (MLRs).

**1.5** We found the quality of AML supervision varied and required all PBSs to put strategic action plans in place to remedy failings. Our 2020 report drew on our ongoing supervision and monitoring of how PBSs were implementing these action plans. We identified instances of strong improvement, but with some PBSs lagging behind their peers.

**1.6** During 2020/21, we conducted a further supervisory assessment of all PBSs. We built on our previous approach and moved from looking at each PBS's level of technical compliance with the MLRs to a greater focus on how **effectively** they were conducting their AML supervision. We measured this against the MLRs and our Sourcebook and aligned our approach with the approach to technical compliance and effectiveness taken by the Financial Action Task Force (FATF); the global standard-setter for AML.

- 1.7** Like FATF, we consider effectiveness as how far a PBS's AML systems and controls mitigate the risks and threats of money laundering and financing terrorism. So, our latest supervisory assessments did not just focus on whether certain technical requirements in relation to the MLRs were in place. We also made judgements on whether, or to what extent, the MLRs' objectives were being effectively met in practice.
- 1.8** When we considered how to measure effectiveness, we recognised the wide variations in the levels of ML risk posed by each PBS and the firms they supervise. We also considered the size of the PBSs' supervised population. We considered this when assessing the materiality and potential impact of each PBS' ML risk. This report sets out our findings. We also outline our broader work, particularly in intelligence and information sharing.

## 2 Executive summary

- 2.1** This report provides an overview of AML supervision by the Professional Body Supervisors (PBSs) as of August 2021, following our latest round of supervisory assessments.
- 2.2** Coronavirus (Covid-19) required us and the PBSs to adapt to a new working environment. In March 2020, we contacted each PBS to understand their Covid-19 contingency plans. We continued assessing their progress in maintaining adequate levels of AML supervision through our monitoring programme, supervisory assessments and regular contact.
- 2.3** The pandemic created challenges for PBSs, as for other organisations. Many developed or adapted desk-based reviews to achieve the same outcomes as on-site visits. We observed that some PBSs took longer to modify their approach. For some, the pandemic meant diverting resources away from AML supervisory activity, which inevitably affected the number of assessments they conducted. Some PBSs amended their risk-based approach to factor in challenges from the pandemic. For example, providing updated guidance on alternative methods of customer due diligence verification.
- 2.4** In this, our third report, we have concentrated on reviewing the effectiveness of the AML supervision and controls that exist within PBSs, highlighting examples of good practice as well as areas of concern, instead of only seeking to evaluate technical compliance. Ensuring the effectiveness of financial crime controls and effectively reducing financial crime risk is a key priority under this year's FCA Business Plan. This report, which concentrates on effectiveness, shows this in practice.
- 2.5** As set out in its Business Plan, the FCA wants to work with others to achieve more. OPBAS collaborates and partners with others; the PBSs, law enforcement, government and wider stakeholders domestically and internationally, to raise standards across the regulated sectors.

### **Some significant weaknesses in effectiveness in meeting the MLRs**

- 2.6** In 2020/21, the PBSs were generally compliant with the technical requirements of the MLRs, where assessed. As the reports for the first two years of OPBAS show, there has been considerable progress. However, when focusing on effectiveness in 2020/21, we found differing levels of achievement and some significant weaknesses. We expect PBSs to continue investing and improving, focusing their supervisory efforts to have the greatest impact on the prevention of money laundering and, working with other authorities, to make the UK an inhospitable place for criminals.
- 2.7** We took a risk-based approach and did not assess every Sourcebook area for every PBS. So, where we set out our findings on effectiveness below and in Section 3, these only cover those PBSs we assessed against the Sourcebook area under discussion, meaning percentages will not always reflect the full population of supervisors. Where appropriate, we have referenced differences between the legal and accountancy sectors as well as the potential impact linked to a PBS's supervised population size.

## Not all PBSs had effective governance structures in place

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- 2.8** There is clear scope for improvement in governance arrangements. Just over 60% of PBSs allocated the responsibility for managing AML supervisory activity effectively through clear governance structures with appropriate independent decision making. A third of PBSs did not have an effective separation of their advocacy and regulatory functions, presenting a clear risk of conflict of interest. PBSs in the accountancy sector were more effective in handling conflicts of interest appropriately than those in the legal sector.
- 2.9** PBSs did not always reflect governance structures in formalised policies and procedures setting out how they separated different functions and made decisions. Just over half of PBSs effectively demonstrated active engagement from senior management on AML supervision. PBSs were least effective in ensuring that reporting and escalation agreements were in place and in appropriately delegating powers. For example, there was an over-reliance on key individuals. We observed an overall increase in dedicated AML resource, but there remains a need to improve staff competence and training (see paragraph 2.16 below).

## Most PBSs had not implemented an effective risk-based approach

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- 2.10** The vast majority (just over 80%) of PBSs had not implemented an effective risk-based approach. Only a third of PBSs were effective in developing and recording in writing adequate risk profiles for their sector and a similar proportion of PBSs were effective in regularly reviewing and appraising risks. We observed gaps in PBSs being able to evidence their understanding of AML risks and how they used it to determine the frequency and intensity of supervisory visits. PBSs should establish and maintain an approach that prioritises their AML supervisory and enforcement work based on a robust assessment of the AML risks posed by their supervised population. Just over 60% of legal sector PBSs were judged effective in using their powers to support the adoption of a risk-based approach by their members. This compared to less than 40% of accountancy sector PBSs. We will be looking for significant improvements in all these areas as we follow up our assessments.

## Most PBSs had not maintained an effective supervisory approach to ensure members took adequate and timely corrective actions

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- 2.11** Just over half of PBSs were effective in using a broad range of both proactive and reactive tools for supervision of their members. While some used their supervisory tools effectively to identify gaps in members' AML controls, half of PBSs, particularly those in the accountancy sector, failed to ensure members took timely action to correct these identified gaps. PBSs should maintain a predictable and proportionate approach to verify that their members address identified AML control gaps adequately and in a timely way. Overall, we considered the legal sector to have more effective supervision than the accountancy sector.

## Limited effectiveness of intelligence and information-sharing arrangements

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- 2.12** While almost 70% of PBSs effectively took part in information and intelligence-sharing arrangements, we found gaps in their related policies and procedures. We also observed inconsistencies in both sectors' approaches, especially around proactively sharing details of active misconduct investigations. We made findings for all relevant PBSs on their approach to intelligence and information sharing, particularly on their lack of effective use of existing intelligence and information-sharing platforms, such as the Shared Intelligence Service (SIS) and the Financial Crime Information Network (FIN-NET). On balance, the accountancy sector was broadly more effective in actively and securely sharing information and intelligence with other supervisors. The legal sector was broadly more effective in sharing with law enforcement. Some PBSs didn't evidence how they would deliver their approach to encourage confidential disclosures of MLR breaches from members or the public. To improve effectiveness, PBSs should provide training so staff can identify and appropriately handle such disclosures.
- 2.13** Having effective intelligence and information sharing is key to the collaborative approach needed among PBSs, law enforcement, statutory supervisors and other agencies to address money laundering risk. We will continue to focus on this significant area of concern to support improvements.

## Gaps remain in most enforcement frameworks

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- 2.14** Around two thirds of PBSs didn't have effective enforcement frameworks. For example, some PBSs could not explain their criteria for taking enforcement action and which tools would be used. We observed a slight increase in the number of relevant PBSs who took enforcement action for AML non-compliance in the period between April 2019 to April 2020, based on PBS data from their most recent Treasury annual returns.
- 2.15** All PBS had sufficient information gathering and investigative powers. Two thirds (62%) of accountancy sector PBSs and half of legal sector PBSs used these powers effectively. Only a quarter of PBSs used their enforcement tools effectively. Some legal sector PBSs continue to face statutory limitations to the exercise of their powers, requiring them to refer matters to the independent Solicitors Disciplinary Tribunal for larger fines.

## Generally effective in providing information for members

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- 2.16** The majority (83%) of PBSs were effective in providing information and guidance for members to help them understand their high-level obligations. Two thirds (67%) of PBSs were cooperating with other supervisory authorities to ensure that guidance was joined up and to minimise inconsistencies. However, we found some gaps in ensuring PBSs collected members' views and embedded these into guidance.

## Low effectiveness in staff competence and training

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- 2.17** Only a third of PBSs assessed were effective in recruiting and retaining staff with relevant experience and providing support through ongoing professional development. On occasions, staff in key AML roles lacked sufficient expertise and knowledge. We expect PBSs to make this a priority as it will be key to improving effectiveness in all the areas identified in this report.

## Improvements needed in record keeping

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- 2.18** A quarter (25%) of the PBSs we assessed were not effective in record keeping, such as maintaining sufficient written records of decisions on AML supervision. Some PBSs did not have adequate quality assurance processes in place. The legal sector was slightly more effective in maintaining records and in ensuring supervisory work and decision-making received quality assurance.

## Supporting work and next steps

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- 2.19** We will continue to use our engagement with PBSs, law enforcement, statutory supervisors and other stakeholders to influence and improve the consistency of intelligence and information sharing. We will continue to encourage PBSs to build and cultivate collaborative relationships and develop their contribution to detailed threat understanding and analysis, such as red flag indicators. Section 4 sets out our wider role in intelligence and information sharing.
- 2.20** We continue to refine our approach to supervision. We are increasing the way we use data to prioritise work and will use a wider range of supervisory techniques to build a broader and deeper picture of PBS, sectoral, and cross-sectoral risk. We will continue to develop our Sourcebook, and any accompanying communications, to ensure our guidance remains fit for purpose.
- 2.21** We will use our supervisory and enforcement powers, when appropriate and proportionate to do so. Section 5 sets out where we have used our powers to date. We will feed into the Treasury's review of the MLRs and OPBAS Regulations in 2022 to ensure we have the right tools in place as the UK's AML regulatory landscape evolves.
- 2.22** We will continue to use our unique position as a 'supervisor of the supervisors' to support improvements in the domestic landscape. For example, through our work in supporting SARs reform, on the cross-organisational trust or company service provider (TCSP) working group and on the UK Economic Crime Plan. We will continue to support the development of the international AML/CTF landscape, for example through membership of FATF working groups, and sharing best practice with international partners.
- 2.23** We will provide support to appropriate ancillary government programmes, for example, where fraud is a potential predicate offence to money laundering.




## 3 Key Themes

### Governance

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- 3.1** Regulation 49 of the MLRs requires a PBS to ensure they exercise their supervisory functions independently of any of their other functions. PBSs also need to have adequate resources to carry out their supervisory functions. We set out our expectations in Section 3 of our Sourcebook.
- 3.2** In our 2020 report, we saw a significant improvement in appropriate governance arrangements for AML supervision. We have now assessed the effectiveness of these arrangements, looking at the outcomes the structures were achieving. Effective governance underpins effective AML supervision. Strong leadership and the right tone from the top are needed to ensure AML supervision remains a key priority.
- 3.3** 61% of PBSs allocate the responsibility for managing supervisory activity effectively. We observed PBSs doing this through clear governance structures, with independent committees to support informed and, where necessary, autonomous decision-making. These PBSs also tended to have clear formalised policies and procedures for separating functions. While PBSs with larger supervisory populations tended to be more effective in this area, we also found good practice in some smaller PBSs. It is important that all PBSs have clear structures in place that ensure policy, supervisory and enforcement decisions are made by the appropriate individuals at the appropriate level, ensuring independence where necessary.
- 3.4** 54% of PBSs were effective in demonstrating active engagement from senior management in AML supervision. Many PBSs had AML as a standing agenda item in committee meetings and meetings with senior managers. However, PBSs should continue to develop the quality of their management information to enable senior management to engage meaningfully with AML supervision and the wider AML landscape. This will support effective decision-making. We observed that PBSs with larger supervised populations tended to have greater engagement from senior management than those PBSs with a smaller number of supervised members.
- 3.5** Only 42% of PBSs had effective reporting and escalation agreements in place and appropriate delegation of powers. In some PBSs, we identified an over-reliance on a small number of key individuals for AML expertise and experience. PBSs should, where appropriate, have deputies in place to take on the responsibilities of key individuals, including the nominated officer and the single point of contact (SPOC). This supports the effective operation of the supervisory function. Processes should support timely escalation of the right information to the appropriate level of senior management.
- 3.6** 67% of PBSs had an effective separation of their advocacy and regulatory functions. Some PBSs didn't evidence adequate mitigation to prevent a potential conflict in roles. For example, not having clearly defined and understood roles and/or an adequately implemented conflicts policy. In PBSs without a clear separation of the advocacy and regulatory functions, we identified some reluctance in taking robust supervisory and enforcement actions against members.

- 3.7** PBSs took different approaches to ensuring a clear separation of their advocacy and regulatory functions. This included delegating authority to independent committees and setting up distinct business functions with clear remits and decision-making powers. Some PBSs included independent members on committees and within responsible functions to support autonomous decision-making. Such separation, and the responsibilities for different areas, were then clearly detailed in formalised policies. 24% of PBSs had recently implemented a new structure, or proposed one, and we will assess the effectiveness of those changes. Those PBSs with larger supervised populations were more effective in this area.
- 3.8** We observed an increase in resources dedicated to AML and were encouraged that some PBSs had a continued commitment to keep AML resourcing under review. 50% of PBSs were fully effective at resourcing their supervisory functions. For some PBSs, the impact of the pandemic resulted in their diverting resources away from AML supervisory activity which affected delivery of their supervisory work.
- 3.9** 79% of PBSs had effective policies and procedures in place for managing conflicts of interest. PBSs in the accountancy sector were more effective in handling conflicts of interest appropriately than those in the legal sector. Some PBSs had policies and procedures in place but were unable to demonstrate how they applied these in practice. For example, those PBSs tended to not have conflicts of interest as a standing agenda item and/or to record conflicts of interests in their minutes.



**Case study:** Limited information leads to poor outcomes

An accountancy sector PBS's governance structure included a board with an oversight role to ensure the PBS was meeting its objectives and adhering to its AML strategy. The reporting mechanisms were in place making the PBS technically compliant, but the board was not receiving enough information to enable it to be effective in its oversight role. The board did not receive adequate information about AML supervision, such as updates on the PBS's members and emerging risks. This limited its ability to assess the adequacy of the PBS's approach to AML.

## Risk-based approach

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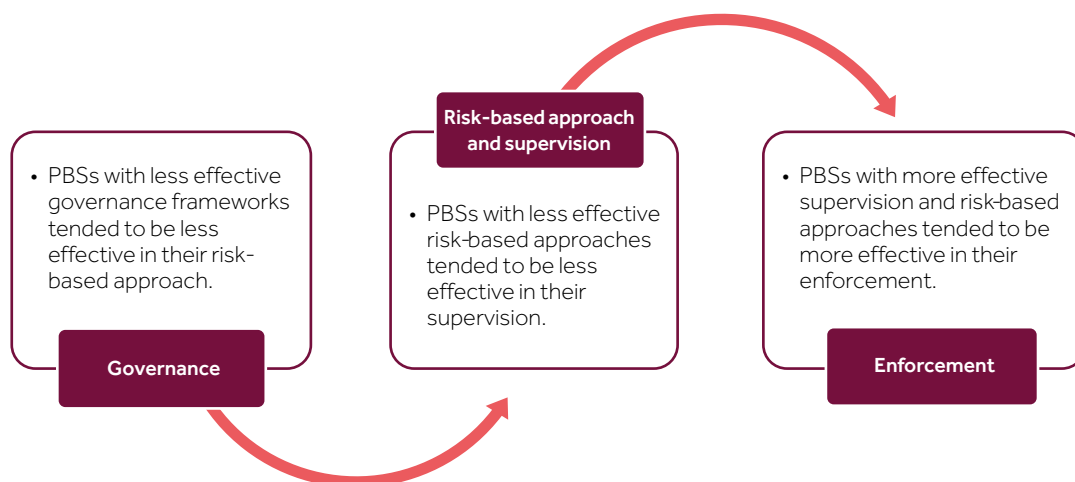
- 3.10** Regulation 17 of the MLRs requires a PBS to carry out a risk assessment identifying and assessing the international and domestic risks of money laundering and terrorist financing to their sector. We set out our expectations in Section 4 of our Sourcebook.
- 3.11** In our 2020 report, 14% of PBSs were not fully applying risk-based approaches. A risk-based approach is key to ensuring sufficient focus on areas posing the highest risk in supervised firms. We have now assessed the effectiveness of all risk-based approaches, as well as technical compliance where that wasn't previously in place. We looked at a PBS's ability to adequately evaluate the risks in their supervised population and to what extent this informed their supervisory approach.

- 3.12** We found that only 19% of PBSs assessed had implemented an effective risk-based approach. While all PBSs met basic technical compliance requirements (by considering risk in their approach), there continued to be gaps in how PBSs approach risk, as well as in developing and managing their members' risk profiles.
- 3.13** 33% of PBSs were effective in developing and recording in writing adequate risk profiles for their sector. There remain significant gaps in the approach of most PBSs across both sectors. When assessing effectiveness, we looked at the extent to which PBSs use different sources of information and the quality of that information to inform their risk assessment. PBSs with a more effective approach considered a broader range of risks, including client risk, transaction risk, product and service risks, delivery channel risk and geographical risk.
- 3.14** We examined how adaptive the PBSs were to emerging risks. Only 29% of PBSs were effective in regularly reviewing and appraising risks. This was particularly concerning given most PBSs with larger supervised populations were not effective in this area. The more effective PBSs demonstrated an ability to identify and incorporate emerging risks into their risk-based approach in a timely manner. For example, the impact of Covid-19 on remote client assessments. By considering a broad range of up to date information and risks in a member's risk profile, a PBS can understand which members are high risk. This includes the risk from their wider population and how to allocate resource most effectively to supervise them.
- 3.15** We observed occasions where PBSs adjusted the frequency of supervisory visits according to risk but did not always adjust the intensity of the assessment. This affected the PBS's ability to use its resources effectively. It is important that PBSs ensure that they allocate enough resource to higher risk areas to carry out more in-depth assessments of higher risk members.
- 3.16** 63% of legal sector PBSs were effective in using their powers to support the adoption of a risk-based approach by their members. This compared to 38% of accountancy sector PBSs. As an example of an effective approach, we observed some PBSs collecting and assessing members' own risk assessments and considering this information in the members' risk ratings.



### **Case study:** Effective risk assessment using a wide range of data

A legal sector PBS's risk-based approach to AML supervision is driven by two models used to risk rate the firms it supervises: an artificial neural network model and a traditional model. There are advantages and disadvantages to both models, but the PBS uses them in tandem to identify the highest areas of money laundering risk within its supervised population. The PBS has also incorporated intelligence trends and firm compliance history into its risk modelling. The PBS uses a combination of onsite visits and desk-based reviews in its AML supervision, according to the risks posed by the supervised firms. The PBS regularly refreshes and refines its risk-based approach, using random sampling from each risk category to test its risk profiling.



\* This is based on those PBSs who were assessed in all three areas.

## Supervision

- 3.17** Regulation 46 of the MLRs requires a PBS to effectively monitor their own sector and use the risk profiles they prepare under Regulation 17 to decide the frequency and intensity of on-site and off-site supervision. We set out our expectations in Section 5 of our Sourcebook.
- 3.18** Our 2020 report found that while PBSs showed some improvement in most areas of AML supervision, including the use of tools such as onsite visits and identifying supervisory populations, some gaps remained. When examining the effectiveness of these approaches, we considered the extent to which processes and tools used had enabled PBSs to achieve their AML outcomes. For example, one PBS used a thematic review to better understand the TCSP risks present in its supervised population. This informed its supervisory approach. It acted on compliance failures and issued accompanying guidance to address identified knowledge gaps.
- 3.19** All PBSs have mechanisms in place to comply with Regulation 26 of the MLRs on criminality checks for those members working in key roles. Some PBSs are still undertaking an exercise to cover their existing members.
- 3.20** 52% of PBSs were effective in using a broad range of both proactive and reactive tools to supervise their members. For example, we observed PBSs using desk-based reviews, thematic reviews, dip-sampling information requests and repeat inspections. 67% of legal sector PBSs were effective in this area compared to 42% of accountancy sector PBSs.
- 3.21** The practical difference between desk-based reviews and onsite assessments varied among the PBSs, including in their effectiveness. Covid-19 restricted almost all PBSs' ability to conduct onsite assessments. However, they developed or adapted desk-based reviews which aimed to achieve the same outcome as going onsite. Some PBSs took longer to achieve this than others.
- 3.22** We observed that effective desk-based reviews considered, for example, a range of information to assess each member's level of risk. Some examples of information included reviewing annual returns from members, members' client due diligence,

members' websites – all of which helped to build a picture of the effectiveness of members' controls. We also found that most PBSs' supervisory staff had appropriate knowledge and expertise to assess member files and information received effectively, helping the overall effectiveness of their approach.

- 3.23** While some PBSs use their supervisory tools effectively to identify gaps in members' AML controls, 50% of PBSs, particularly those in the accountancy sector, failed to ensure members took timely action to correct these identified gaps. We identified various failings around timescales to rectify supervisory findings. These included not having formalised timescales for remediation, timescales not changing according to the seriousness of findings and leniency where members failed to remediate within the timescales. We observed that a small number of PBSs failed to follow up on remediating actions. It is important that PBSs identify deficiencies in members' AML procedures and ensure these are resolved in a timely and proper manner.
- 3.24** Only 15% of PBSs were effective in using predictable and proportionate supervisory action. For some PBSs, this was due to a lack of clarity around compliance ratings of members. This meant that, within the same PBS, we observed different ratings for members with similar gaps in their money laundering procedures. It is important supervisory staff are clear on the thresholds of compliance for members and on the appropriate supervisory action for identified gaps in members' practices. PBSs with larger supervised populations tended to be more effective in this area.
- 3.25** Most PBSs handled sensitive information about the supervisory function appropriately. We observed PBSs storing information on central records systems and restricting access only to those who needed it.
- 3.26** Overall, we considered the legal sector to have more effective supervision than the accountancy sector. However, across the board, gaps remained in PBSs' supervisory approaches. Effective supervision is supported by an effective risk-based approach. Most of those PBSs with more significant gaps in their risk-based approach also had significant gaps in their approach to supervision. It is important they address gaps in all areas to be fully effective.



### **Case study:** Adopting an effective supervisory approach to Regulation 18(6)

A legal sector PBS reviewed a large number of its members' AML risk assessments. It considered a sizeable minority to be non-compliant with Regulation 18 of the MLRs, which sets out the relevant requirements. This was either because the document submitted wasn't a risk assessment (e.g. it was a training manual) or because one or more of the criteria in Regulation 18 were not met. Over a third of the risk assessments received were overdue. The PBS published these findings, provided guidance on the issues, issued a warning notice and wrote to all firms in its AML supervised population asking them to confirm they had a risk assessment in place by a set date. The PBS later published details of fines levied against relevant firms for failing to confirm by the date given that they had a compliant AML firm-wide risk assessment. These steps demonstrated the PBS's use of its powers to support the adoption of a risk-based approach by its members.

## Information sharing between supervisors and public authorities

- 3.27** Regulation 50 of the MLRs requires PBSs to cooperate and coordinate activities with other supervisors, the Treasury and law enforcement to develop and implement policies to counter money laundering and terrorist financing. Regulation 46 requires PBSs to report knowledge and/or suspicion of money laundering or terrorist financing to the NCA and to encourage their sectors to report breaches of the regulations to the NCA. Regulation 49 requires a PBS to appoint a person to monitor and manage its compliance with its duties under the MLRs. We set out our expectations in Section 6 of our Sourcebook.
- 3.28** In our 2020 report, we found some PBSs were outliers when compared to their peers in terms of their approach to intelligence and information sharing. To assess the PBSs' effectiveness in these areas, we considered how far they integrate intelligence and information sharing into their supervisory activities. This included actively participating in relevant training events, forums and working groups.
- 3.29** We considered whether a PBS can explain when they will share intelligence and/or information both internally and externally, whether the PBS has a policy for this and how it links to their supervisory approach. We assessed if a PBS's approach was effective and being executed in practice. Our findings give context to our broader work in intelligence and information sharing set out in Section 4.
- 3.30** 68% of PBSs have effective information and intelligence sharing arrangements in place. Some PBSs still had gaps in their policies and procedures. All PBSs continue to participate in the information sharing working groups and forums, such as the Anti Money Laundering Supervisors Forum (AMLSF) and their sector affinity groups. We noted that some PBSs are more active than others. Active participation is important to improve consistency by sharing best practice and driving improvements in intelligence and information sharing across all stakeholders.
- 3.31** We found similar trends in how PBSs participate in intelligence sharing forums such as the Intelligence Sharing Expert Working Groups (ISEWGs). Section 4 covers this in more detail. Some PBSs have started to use memorandums of understanding (MoUs) to detail and support the effective sharing of information and intelligence between themselves and other agencies, for example, with law enforcement agencies.
- 3.32** We observed that some PBSs in both sectors had increased their intelligence and information sharing with supervisors, law enforcement and other agencies. We consider that, on balance, the accountancy sector was broadly more effective in actively and securely sharing information and intelligence with other supervisors. The legal sector was broadly more effective in sharing with law enforcement.
- 3.33** We found that PBSs with larger supervised populations were generally more effective in sharing intelligence and information. This was likely due to them dedicating more resource to relevant activities. However, we recognised a few smaller PBSs that were also effective. We expect the same commitment to intelligence and information sharing by all PBSs, regardless of size. However, we acknowledge that proportionality is a factor and that not all PBSs are able to set aside higher levels of resource.
- 3.34** PBS levels of engagement with existing intelligence and information sharing platforms, such as SIS and FIN-NET, continue to vary. In our 2020 report, we found some PBSs questioned the value of such platforms, and this continues to be the case. Although

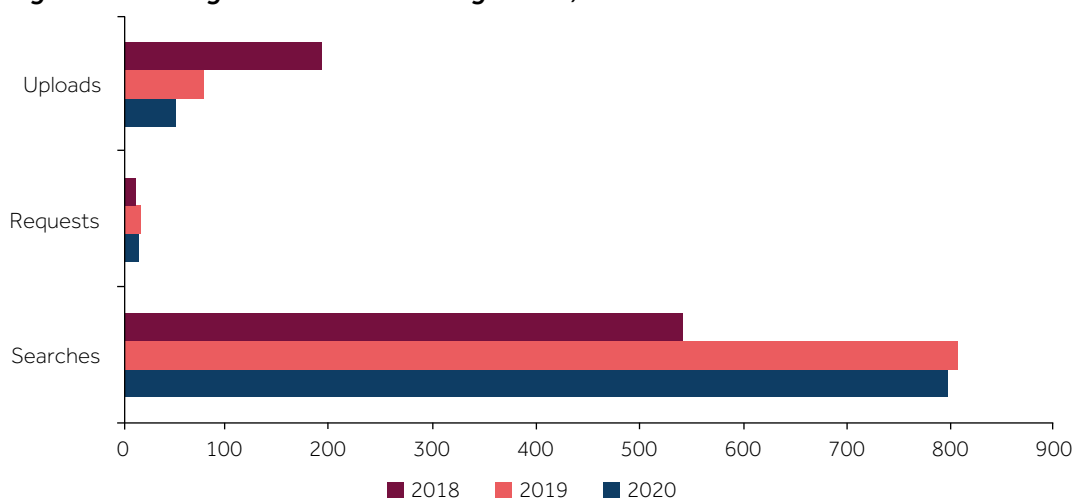
our Sourcebook allows use of alternative mechanisms to share intelligence and information, PBSs did not identify or evidence any appropriate alternatives during our assessments. All relevant PBSs assessed in this area had room for improvement when incorporating their use of SIS and/or FIN-NET into their supervisory approach.

**3.35** Many PBSs failed to upload intelligence flags to SIS in 2020/21, particularly flags for active misconduct investigations. Only a small number of PBSs had regularly searched SIS. Total SIS searches by PBS members fell by 1% in 2020 compared to 2019. However, we noted that 50% of relevant PBS members conducted more searches on SIS in 2020 than during 2019.

**3.36** Uploads to SIS by PBSs reduced by 35% in 2020 compared to 2019. Feedback from PBSs attributed this to a lack of training, particularly on uploads. To help address this, during 2020/21 we delivered several bespoke training sessions to PBSs. This resulted in some improvement, but the number of uploads remains low. Some PBSs remain hesitant to upload active misconduct investigations. We have also observed this trend in PBS use of FIN-NET, with minimal referrals being sent by PBSs, despite offers of increased training. We find this concerning given that a commitment to upload intelligence flags is set out in our Sourcebook and is part of FIN-NET membership criteria.

**3.37** Figure A below shows the average PBS usage of SIS during 2018, 2019 and 2020.

**Figure A – Average annual PBS SIS usage 2018, 2019 & 2020**

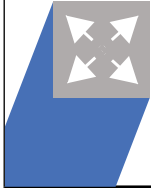


**3.38** SIS and FIN-NET are important mechanisms to highlight intelligence and information flags to AML supervisors, law enforcement and other members, which can then be legally shared through confidential channels. This offers opportunities to potentially reduce the risk of conflicting investigations and tackle the activities of those seeking to exploit the accountancy and legal sectors. We will continue to monitor how PBSs address and implement our findings, focusing on whether relevant uploads are increasing. We will also be working with the platform providers to hold a dedicated workshop for the PBSs to reinforce our supervisory expectations and address concerns. This should support sharing of good practice and improve consistency.

**3.39** We expect PBSs to have clear policies and procedures in place detailing their supervisory approach, including their approach to intelligence and information sharing. For example, PBSs should consider how they are using SIS and/or FIN-NET to fulfil their obligations. This includes what intelligence flags they will upload and their internal thresholds for sharing within their organisations, with peers and with law enforcement.

- 3.40** We observed that most PBSs did not have adequate intelligence and information sharing policies in place and found inconsistencies in their approach to sharing. We also found some instances where some PBSs, across both sectors, appeared reluctant to actively share intelligence and information, particularly involving ongoing misconduct investigations. We found some good examples of one-to-one exchanges of intelligence and information.
- 3.41** Regulation 49 of the MLRs requires PBSs to appoint a Single Point of Contact (SPOC), responsible for managing their approach to fulfilling their supervisory obligations. They are expected to appoint a nominated officer responsible for reporting knowledge or suspicion of money laundering and/or terrorist financing to the NCA. All relevant PBSs we assessed had met the technical requirement to appoint a SPOCs and/or nominated officer. However, gaps in effectiveness remained. For example, staff were unclear about who the nominated officer (or deputy) was as well as showing some confusion over the role of the SPOC.
- 3.42** The roles of nominated officer and SPOC may be held by the same person within a PBS. We have seen evidence of this working effectively in practice. Appointments should be formalised, and staff clear on who occupies these roles, as well as what their function is. Nominated officers and SPOCs (and their deputies) should clearly understand their responsibilities and have the necessary qualifications, skills and experience to perform their functions.
- 3.43** Most PBSs had effective policies to encourage the reporting of MLR breaches by their sectors and the public. However, some were unable to evidence how they would deliver their approach in practice. We note that not all PBSs had received any disclosures to date. We suggest PBSs consider whether internal and external policies sufficiently encourage reporting both from their sector and the public. Policies should clearly set out how to make a disclosure and how they will protect the confidentiality of such a disclosure.
- 3.44** PBSs should consider how they differentiate between disclosures on suspected breaches and complaints, including separate policies and processes. Following scenario-testing during interviews, some PBS staff were unable to provide practical examples that would demonstrate the effectiveness of the policies and a sufficient level of understanding from training received. Effective training is important in ensuring staff can identify and distinguish disclosures from complaints and to ensure confidential disclosures are appropriately handled.
- 3.45** We assessed the quality of suspicious activity reports (SARs) submitted by the PBSs against published expectations and guidance from the UK Financial Intelligence Unit (UKFIU) and found some improvement was needed to ensure key quality markers, such as appropriate glossary codes, are consistently included in SARs submitted. Some PBSs had not submitted SARs during the assessed period. In those cases, we considered the appropriateness of their internal reporting processes. We expect PBSs to be considering the SARs their members submit as part of their supervisory approach. However, we found PBSs applied this inconsistently due to uncertainty about their power to do so.



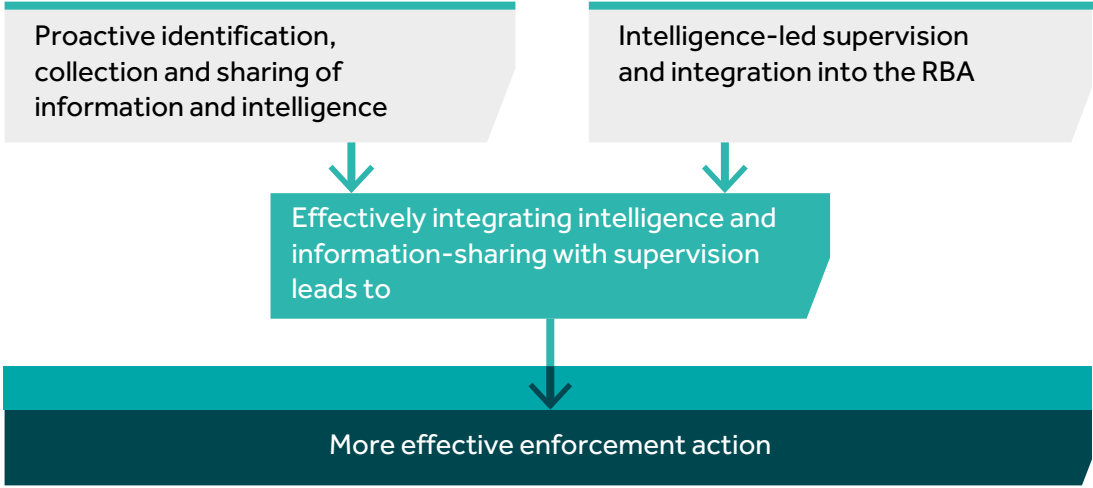


## Case study: Dedicated resource to Integrate intelligence and information-sharing into the supervisory approach

An accountancy sector PBS acted on our findings from 2019/20 and created a dedicated intelligence and information sharing resource within their supervisory approach. The role specification includes:

- collating all internal intelligence and information to share externally
- ensuring a consistent approach internally to capturing intelligence and information
- holding responsibility for that PBS's use of, and engagement with, SIS and FIN-NET
- attendance at external forums such as the ISEWGs
- and to act as an identifiable point of contact for supervisors, law enforcement and other agencies.

There was support from the PBS's senior management to create this function and they have seen the benefits from this investment. For example, increased engagement with other stakeholders, both PBSs and law enforcement, and how the integration has enriched their supervisory approach with instances of intelligence-led work.




### Enforcement

**3.46** Regulation 49 of the MLRs requires a PBS to make arrangements to ensure that members are liable to effective, proportionate and dissuasive disciplinary action. We set out our expectations in Section 9 of our Sourcebook.

- 3.47** In our last report, we observed a small increase in AML enforcement activity as a direct result of increased supervisory activity from PBSs. We also found clear differences in the enforcement activity between the two sectors.
- 3.48** In 2020/21 we considered the effectiveness of PBS enforcement arrangements by assessing how they had progressed AML issues through their disciplinary processes in a fair and consistent way. We judged 32% of PBSs had an effective enforcement framework. Effective PBSs tended to have clear accompanying guidance that set out the approach to enforcement. This included having a set of mitigating or aggravating factors to support staff judgements, supported by team discussions of cases and thorough training.
- 3.49** We found some PBSs were unable to explain the criteria they used when deciding if they would take enforcement action, and which tools were appropriate. PBSs should clearly document and understand the thresholds at which enforcement action should be considered and what enforcement tool is appropriate to address the severity of the deficiency identified.
- 3.50** All PBSs had sufficient information gathering and investigative powers. 62% of accountancy sector PBSs and 50% of legal sector PBSs were effective in using these.
- 3.51** All relevant PBSs had a broad range of enforcement tools at their disposal. However, only 26% of those were using them effectively. When assessing effectiveness, we considered how PBSs used their enforcement tools proportionately to achieve adequate outcomes. In some instances, we observed the overuse of follow-up visits to address AML non-compliance and a reluctance to use other enforcement tools such as a reprimand or regulatory fines. We observed inconsistencies with fine limits among similar-sized PBSs, with some PBSs issuing lower fines which would not be seen as a credible deterrent to money laundering. We have also observed that ineffective PBSs tended to disproportionately focus on educating members rather than taking dissuasive enforcement action.
- 3.52** Some legal sector PBSs continue to face statutory limitations to the exercise of their powers. These PBSs' fining powers for solicitors and traditional law firms (firms solely owned by lawyers) are limited to a maximum of £2000. For larger penalties, the PBSs must refer the matter to the independent Solicitors Disciplinary Tribunal.
- 3.53** When PBSs had set follow-up actions for member contraventions, some PBSs then failed to check whether the member had completed the follow-up actions. This meant gaps remained in members' AML measures, leading to potential harm. PBSs must ensure they use their tools in a way that prevents harm and deters future non-compliance in their supervisory population. Enforcement plays a key role in correcting weaknesses in processes, procedures, systems or controls and in influencing and fostering a culture that contributes to effective risk management and compliance.
- 3.54** 70% of PBSs were effective in making enforcement action public. PBSs who were not effective showed a reluctance to publish enforcement action and, when published, the information was difficult to find. Publishing enforcement action against a member is not only important to prevent any further harm from gaps in their AML procedures but also crucial in delivering a strong message to other supervised members.

- 3.55** Most PBSs with significant gaps in both their risk-based approach and their supervision also had an ineffective approach to enforcement. Enforcement must be supported by an effective risk-based approach and effective supervision. Even the most advanced enforcement frameworks won't be effective if compliance issues are not detected.

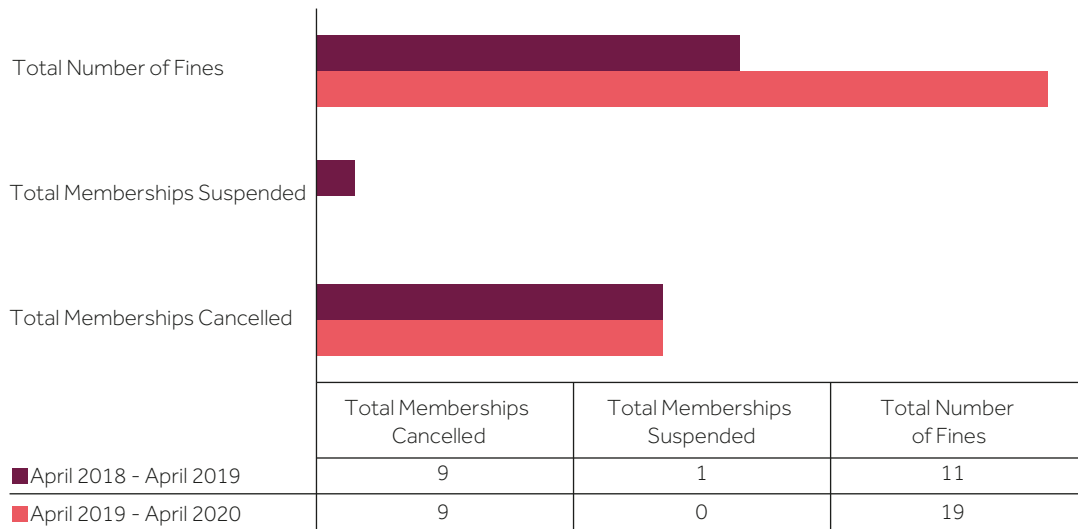


### **Case study: Effective enforcement regime**

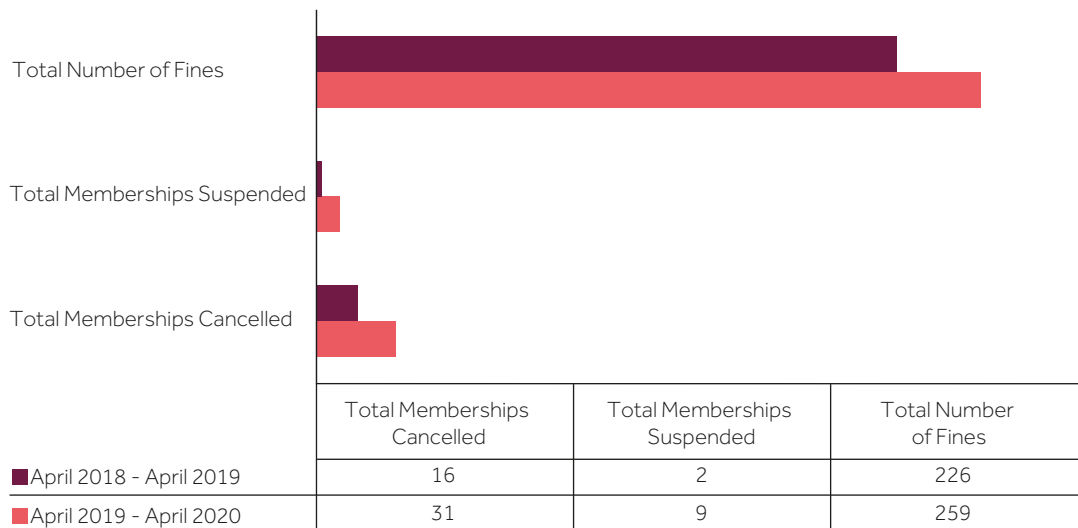
An accountancy sector PBS has an effective disciplinary process which is supported by published disciplinary regulations. The process is clear, and detailed. For example, it covers the roles of the case managers and committees and the sanctions that can be applied. The PBS has established an Independent Regulatory Committee specifically to deal with regulatory breaches that don't involve a third party, allowing greater focus on AML non-compliance. The committee considers whether disciplinary action is appropriate using investigative powers found in the PBS's by-laws, the compliance of which is a condition of membership. The committee may impose, by way of a consent order, one or more sanctions. If a respondent does not consent to such an order, or if the conduct is particularly serious, the case may be referred to a Disciplinary hearing. The PBS publishes details of public hearings and committee decisions on its website to act as a credible deterrent against money laundering.

- 3.56** **The Treasury's AML Annual Report data**
- We assessed the AML annual return data PBSs submit to the Treasury. In the reporting period April 2019 – April 2020, we identified a small increase in the number of relevant PBSs which took enforcement action for AML non-compliance. Fines issued to relevant persons within the legal sector increased by 73%. This was largely due to one PBS, who issued 16 of 19 fines. Six legal sector PBSs did not issue any fines. The accountancy sector increased the number of fines by 1%. Two accountancy sector PBSs did not issue any fines.

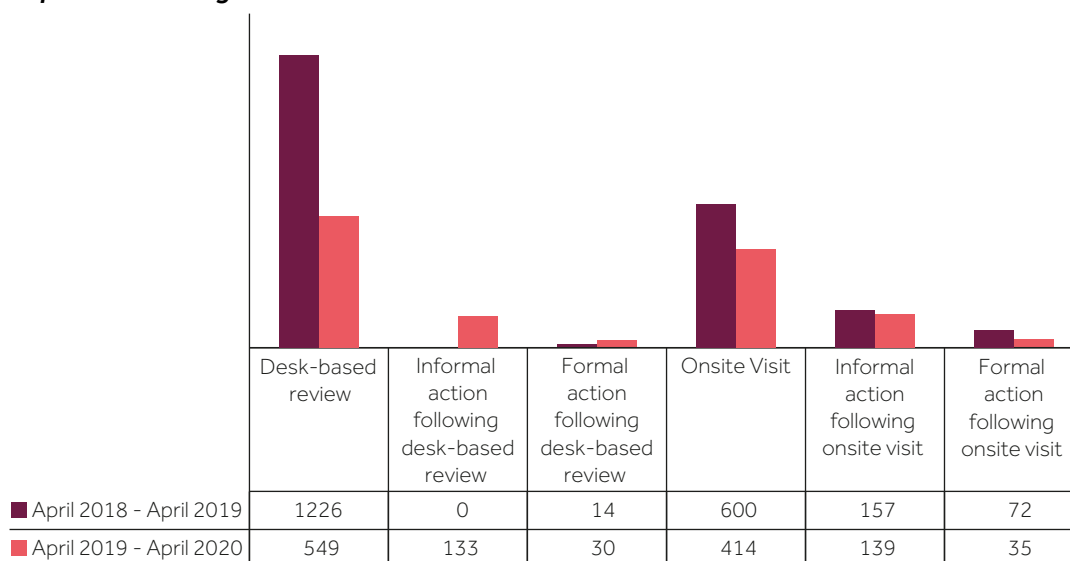
**Enforcement action for contravention of MLRs 2019 – Legal Sector**



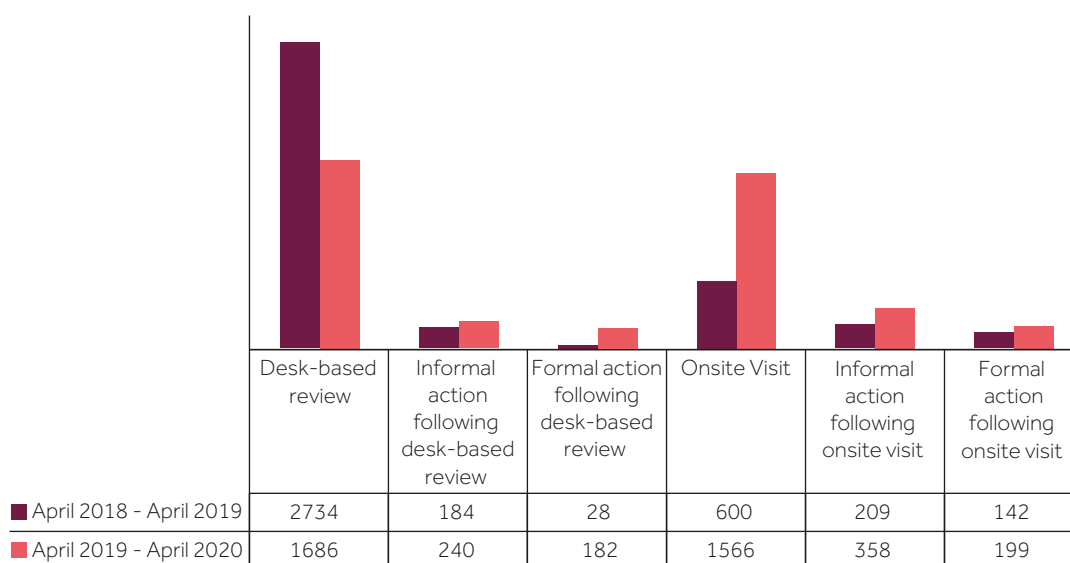
**Enforcement action for contravention of MLRs 2019 – Accountancy Sector**



### Supervision – Legal Sector



### Supervision – Accountancy Sector




## Information and guidance for members

- 3.57** Regulation 47 of the MLRs requires PBSs to make up-to-date information on money laundering and terrorist financing available to members in any way the PBS decides is appropriate. PBSs are also required to include information from sources considered relevant to their sector. We set out our expectations in Section 7 of our Sourcebook.
- 3.58** In our 2020 report, we observed an increase in PBSs' external communications. We found that the quality and accuracy of information and guidance varied widely.
- 3.59** In 2020/21 we assessed effectiveness by examining the extent to which guidance may help members understand their high-level obligations. We found that the quality and accuracy of information and guidance had improved, with 83% of PBSs assessed as effective in providing guidance that helps members understand their high-

level obligations when complying with the MLRs. For example, as part of a regular newsletter, a PBS provided guidance on the role of a Money Laundering Reporting Officer (MLRO). This included legislative background, the importance of an open culture and the skills required to be effective. PBSs that we assessed as effective tended to provide timely updates and to use feedback from their members.

- 3.60** We observed that effective PBSs also used a range of outreach methods that considered how their supervised population engaged with the materials. This enabled them to better target their information and guidance. For example, to identify harder to reach or less engaged members, one PBS tracked when their members had clicked on the email links.
- 3.61** We identified some gaps in ensuring members' views were collected and embedded into guidance. PBSs should continue to work with members to ensure their views are adequately captured. They could then provide members with the information and guidance needed to improve their approach to AML compliance.
- 3.62** 67% of the PBSs we assessed in this area were cooperating with other supervisory authorities to ensure that guidance was joined up and to minimise inconsistencies. For example, we observed an instance of a PBS working with HMRC on a webinar to raise awareness for accountancy professionals in the role they can play in detecting and preventing money laundering.



### **Case study:** Effective approach to providing information and guidance to members

A legal sector PBS has a dedicated AML webpage to provide information and guidance to members. The PBS has carefully considered how best to inform its members about AML and uses various methods including roadshows, webinars, training events, newsletters and podcasts. Using different methods to communicate has enabled the PBS to reach a wide audience. Content is refreshed regularly to ensure it remains relevant to members and incorporates emerging risks. The PBS records some of its training events to maximise member access. Training events include discussion of practical case studies to support learning. The PBS is proactive in evolving its approach and will be undertaking an annual survey of its supervised population to better understand how effective the information is that it provides to members. This will shape future approaches and is in addition to a feedback survey that members complete following training events.

## Staff competence and training

- 3.63** Regulation 49 of the MLRs requires a PBS to employ people with appropriate qualifications, integrity and professional skills to carry out the supervised functions. We set out our expectations in Section 8 of our Sourcebook.
- 3.64** In our 2020 report, just over half (56%) of PBSs had produced an AML compliance staff handbook detailing the PBS's policies and procedures to meet its AML obligations

and nearly a third (32%) had created new roles internally for staff dedicated to AML supervision or information and intelligence sharing.

- 3.65** In 2020/21, in assessing effectiveness, we considered the knowledge and experience of staff and the training made available to them. Some PBSs had significant gaps. 33% of PBSs assessed were effective in recruiting and retaining staff with relevant experience and providing support through ongoing professional development. However, there were occasions where staff in key AML roles lacked sufficient expertise and knowledge. For example, in understanding risk in their supervised population, SARs policy and the disclosure of MLR breaches. To be effective, PBSs should appropriately invest in the development of AML expertise and knowledge of their staff.
- 3.66** PBSs should offer ongoing training appropriate to staff roles. This is to ensure their staff are kept up to date with key risks facing their supervisory population and changes in the wider AML landscape. For example, sharing trends/risks identified internally through supervisory assessments and external updates such as the NRA and FATF updates, to provide wider context. Staff should be familiar with internal policy and procedural changes.
- 3.67** We observed instances where appropriate policies and procedures had been put in place, but some staff had been unaware of their existence or hadn't received adequate training on the changes. We expect PBSs to review, document and measure the continued effectiveness and adequacy of their AML training.
- 3.68** PBSs should consider the needs of their staff when determining how training is delivered. For example, some PBS staff found training which included relevant case studies to be particularly effective in providing additional context to the work they do and in helping them remember key information. PBSs should request feedback from staff to ensure their views are reflected in future training.
- 3.69** When providing guidance to support staff decision-making, PBSs should ensure that the guidance is regularly reviewed and remains up to date, considers emerging risks and is tailored to their sector risks.



### **Case study:** The need to ensure that documents are fit for purpose

An accountancy sector PBS had a series of AML guides to support staff decision-making. The guides, while helpful in providing general AML information to staff, were not tailored to the PBS's sector risks and to the PBS's approach to AML supervision. This limited the effectiveness of the guides, which was demonstrated when the staff were unable to adequately describe the money laundering or terrorist financing risks posed by their supervised population.

## Record keeping and quality assurance

- 3.70** Regulation 46 of the MLRs requires a PBS to keep written records of the actions it has taken in its AML supervision, including decisions where it has decided not to act. We set out our expectations in Section 10 of our Sourcebook.
- 3.71** In our 2020 report, we outlined the significant improvements we found in PBSs' approach to record-keeping and quality assurance. Nonetheless, some PBSs still had gaps.
- 3.72** In 2020/21, when assessing effectiveness, we identified that 25% of the PBSs we assessed were ineffective in maintaining adequate written records of decisions relating to AML supervision. PBSs that tended to be less effective did not provide sufficient detail to evidence how decisions were made and the progress of subsequent actions taken. Written records are important in showing how and why decisions were made. They help maintain a 'corporate memory' that is important for future decision-making and for identifying who was involved in the decision-making process. However, we have seen some PBSs making better use of their Case Relationship Management (CRM) systems by uploading more granular information and ensuring appropriate access to decision making records.
- 3.73** The legal sector was more effective in maintaining records and in ensuring supervisory work and decision-making received quality assurance. Most PBSs had managerial oversight of this work, but some PBSs did not undertake adequate quality assurance. Quality assurance is important in supporting a consistent and proportionate approach to supervision. It may also help to identify gaps or areas where supervision may be improved. All PBSs should ensure supervisory work and decision-making is appropriately quality assured.



### **Case study:** Using standards and technology effectively to support quality assurance

A legal sector PBS ensures all enforcement outcome reports are uploaded to their CRM system and are then locked down to the relevant regulatory team. The justification for decisions is clearly outlined in the report, which helps in retaining corporate memory. The PBS also uses ISO 9001 (an international standard for quality management systems) to quality assure its department's operational procedures and processes. This helps to identify any deficiencies and inconsistencies in the quality of the PBS's procedures and processes.



## 4 Intelligence and Information Sharing

- 4.1** As outlined in Section 3, throughout 2020/21, PBSs have continued to respond to our findings on intelligence and information sharing. However, standards remain inconsistent across both sectors, with some PBSs leading the way in their overall effectiveness in this area while others still lag behind their peers.
- 4.2** In this section, we detail what we have been doing to further our intelligence and information sharing objective. This includes stakeholder engagement, our role in cross organisational intelligence and information sharing initiatives and our involvement in intelligence and information sharing related policy development.

### External engagement

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- 4.3** During the last year, we continued to actively engage and collaborate with stakeholders across the public and private sectors and to participate in cross sector intelligence and information sharing forums. We also continue to work to meet our commitments under actions 9 and 36 of the Government's Economic Crime Plan (ECP).
- 4.4** We maintain a close relationship with the NECC and are a standing member of their Enablers Practitioners Group (EPG). This brings together law enforcement agencies to identify trends and threats and consider live investigations featuring enablers of economic crime. We participate in the NECC led Public Private Threat Groups (PPTGs), established this year to help coordinate threat assessments and identify responses to prevent and disrupt economic crime. We have worked collaboratively with the NECC, PBSs and private sector so that flows of intelligence and information are joined up and effective, especially through existing forums like the ISEWGs. We actively participate in relevant multi-agency forums, for example the AML Supervisors Forum (AMLSF).
- 4.5** We have strengthened our relationship with the UK Financial Intelligence Unit (UKFIU) by working collaboratively on the SARs reform programme (see paragraph 4.16 below) and worked proactively to improve the level of PBS engagement with them. For example, we have encouraged PBSs to take up a UKFIU offer of a deep dive of PBS members' SARs. We are encouraged that 5 PBSs so far, across both sectors, have actively engaged with the UKFIU on SARs. We expect to see more take up this opportunity to further their understanding of their sectors' risk exposure.
- 4.6** OPBAS does not directly supervise legal and accountancy firms. However, we have had some targeted engagement with the private sector. This is important to help us continue our understanding of the ML/TF threats and trends in the sectors. We have also seen some good examples of accountancy and legal firms sharing knowledge with their peers. For example, through a SARs working group for the accountancy sector.

## Intelligence Sharing Expert Working Groups (ISEWGs)

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- 4.7** The Intelligence Sharing Expert Working Groups (ISEWGs) were established by OPBAS, in conjunction with the NECC, in 2018 and 2019. There are 2 ISEWGs, 1 per sector, with published terms of reference available on our [website](#). They have strategic and tactical functions and their purpose is to facilitate the increase of information and intelligence sharing between the PBSs, law enforcement, statutory supervisors and other relevant agencies. Further background on the development of the ISEWGs can be found in section 4 of our [2020 report](#).
- 4.8** The ISEWG meetings were affected by the pandemic during 2020. However, after a slight delay, they recommenced with remote sessions. In July 2020, we made the successful transfer of chairmanship from OPBAS to elected PBS representatives from the accountancy and legal sectors. The new chairs are from the Association of Chartered Certified Accountants and the Law Society of Scotland respectively. We remain an active participant in these groups.
- Progress since our 2020 report**
- 4.9** Since 2018, 17 ISEWGs have been held. This includes 10 between March 2020 and June 2021. There were two dedicated sessions to assist the Treasury in collecting evidence for the 2020 NRA. These were in response to PBS feedback that the previous iterations of the NRA did not accurately reflect the risks in their sectors. All PBSs attended, along with other relevant stakeholders such as HMRC and the UKFIU. Contributions included case studies and context of the risks faced by their sectors.
- 4.10** The 2020 NRA outlined in more detail than previous versions the risks faced by the legal and accountancy sectors and the steps taken to mitigate them by OPBAS and the PBSs. However, there is still room to increase understanding of these risks and some intelligence gaps remain. We continue to work with relevant agencies, for example the Treasury, Home Office, NECC and PBSs, to close these gaps.
- 4.11** All PBSs continue to comply with the security requirements of participation in the ISEWGs. For example, by vetting their staff and securing communication methods. This has strengthened their internal controls and overall effectiveness under Section 6 of our Sourcebook. Both ISEWGs have collectively drafted and finalised 'crib sheets' to provide more detail around identification data they hold on their supervised populations to aid NCA enquires. These were developed during 2020/21 and have been positively received by other UK law enforcement agencies.
- 4.12** In 2020, members of the accountancy ISEWG formed a sub-group with HMRC and the NECC to review key sector risks. This has resulted in the dissemination of summarised intelligence and information sharing alerts to all PBS and HMRC supervised accountancy professionals. Since it was formed, 8 accountancy PBS ISEWG members have now participated in this group with HMRC and the NECC.
- 4.13** As of July 2021, the accountancy sub-group has reviewed 27 NCA alerts resulting in 18 sector-specific summaries being cascaded to the accountancy sector. The topics of these summaries include beneficial ownership transparency, modern slavery, labour exploitation and payroll fraud. The Legal ISEWG members have now formed an equivalent group, consisting of 3 legal PBSs and the NECC, to consider alerts for their sector.

- 4.14** We continue to see some persistent differences in how PBSs have engaged with the ISEWGs. The accountancy sector continues to be engaged, but the legal sector still demonstrates varying levels of engagement. We expect all PBSs to actively engage with and participate in the ISEWGs, as well as other relevant forums, and we will continue to monitor this as part of our supervisory assessments. During 2020/21, both ISEWGs have also seen an increased level of engagement by HRMC.

## Intelligence and information sharing policy work

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- 4.15** OPBAS is chairing a sub-group, on behalf of the Home Office, which is considering the role that AML supervisors should have in accessing, assessing and improving the quality of the SARs submitted by their sectors to the UKFIU. This falls under the wider ECP action to reform the SARs regime.
- 4.16** In December 2020, we collaborated with the UKFIU to provide a training session for AML supervisors on what makes a good quality SAR. A subsequent joint UKFIU and OPBAS guidance document for all AML supervisors on SAR quality was published in March 2021.
- 4.17** In May 2021, we chaired a workshop to explore options for legislative amendment to clarify the legal right of access to SARs for AML supervisors. As a successful outcome of this workshop, the Treasury have proposed legislative changes in their MLRs statutory instrument consultation. The Treasury has included further exploration of enhanced obligations for AML supervisors relating to SARs in their Call for Evidence review of the UK's AML/CFT regulatory and supervisory regime.

## 5 Supporting work and next steps

### Use of our powers

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- 5.1** We seek ongoing and demonstrable improvements in effective AML supervision by PBSs. This means we continue to take appropriate and proportionate action to effect change. For example, since 2018 we have used our Regulation 14 power of direction against 4 PBSs. We have also used our Regulation 7 power to require information from a PBS that did not provide information when requested.
- 5.2** We consider that our enforcement powers have been adequate to date. The general willingness of PBSs to improve their systems and controls where required in response to our supervisory findings has meant we have not needed to use our powers to publicly censure a PBS or recommend to the Treasury that they remove a PBS from Schedule 1 of the MLRs. However, if a PBS significantly fails to deliver its obligations under the MLRs, we will not hesitate to take robust enforcement action.
- 5.3** We are also considering our future needs and will feed those into the Treasury's review of the MLRs and OPBAS regulations. We will use the review to ensure we have the right enforcement and supervisory tools in place as the UK's AML regulatory landscape evolves.

### OPBAS Sourcebook

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- 5.4** In 2021 we published the first revision to our Sourcebook to include additional guidance. This involved a provision designed to prevent criminals, convicted of certain offences, from operating in key roles in the legal and accountancy sectors. We also published examples of good practice for PBSs when publishing their AML annual reports (a new requirement for the PBSs under Regulation 46A of the MLRs). We will continue to develop our Sourcebook, and any accompanying communications, to ensure our guidance remains fit for purpose.

### Policy work and stakeholder engagement

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- 5.5** Our supervisory team's work cannot be considered in isolation. Our policy, intelligence and risk team support their work through the provision of guidance, in developing risk tools and through contributing to wider domestic efforts to combat economic crime. For example, we are leading part of a cross-Whitehall Action Plan for TCSPs which aims to tackle the abuse and exploitation of TCSPs by criminals and we are working closely with other contributors on the UK Economic Crime Plan.

- 5.6** Within the FCA, we are increasing our interactions with relevant departments who work with, or are affected by, PBSs or their member firms. This will help improve consistency when communicating with PBSs and their members and support work to identify emerging threats and risk trends. It will also help our work to effectively identify, collate, share and use relevant enabler intelligence and information.
- 5.7** We continue to engage regularly with the Treasury and with HMRC. For example, in 2020, we provided technical advice on HMRC's self-assessment against our Sourcebook to promote consistency in compliance with the MLRs. We have also further developed our relationships with the Insolvency Service, the Gambling Commission, the Legal Services Board, Financial Reporting Council, Companies House, the Home Office, the Serious Fraud Office, the Department for Business, Energy & Industrial Strategy and other relevant government departments. This raises our awareness of potential developments that may have an impact on our remit and enables policy alignment between our organisations.
- 5.8** We have regular international engagement with supervisors from across the world. For example, we were a contributing member of the working group which wrote the FATF Guidance for a Risk-Based Approach to AML/CFT Supervision published in March 2021. Following this work, we were then invited to be a member of the FATF working group looking at group-wide policies in the non-financial sector. This includes engaging with the private sector to support understanding of how these sectors operate across borders.
- 5.9** We will provide support to appropriate ancillary government programmes, for example, where fraud is a potential predicate offence to money laundering. As part of the government's strategy to tackle fraud, we worked with the Home Office in their development of a fraud charter for the accountancy sector. This included linking up relevant stakeholders using existing forums, such as the ISEWGs, to support the charter's delivery.

## Approach to supervision

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- 5.10** Our risk-based approach continues to evolve as our understanding of risk matures. This will inform the frequency and intensity of our supervisory assessments to target resource where risk, and our impact, is highest. It will also influence how we deploy resource to our supporting work.
- 5.11** We are increasing the way we use data to prioritise work. For example, refining how we use data from our supervisory work, the Treasury AML annual returns and other data to identify trends and emerging risks. We plan to use a wider range of supervisory methods, such as cross cutting work, targeted assessments and workshops to continue enriching our understanding of PBS, sectoral and cross-sectoral risks and to improve resilience and compliance in the sectors.

## Annex

**1.** OPBAS oversees 22 PBSs (25 including those with delegated regulatory functions: CILEx Regulation, Bar Standards Board and Solicitors Regulation Authority). They cover a wide range of professions across the accounting and legal sectors. They are:

- Association of Accounting Technicians
- Association of Chartered Certified Accountants
- Association of International Accountants
- Association of Taxation Technicians
- Chartered Institute of Legal Executives/ CILEx Regulation
- Chartered Institute of Management Accountants
- Chartered Institute of Taxation
- Council for Licensed Conveyancers
- Faculty of Advocates
- Faculty Office of the Archbishop of Canterbury
- General Council of the Bar / Bar Standards Board
- General Council of the Bar of Northern Ireland
- Insolvency Practitioners Association
- Institute of Certified Bookkeepers
- Institute of Chartered Accountants in England and Wales
- Institute of Chartered Accountants in Ireland
- Institute of Chartered Accountants of Scotland
- Institute of Financial Accountants
- International Association of Bookkeepers
- Law Society / Solicitors Regulation Authority
- Law Society of Northern Ireland
- Law Society of Scotland

