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The IFA welcomes the opportunity to comment on the [Treasury Select Committee Inquiry on Economic Crime](#) issued by the Treasury Select Committee.

We would be happy to discuss any aspect of our comments and to take part in all further consultations in this area.

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Established in 1916, the Institute of Financial Accountants (IFA) is an internationally recognised professional accountancy membership body. Our members work within micro and small to medium sized enterprises or in micro and small to medium sized accounting practices advising micro and SME clients. We are part of the Institute of Public Accountants (IPA) of Australia Group, the world's largest SME-focused accountancy group, with 37,000 members and students around the world.

The IFA is a full member of the International Federation of Accountants (IFAC) the global accounting standard-setter and regulator. We are also recognised by HM Treasury and the Financial Services Authority in the Isle of Man to regulate our members for the purposes of compliance with the Money Laundering Regulations.

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Executive Summary

- The IFA remains committed and significantly contributes towards the fight against economic crime by working with members, accountancy firms, regulators, supervisors, law enforcement and government agencies.
- We support the principles of supervisory oversight, as we believe strongly in a consistent, fair, proportionate and risk based supervisory regime which is in the public interest.
- The economic crime plan includes an ambitious list of actions for improvement in the fight against economic crime which we fully support. However, for significant and tangible progress to be made in delivering these actions, effectiveness and efficiency is paramount.
- Paragraph 4 of our response to this consultation sets out where we believe further work is necessary to achieve significant and tangible progress in delivering the list of actions for improvement in the fight against economic crime.
- We believe effective collaboration between the public and private sectors would overcome barriers in information sharing. The private sector, particularly major financial institutions, hold significant amounts of information and data that can facilitate law enforcement identifying activity and pursuing economic crime. In addition, the public sector would benefit from the sharing of private sector expertise and resources, in particular, technology.
- The IFA welcomes the government's recent announcement from the 2020 Spending Review that the Chancellor has agreed to provide a further £63m of additional funding in the 2020/21 to support the economic crime work but it's not clear how the additional funding is to be allocated across the different actions in the economic crime plan and the impact of this additional funding on the economic crime levy on the regulated sector.
- The IFA has welcomed consistency and clarity provided by the Office of Professional Bodies Anti-Money Laundering Supervisor (OPBAS) [Sourcebook](#) for professional body AML supervisors about how they can meet their obligations in relation to AML supervision. However, the sourcebook has not been amended following the implementation of the Money Laundering and Terrorist Financing (Amendment) regulations 2019 that came into effect from 10 January 2020.
- Delays in updating the sourcebook for regulatory changes and/or expectations could result in lack of consistency and clarity, which would undermine what the government is looking to accomplish when setting up OPBAS. OPBAS was set up to make the anti-money laundering regime better for legitimate businesses while posing the least possible burden upon them. For this to be achieved, the impact of any amendments to the sourcebook needs to be considered as well as allowing sufficient timescales for engagement and implementation.
- We believe the role of the accountancy professional bodies in preventing economic crime by improving the compliance of its supervised population with the regulations through awareness and remedial measures such as action plans which are regularly monitored rather than enforcement, is something that may not be appreciated by OPBAS or the government. The IFA feels that this awareness raising, preventative role is integral in the fight against economic crime and should be recognised as such.

Economic Crime Plan 2019-2022

1. The IFA remains committed and significantly contributes towards the fight against economic crime by working with members, accountancy firms, regulators, supervisors, law enforcement and government agencies. It supports the principles of supervisory oversight, as we believe strongly in a consistent, fair, proportionate and risk based supervisory regime which is in the public interest.
2. The publication of the government's [Economic Crime Plan 2019-2022](#) in July 2019, sets out seven strategic priorities and action plans for combatting economic crime and identifies the activities that need to be undertaken to combat economic crime. While the publication of the plan is helpful, setting out the strategic direction and pulling together numerous reports published over the years, progress on delivery of the 52 actions has been slow as demonstrated by the [RUSI tracker index](#).
3. Fighting economic crime is a complex and multi-faceted issue involving key themes of public-private collaboration, information-sharing and funding challenges. The public-private collaboration is evidenced by the various working groups, committees and organisations that have contributed to the drafting of the plan and progressing the 52 actions in the following strands: governance, information sharing, public-private threat assessments, fraud, strategic communication, performance, sustainable resourcing and the economic crime levy and the SAR reform. Professional body accountancy supervisors and the regulated sector have spent and will continue to spend significant resources supporting and contributing towards the delivery of actions in the economic crime plan.
4. The economic crime plan includes an ambitious list of actions for improvement in the fight against economic crime which we fully support. However, in order for significant and tangible progress to be made in delivering these actions, effectiveness and efficiency is paramount. It is our view that the following is needed:
 - identification and more detail on tangible outcomes associated with the actions identified in the economic crime plan, which include legislative and regulatory changes and policy development, particularly in the areas of sustainable funding and information sharing;
 - improved transparency and accountability on information and progress in delivering the actions identified in the economic crime plan. While the Home Office issues newsletters on progress and RUSI monitors progress on the actions in the plan at a very high level, there isn't a central hub that brings all strands of the plan together. Information related to the economic crime plan, such as the plan itself, [the Economic Crime Strategic Board](#) agenda and minutes and newsletters are included in various gov.uk website pages and website pages of external organisations such as RUSI.
 - streamlining of the various working groups, committees, organisations and agencies involved in various strands of the economic crime, would prevent the overlapping of roles and responsibilities which may be the result of the lack of clear terms of reference;
 - re-prioritisation of the actions identified in the economic crime plan, prioritising those actions that will have maximum impact ;
 - development and implementation of the performance measurement framework in order to clearly identify outputs, outcomes and impact of the actions identified in the economic crime plan;

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- improved project management to monitor progress and outputs, outcomes and impact as well as innovative policy development and legislative changes, particularly in the areas of information sharing;
- innovative and joined-up policy development and cross-government agencies collaboration; and
- significant and sustainable funding commitment for delivery of the plan, taking account of the financial and resource impact on professional bodies such as the IFA.

Information and intelligence sharing

5. The economic crime plan includes an ambitious list of actions for improvement in the fight against economic crime. In order for significant and tangible progress to be made in delivering these actions, effectiveness and efficiency is paramount. It is our view that the following is needed:
 - Collaboration between public and private sectors can overcome barriers in information sharing. The private sector, particularly major financial institutions, hold significant amounts of information and data that can facilitate law enforcement identifying activity and pursuing economic crime.
 - The public sector can benefit from the sharing of private sector expertise and resources, in particular, technology. If innovative technology is not used, criminals will be one step ahead.
6. The Office of Professional Body Anti-Money Laundering Supervisors (OPBAS) was also set up to facilitate information and intelligence sharing. OPBAS set up the Accountancy Intelligence Sharing Expert Working Group (Accountancy ISEWG). The purpose of the Accountancy ISEWG is to advance and improve intelligence and intelligence-related information sharing between accountancy sector professional body supervisors (PBSs), anti-money laundering (AML) statutory supervisors and law enforcement agencies. Further information on the purpose of the group is available in the [terms of reference](#).
7. While some progress has been made in this area, a lot more is needed. Progress has been hampered due to the complexities of information and intelligence sharing legal gateways, lack of availability of a single platform and reporting to exchange information and intelligence and multiple groups and committees that have been set up to address this area with slightly different remits.
8. We also want to draw attention to the significant amount of work and resources that the professional bodies have been doing in this area in addition to participation in the Accountancy ISEWG, including and not limited to bilateral information and intelligence sharing with supervisors and law enforcement, participating in the Information Sharing and AML Effectiveness Working Group (which replaced the Information Sharing Steering Group, a Group set up from the Economic Crime Plan), sharing information through FCA's Shared Intelligence System (SIS) and FIN-NET.
9. Intelligence that is currently shared between supervisors on a regular basis includes supervision confirmation and withdrawal of supervision arrangements and findings from monitoring visits and disciplinary outcomes.
10. The cornerstone of an effective AML regime is systematic sharing of intelligence, particularly from law enforcement that investigate and pursue criminals. Some of the hurdles for sharing

intelligence by law enforcement to professional bodies have been addressed, such as security clearance professional body supervisors, secure systems for storing intelligence and whistleblowing policies and protections.

11. However, in spite of this progress, while the protocols, mechanisms and working groups exist for sharing intelligence, intelligence sharing by law enforcement to the accountancy sector professional bodies has been infrequent. Along with other sources, supervisors need law enforcement intelligence to alert them to high risk individuals who may not have been picked up through standard monitoring (either because they do not present a prima facie risk, or because they are not for the purposes of supervision presenting as within the regulated sector). This allows for swift intervention, particularly with firms who are identified as “negligent” or “unwitting”, and therefore not subject to criminal prosecution for their role in any crime.
12. Effective supervision is critical but cannot be fully measured in the absence of law enforcement data to determine whether particular interventions and/or outreach have terminated or reduced particular trends identified. It is our understanding that recent successes of JMLIT, a public-private partnership which has supported over 600 law enforcement investigations, has directly contributed to over 150 arrests as well as the seizure of £34 million in illicit funds. This clearly demonstrates the effectiveness of a public-private partnership. Unfortunately, this type of data is not available for the accountancy sector.
13. Supervisors often experience a lack of knowledge of the supervisory regime on the part of law enforcement when discussing individual cases with law enforcement. More should be done to educate or facilitate sharing information relating to a member or firm when a criminal investigation has concluded as further action could potentially be taken by the supervisor, however after initial contact from law enforcement it is generally the case that no further contact is made, and no information shared which can leave the supervisor in a difficult position.

Sustainable funding

14. The IFA welcomes the government’s recent announcement from the 2020 Spending Review that the Chancellor has agreed to provide a further £63m of additional funding in the 2020/21 to support the economic crime work, including SARs reform, the continued expansion of the National Economic Crime Centre, as well as the reform of the Action Fraud system. We are also pleased that £20m has been allocated to 2020/21 Companies House reforms, which will hopefully help Companies House to obtain the necessary powers and resource to undertake due diligence for company formations.
15. While this is a significant investment by government, it is not clear how the additional funding of £63m will be allocated across the different actions in the economic crime plan and the impact of this additional funding on the economic crime levy on the regulated sector.
16. It is our understanding that the first set of economic crime levy payments will be made in the financial year 2022/23, although this may be subject to the findings of the consultation response, the time needed to develop the necessary collection infrastructure and time needed to change legislation.
17. As included in our [consultation response](#), we have questioned the overall principal that regulated firms must contribute to the levy. HM Treasury’s statement stated that ‘it believes it is fair that those whose business activities are exposed to money laundering risk pay towards the costs associated with responding to and mitigating those risks’. While the National Risk Assessment 2007 (NRA) identifies the accountancy sector as being at high risk of money

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laundering, other sectors and businesses not in the regulated sector are also at high risk of money laundering such as cash intensive businesses. It is not clear why these businesses are not in the scope of the levy as it is these businesses that require greater scrutiny by the regulated firms.

18. The regulated sector, including the accountancy sector, already spends significant resources on:
 - awareness: education, training and communication;
 - prevention: compliance costs associated with the requirements of the Money Laundering Regulations which includes staff, training and supervision fees as well as reporting obligations under the Proceeds of Crime Act 2002 and enforcement (via its supervisory bodies); and
 - enforcement: disciplinary sanctions via the supervisory professional bodies and collaboration with other agencies and law enforcement.
19. It seems to the IFA and its members that this levy is essentially another form of tax on the accountancy sector which is already investing significant resources towards the prevention of money laundering while other sectors that are not regulated and are vulnerable to money laundering are not in the scope of the levy. This does not demonstrate fairness which is the main reason given by HM Treasury or a level playing field for imposing a levy on the accountancy sector.
20. We have a number of concerns about the economic crime levy, which include the potential lack of accountability and reporting on how the levy will be used and how it will complement other sources of funding including the government spending review, suspended funds from financial institutions and the Assets Recovery Incentivisation Scheme (ARIS) review.
21. We are eagerly awaiting the outcome of the consultation response and it is hoped that the levy will be reasonable and fair, particularly given that the majority of the accountancy sector consists of micro and small entities, which we represent.
22. The proposed economic crime levy is only one funding source for fighting economic crime. In order to fight economic crime, sustainable funding is needed across the whole system, including the National Economic Crime Centre, National Crime Agency, law enforcement, the Crown Prosecution Service and the courts to that economic crime cases can be investigated and prosecuted successfully.

The work of OPBAS

23. In 2018, the government created the Office for Professional Body Anti-Money Laundering Supervision (OPBAS). OPBAS' two key objectives are:
 - to ensure a consistently high standard of AML supervision by the PBSs; and
 - to facilitate information and intelligence sharing amongst the PBSs, statutory supervisors (including HM Revenue & Customs (HMRC), the Financial Conduct Authority (FCA) and the Gambling Commission), the National Economic Crime Centre (NECC), National Crime agency (NCA) and law enforcement agencies.
24. Since its inception, OPBAS has issued two reports. Its latest report states that 'accountancy and legal professions have made strong improvements in their supervision of anti-money laundering (AML) work. However, it added that the full impact of changes in AML supervision is yet to be tested and will be the focus of OPBAS in 2020.
25. The IFA has welcomed consistency and clarity provided by OPBAS' [Sourcebook](#) for professional body AML supervisors about how they can meet their obligations in relation to

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AML supervision (issued in January 2018). However, the sourcebook has not been amended as a result of the implementation of the Money Laundering and Terrorist Financing (Amendment) Regulations 2019 which were effective from 10 January 2020.

26. OPBAS has consulted on amendments on the sourcebook relating to criminality checks in June 2020 as part of the FCA Quarterly consultation No. 28 CP20 -7. Since 26 June 2017, the IFA and other professional bodies have required criminal record checks of beneficial owners, officers and managers of the relevant firm or a relevant sole practitioner. However, there are matters of interpretation such as the frequency of criminal record checks which has not been concluded as a result of this consultation. It should also be noted that this consultation has not taken into account any other revisions which may be needed as a result of amendments in the Money Laundering Regulations 2019, other than those that relate to regulation 26 criminality tests.
27. Delays in updating the sourcebook for regulatory changes and/or expectations may result in lack of consistency and clarity, which undermines what government was looking to accomplish when setting up OPBAS. OPBAS was set up to make the anti-money laundering regime better for legitimate businesses while posing the least possible burden upon them. For this to be achieved, the impact of any amendments to the sourcebook needs to be considered as well as allowing sufficient timescales for engagement and implementation.
28. As previously stated in responses to HM Treasury consultations, the IFA has been and continue to be concerned that the creation of OPBAS has led to a two-tier approach to supervision in the accountancy sector. OPBAS is only responsible for professional supervisory bodies and does not include HMRC. HMRC supervises a significant number accountancy service providers that do not belong to professional bodies. While we understand that HMRC will work towards the standards and expectations included in the OPBAS Sourcebook and meetings are taking place between OPBAS and HMRC, there is a lack of transparency about this process and the extent to which HMRC are meeting those standards and expectation.
29. We also understand that HMRC are undertaking their own assessment of the extent to which they meet the OPBAS standards and expectations included in the OPBAS Sourcebook. However, it is not clear whether this assessment is independent and whether it will be publicly available. Having inconsistencies in the oversight arrangements for supervisors is not in the public interest. If this is not addressed, this could potentially create a 'two tier' supervisory system in the accountancy sector, one for professional body supervisors and another for HMRC, with different standards, reporting lines, accountability and costs.

The work of professional body supervisors

30. The IFA is an accountancy supervisory professional body which is listed in schedule 1 of Money Laundering Regulations 2017 (MLR 2017). As such, the IFA supervises its members and member firms for compliance with requirements set out in the MLR 2017. IFA's supervisory role centres on increasing awareness, prevention and enforcement.
31. Under the MLR 2017, the IFA is required to effectively monitor its members and member firms and take necessary measures to secure compliance with AML/CTF requirements. These measures include:
 - providing advice on the standards expected for compliance;
 - providing education and training on compliance;
 - monitoring and/or undertaking audit processes to measure compliance;
 - investigation and disciplinary processes to deter non-compliance;

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- having a framework share information, intelligence make reports to other supervisors, regulators and government agencies, as appropriate.
32. The IFA conducts its risk-based supervisory duties through the work undertaken by its independent regulatory, compliance and disciplinary functions. We also work with other partners to combat money laundering, via IFA's chairing and participation at the Accountancy AML Supervisors' Group and Anti-Money Laundering Sector Forum meetings, various groups involved in the Economic Crime Plan, the Accountancy Expert Intelligence Sharing Working Group, Office for Professional Body Anti-Money Laundering Supervision (OPBAS), the National Crime Agency (NCA), law enforcement authorities, government agencies other organisations. Internationally, we work with the Institute of Public Accountants of Australia to discuss AML supervision and best practice.
 33. Our supervisory strategy requires firms to adopt risk based, proportionate and effective policies, procedures and controls to mitigate the risks of being used by criminals for money laundering. Our supervised population are not authorised to undertake audits, investment advice or probate. Most of supervised population are SMEs (sole traders or partnerships) doing work for the SME sector. The services they provide include assurance, bookkeeping, payroll, tax and trust or company formation.
 34. The IFA helps members to meet their legal obligation in the areas of anti-money laundering by having guidance and information by the usual communication channels, providing education support including events, online learning and helplines and offering the opportunity to use an anti-money laundering compliance software which is offered as part of our supervision fees.
 35. The IFA publishes the outcomes of its disciplinary hearings in the IFA website and IFA magazine, so it is publicly available for all to see. In addition, the enforcement actions taken by supervisors are already requested by Treasury as part of the annual supervisor's report.
 36. Previous supervisory visits by OPBAS have indicated that significant sanctions and fines may act as a deterrent to money launderers in the accountancy sector. For the last five years, there have been very few disciplinary cases of IFA members and firms engaged in money laundering activity. Disciplinary cases usually relate to persistent non-compliance with the Money Laundering Regulations not unwitting or deliberate money laundering activities. If a member is expelled as a result of non-compliance with the Money Laundering Regulations, it does not stop them from providing accountancy services, perhaps even unsupervised.
 37. The role of accountancy professional bodies in preventing economic crime by improving the compliance of its supervised population with the regulations through awareness and remedial measures such as action plans which are regularly monitored rather than enforcement, is something that is not appreciated by OPBAS or the government. The IFA feels that this awareness raising, preventative role is an integral to the fight against economic crime and should be recognised as such.

Corporate Criminal Liability

38. There is some concern that the Economic Crime plan does not mention expanding the corporate-criminal liability rules beyond bribery and tax evasion nor does it explain why this is not being considered. In order to effectively tackle economic crime, this is an area that needs to be considered and we support the government's recent request to the [Law Commission in this area](#).
39. The IFA appreciates that changes around the law of corporate criminal liability may take some time because it requires careful consideration since the personal liability of individuals

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will be linked to the companies they are associated with. Furthermore, legislative changes may take some time. The impact of not having a corporate criminal liability on fighting economic crime should also be considered and not forgotten.

Contact details

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