



INSTITUTE OF  
**FINANCIAL  
ACCOUNTANTS®**

A MEMBER OF THE IPA GROUP

# Anti-Money Laundering Supervision and Monitoring 2020/21

6 April 2020 to 5 April 2021

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# Foreword from the IFA board

This report sets out the IFA's anti-money laundering supervision and monitoring results for 2020/2021. The report aims to provide an insight into AML supervision and monitoring work of the institute. The IFA supervises 1,846 firms and individuals for compliance with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended in 2019) (known as the 'Money Laundering Regulations' in this report).

We supervise firms and individuals to address and mitigate money laundering risks, ultimately reducing the potential/actual harm to clients and the public from criminal activities. During 2020/2021, we supervised 1,846 firms and conducted 221 monitoring reviews. Our approach to supervision is risk based, proportionate, collaborative, educational and dissuasive. We apply a robust framework to help firms and individuals meet standards and hold them to account when these standards are not met.

The effects of the coronavirus (Covid-19) pandemic on our firms, members and their clients across the UK have been significant. Over the last year we have acted quickly to help firms manage this impact while, at the same time, adapting our supervision approach to virtual assessments due to government restrictions.

Highlights from our supervisory work include:

- responding rapidly to the impacts of the pandemic and maintaining and ensuring continuity of our robust, risk-based supervisory approach;
- an overall downward trend in the IFA's assessment of money laundering risks of our supervised firms;
- an upward trend in compliance with the Money Laundering Regulations by our firms;
- issuing guidance and support to our members and firms to help them meet their obligations; and
- imposing dissuasive financial penalties totalling £19,100 to firms that persistently breached the Money Laundering Regulations.



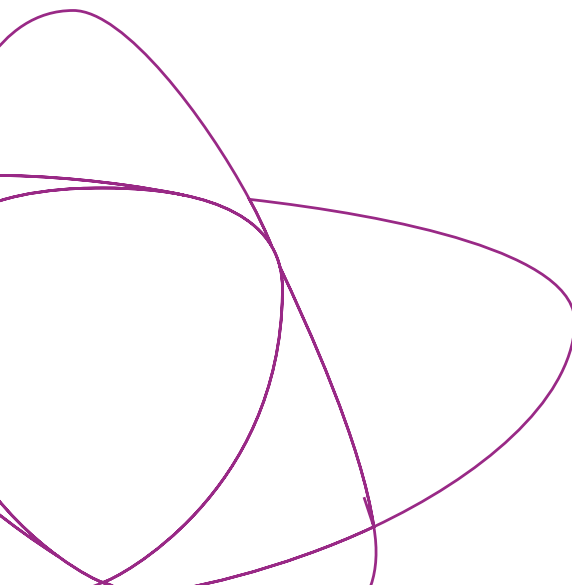
I would like to thank our members for their continued commitment to mitigating money laundering risks by prioritising compliance and co-operation with IFA monitoring visits

Julie Williams, chair of the IFA board

Julie Williams, chair of the IFA board, said: “2020/21 was an unprecedented and challenging year for everyone – our members, their clients, their employers as well as our staff and their families. We continued to provide support, guidance and resources to our firms in extremely challenging circumstances, as well as adapting and maintaining our regulatory and supervisory approach and conducting monitoring reviews.

“I would like to thank our members for their continued commitment to mitigating money laundering risks by prioritising compliance and co-operation with IFA monitoring visits which is very positive and encouraging as well as our staff for their hard work and contribution towards the IFA’s effective supervisory framework.

“Looking ahead, the IFA and the IPA Group will invest in systems and resources in this area, to become a more data-driven and agile regulator and supervisor, further demonstrating the IFA’s overall commitment to fighting economic crime and preventing the legitimisation of the proceeds of crime through money laundering.”



# Introduction

Money laundering harms society, the integrity of markets and the reputation of the accountancy profession by enabling criminal activity to flourish.

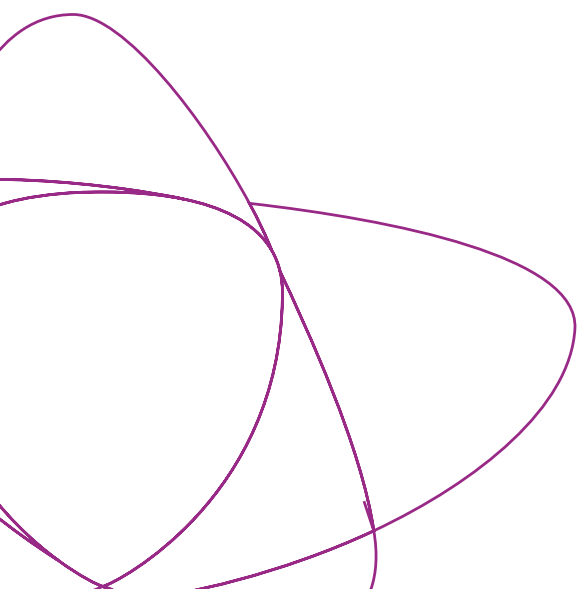
The National Crime Agency's (NCA) [National Strategic Assessment of Serious and Organised Crime 2021](#) states that it is highly likely that over £12bn of criminal cash is generated annually in the UK, and there is a realistic possibility that the scale of money laundering is in the hundreds of billions of pounds annually. The UK's open economy, the size of the financial services market, broad range of professional services coupled with the attractiveness of the property market for overseas investors and ease of setting up companies in the UK, makes it inviting to criminals to launder the proceeds of crime. Successful laundering enables criminal activity to continue, incentivising and funding future crime such as bribery, corruption and terrorism.

Criminals behind money laundering use sophisticated techniques to target vulnerabilities in the UK money laundering regime. Specialist networks, money mules, trade-based money laundering and virtual assets are used by criminals to launder their ill-gotten gains. Criminals are attracted to the accountancy profession as an opportunity to legitimise their activities through the credibility, qualifications, and expertise of professional accountants. The national [Risk Assessment of Money Laundering and Terrorist Financing 2020](#) stated that the accountancy services considered most at risk of exploitation continue to be company formation and termination, mainstream accounting, and payroll. It concludes that accountancy services are at highest risk of being exploited or abused by criminals when the accountant doesn't fully understand the money laundering risks, and does not implement appropriate risk-based systems, policies and controls to address any such risks that arise from the provision of certain services or clients.

The IFA is committed to playing its part in preventing, disrupting and deterring criminals by ensuring that the firms we supervise have effective systems, controls and policies in place to minimise their exposure to money laundering risk. The IFA is a supervisory authority for accountancy service providers under Schedule 1 to the Money Laundering Regulations and regulates 1,846 firms subject to these regulations. It is overseen by the **Office for Professional Body Anti-Money Laundering Supervision (OPBAS)**, situated at the Financial Conduct Authority (FCA), which is responsible for ensuring high and consistent standards of supervision of the legal and accountancy sectors as well as facilitating collaboration and information and intelligence sharing between professional bodies, statutory supervisors and law enforcement agencies.

As part of our AML supervisory duties, the IFA reports annually to HM Treasury, in order to improve the transparency and accountability of supervision and encourage good practice. The IFA's reporting is included in HM Treasury's Anti-Money Laundering and Counter-Terrorist Financing Supervision report.

Combatting money laundering requires a comprehensive plan supported by the private sector alongside the government and its agencies as evidenced by the 52 actions included in the Economic Crime Plan 2019/22. The IFA, alongside other accountancy and legal professional bodies, continues to contribute and help to progress the actions identified in this plan, particularly better information sharing, risk-based supervision and transparency of ownership.



# AML supervision by the IFA

## What we do

The IFA's supervisory and monitoring activity is designed to uphold standards and compliance with the Money Laundering Regulations, support IFA firms and members, and work collaboratively and in partnership across the private and public sectors to minimise risk and strengthen the anti-money laundering regime.

We conduct our regulatory and supervisory duties through the work undertaken by our regulatory, compliance, monitoring and disciplinary teams. Our monitoring team shares information and works closely with regulatory, compliance and disciplinary teams to ensure a robust and co-ordinated approach to education, supervision, and enforcement. We use our understanding of threats, vulnerabilities, and intelligence from a broad range of sources to inform our risk-based approach, so that resources are focused on where misconduct and non-compliance with the Money Laundering Regulations are likely to cause most harm.

Our supervisory approach requires our member firms to adopt risk-based, proportionate, and effective policies, procedures, and controls to mitigate the risks of firms being used by criminals as vehicles for money laundering/terrorist financing. Firms are required to comply with the requirements of the Money Laundering Regulations and the UK sanctions regime.

We also engage and share information with other regulators, professional bodies, government, NCA, National Economic Crime Agency (NECC), HMRC, law enforcement and other key stakeholders to increase our understanding of money laundering and terrorist financing and adjust our approach, guidance, policies, and procedures accordingly. Internationally, we share information and discuss anti-money laundering supervision and best practice with the IPA Group.

We provide information to our supervised firms on the money laundering and terrorist financing practices that apply to the accountancy sector and a description of the circumstances in which we think there is a **high risk of money laundering and terrorist financing**. We also provide information and guidance freely to all our supervised population through various communication channels including the IFA magazine *Financial Accountant*, emails, our [website](#) and [Financial Accountant Digital](#). More targeted information is shared electronically through dedicated emails to relevant members.

Our resources are targeted to the firms that present the highest money laundering/terrorist financing risks

To help our firms with their anti-money laundering obligations, we provide free AML compliance software to supervised firms. Lastly, we also encourage our supervised firms to **report breaches of the Money Laundering Regulations**, if need be, anonymously. We will take **disciplinary action** against firms that don't meet the requirements of the Money Laundering Regulations, including those that do not co-operate with the AML monitoring process.

## Who we review

As at 5 April 2021, we supervise and monitor 1,846 firms providing accountancy services to the public for reward. Our firms provide book-keeping, accounts preparation, payroll, tax compliance, tax advice, trust or company formation services and assurance services. While our firms vary in size, approximately 72% are sole practitioners with the remainder mainly having two or three principals in a firm. 95% of our firms have one office based in the UK only and only 1% of firms have between 3-6 offices.

## How we review

Our approach to AML supervision ensures we can effectively monitor our firms and take measures when necessary to secure compliance with the **Money Laundering Regulations 2017** and the **Money Laundering Regulations 2019**.

We adopt a risk-based approach to supervision, informed by the firm risk assessments we conduct. Our risk-based approach helps to ensure that our resources are targeted to the firms that present the highest money laundering/terrorist financing risks. Our risk-based approach to supervision has evolved over time and includes the following elements:

- proactive supervision based on our assessment of the firms presenting the highest risk of money laundering; and
- reactive supervision driven by circumstances, events, or other intelligence.

Our risk-based approach is based on information and intelligence provided by our supervised firms, members and other professional bodies, government agencies and law enforcement. The risk-based approach which drives supervisory activity takes into account the probability and impact of money laundering risk taking place as a consequence of the activities by our firms and members, and the environment in which they operate. The money laundering risk can increase or decrease based on the firm's business, legal form, services it offers its client base, location, country of operation, regulatory, compliance, disciplinary and reputational history, as well as evolving threats, vulnerabilities, risks and other intelligence from professional bodies, government agencies and law enforcement.



The frequency and type of AML monitoring review is based on our assessment of a firm's exposure to money laundering risks. Due to the Covid-19 pandemic and government restrictions, all our monitoring reviews during 2020/21 were conducted as virtual AML reviews. The virtual AML review has the same scope and breadth of assessment as an onsite visit. However, when possible, onsite reviews will resume for our highest-risk firms.

As part of the planning process ahead of the monitoring review, the AML reviewer will consider the information provided by firms and members from annual renewal returns as well as publicly available information. The virtual AML reviews involve firms providing documentation to the AML reviewers to support compliance with the Money Laundering Regulations as well as a discussion with key contacts and staff, either by telephone or conference call facilities.

During the virtual assessment, the AML reviewer will gain an understanding of individuals' awareness of money laundering risks, their responsibilities, as well as an insight into the firm's AML policies, procedures and controls through discussions with members and staff of the firm. The AML reviewers will also request a selection of documentation to demonstrate the firm's compliance with the regulations, which includes client files and client due diligence documentation. The number and range of evidence requested will vary dependent on the AML risks faced by the firm as a result of its services and client base.

Examples of documentation that reviewers will check include, but are not limited to:

- criminal record check certificates for all its **beneficial owners, officers and managers (BOOMs)**;
- written policies, controls and procedures used by the firm to mitigate money laundering risks;
- firm-wide risk assessments which are consistent with the information provided in the firm and member returns and other publicly available sources;
- risk-based client due diligence for new and existing clients;
- internal procedures for making a suspicious activity report to the Money Laundering Reporting Officer (MLRO);
- training records that demonstrate all relevant employees, including the MLRO, have received appropriate training relating to money laundering; and
- monitoring of the firm's compliance with the requirements in the regulations.

At the end of the virtual AML assessment (or onsite visit), the AML reviewer will discuss the findings of the review and set out the findings in a letter, together with any action points. We expect the firm to address these findings in a timely manner and to continue to co-operate with the process in order to be fully compliant with the requirements of the Money Laundering Regulations.

# The year in numbers

## MAINTAINING PROFESSIONAL STANDARDS



**221**

Number of monitoring reviews conducted with IFA supervised firms

**155**

Number of firms identified as fully or generally compliant with the regulations



## TAKING ACTION AGAINST FIRMS



**66**

Number of firms that agreed to an action plan to improve compliance

**11**

Number of firms subject to disciplinary measures for contravention with the regulations



**£19,100**

Amount in financial penalties issued to firms that breached the regulations



# The year in numbers

## PROTECTING THE PUBLIC



11

Number of Accountancy AML Supervisors' Group (AASG) money laundering threats and red flag indicators alerts

188

Number of Suspicious Activity Reports (SARs) submitted to the NCA by 93 IFA supervised firms



## HELP AND SUPPORT



57,385

Number of unique visits to our AML resources pages on the IFA website

4,616

Average number of IFA magazine recipients



6,085

Average number of Financial Accountant digital newsletter recipients

# Feedback from our members

Firms may be understandably concerned when selected for an AML review. However, the process from start to finish is designed to ease concerns as shown by the following endorsements from firms reviewed during 2020/21.



...When I first found out that my firm was going to be looked into by the IFA anti-money laundering section I was quite concerned.

“However, after having the meeting...it was nothing like I expected. The reviewer explained that he was here to assist us in reaching the correct standard required for the new AML rules.

“I found the meeting to be very helpful and informative. It also answered quite a lot of my concerns and made the situation regarding compliance a lot clearer.

“I am very grateful to both the reviewer and the IFA for arranging the meeting. I personally think that what they are doing is brilliant.”



We were selected for an AML review and were quite apprehensive, as we had never been through this before.

“The review was to be carried out remotely because of lockdown measures and we had a list of information to send off in advance of the telephone appointment. We need not have worried. The reviewer was very helpful and informative and explained the whole process as we went along.

“Luckily, everything went very well and for the one piece of missing information that we needed, the reviewer steered us in the right direction and it was sorted in a couple of days.”

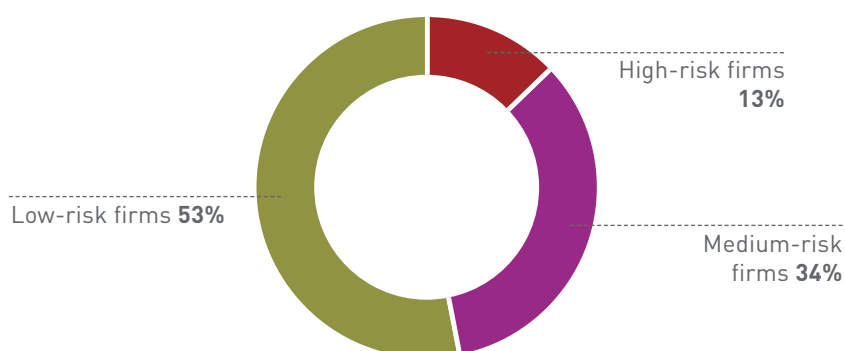
# Results from the monitoring visits

As referred to in the AML supervision by the IFA section, we adopt a risk-based approach to supervision informed by the firm risk assessments we conduct. Our risk-based approach helps to ensure that our resources are targeted to the firms that present the highest money laundering/terrorist financing risks.

We monitor firms on the following review cycle:

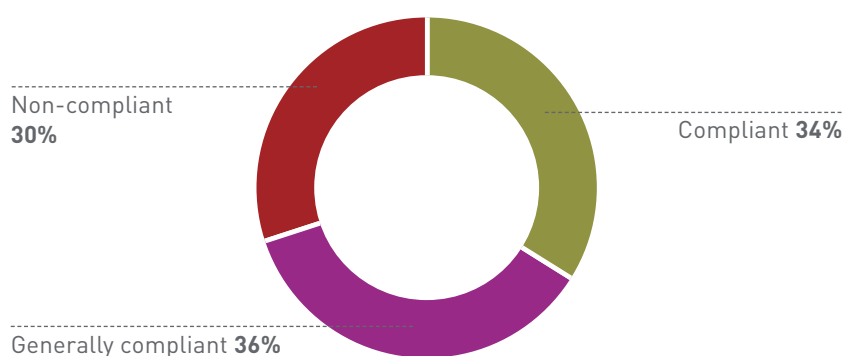
- High-risk firms – at least every 3 years
- Medium-risk firms – at least every 7 years
- Low-risk firms – at least every 10 years

## Risk assessment outcomes



During 2020/21, we conducted 221 AML reviews and assessed firms' compliance with the Money Laundering Regulations based on the following categorisations approved by HM Treasury summarised below.

## Monitoring review outcomes



Categorisation	Explanation
Compliant	Effective systems and controls (including training) in place to both prevent the likelihood of the firm's involvement in financial crime, and report suspicious activity, with evidence that this infrastructure is used and reviewed for effectiveness on a regular basis.
Generally compliant	Systems and controls (including training) in place to both prevent the likelihood of the firm's involvement in financial crime, and report suspicious activity, but improvements can be made and/or there is a lack of evidence to demonstrate that the infrastructure is embedded into the firm or reviewed for effectiveness on a regular basis.
Non-compliant	Systems and controls (including training) within the firm are lacking to the extent that the firm would be vulnerable to exploitation by criminals in pursuit of disguising the proceeds of crime.

70% of the firms reviewed were compliant and generally compliant with the Money Laundering Regulations. The remaining (30%) non-compliant firms were issued an action plan highlighting the issues to be addressed to make them fully compliant. Failure to co-operate with this process or to fully address the findings and the actions included in the action plan led to a referral to our disciplinary Conduct Committees.

# Our most common findings

From our AML monitoring reviews conducted in 2020/21, we have identified some key findings from firms that were non-compliant with the Money Laundering Regulations. Firms must monitor compliance with the regulations on an ongoing basis and we hope the findings and clarifications below help firms meet their anti-money laundering obligations.

## **Firm-wide risk assessments (regulation 18)**

We found that 89% of non-compliant firms failed to have an up-to-date written firm-wide risk assessment, or the existing firm risk assessment failed to meet the required standard. Examples of inadequate firm risk assessments included blank client risk assessment forms, as well as template documents provided from third parties that had not been tailored to the particular money laundering risks the firm was exposed to, due to the services provided and its client base.

The regulations require a risk assessment of the firm to be conducted and documented, in order to identify money laundering and terrorist financing risks that the firm may face and how they would mitigate against these risks. Risk assessments must be proportionate to the size and nature of the firm and take into account the types of products and services provided, their client base and countries or geographic areas where they operate. The firm-wide risk assessment must take into account information made available by the supervisory authority, including the Accountancy AML Supervisors' Group (AASG) Risk Outlook.

## **Adequate written policies, controls and procedures (regulation 19)**

We found that 89% of non-compliant firms did not have adequate written policies, controls and procedures in place. Firms either had no written policies and procedures, or had copied documents from other sources which were not tailored or implemented by the firm. In some instances, firms had not reviewed the policies, controls and procedures on a regular basis.

Firms must have adequate written policies, controls and procedures to effectively manage and mitigate the risk of money laundering and terrorist financing, as well as data protection requirements set out in the regulations. These policies, controls and procedures must be proportionate to the size and nature of the business, approved by senior management, implemented, regularly reviewed, and communicated internally within the firm.

Firms should consider how to ensure that all relevant employees receive appropriate and regular training and keep a training log

## **Review of policies, controls and procedures (regulation 21)**

We found that non-compliant firms had not designated an officer or employee in senior management to be responsible for reviewing or ongoing monitoring of compliance with the regulations. Usually, this is the responsibility of the Money Laundering Reporting Officer (MLRO) or the Money Laundering Compliance Principal (MLCP) for larger firms.

The MLRO/MLCP is required to attend appropriate AML training and complete an annual AML compliance review of the firm's policies and procedures, to ensure they are appropriate to the firm and its client base and that the firm has appropriate resources including training requirements. Of non-compliant firms, 92% had no annual AML compliance review and/or, had not completed appropriate training.

## **Training (regulation 24)**

We found that 68% of non-compliant firms could not provide documentation to support that sufficient AML training had been provided to all relevant employees, which included sole practitioners and the MLRO/MLCP.

Training of relevant employees should include making staff aware of their money laundering obligations, the firm's policies, procedures and controls and how to apply them; including how to make a suspicious activity report to the MLRO. Firms should consider how to ensure that all relevant employees receive appropriate and regular training and keep a training log.

## **Criminal record checks of BOOMs (regulation 26)**

We found that 65% of non-compliant firms had not obtained a criminal record certificate (Disclosure Barring Service (DBS) check) for all **beneficial owners, officers or managers (BOOMs)** in the firm. Since 26 June 2018, no BOOM should be appointed to the firm or continue to act, without IFA approval. We can only **approve a BOOM** if the individual has no relevant unspent convictions as evidenced by the criminal record certificate. The relevant convictions in Schedule 3 to the regulations are economic crime convictions such as fraud, bribery, dishonesty and tax offences.



Firms must perform client due diligence for new clients and existing clients on an ongoing basis

## Client due diligence (regulations 27 and 28)

We found that 40% of non-compliant firms failed to have written client risk assessments, or had inadequate client risk assessments that failed to reflect the services being provided for the client.

Firms must perform client due diligence for new clients and existing clients on an ongoing basis. Client due diligence involves verifying the identity of the client and beneficial owners, if the client is a legal entity. Once the identity of the client is verified, client risk assessments need to be undertaken, documented and reviewed to understand not only who the client is, but also what they do, where they are based, and the services provided by the firm. If a client is identified as higher risk, then the firm must undertake enhanced due diligence and seek further documentation.

### Monitoring review case study

A medium-risk firm was selected for an AML monitoring review in accordance with the IFA monitoring review cycle. The firm is an incorporated sole practitioner with no additional employees.

The review took place using Microsoft Teams and several non-compliant issues were identified including: no written AML policy and procedures; no firm risk assessment; incomplete client due diligence; no written client risk assessments; and no documented AML training.

Following the review, the firm was issued with an outcome letter highlighting the non-compliant issues along with guidance on how to become compliant. The firm was required to submit an action plan within four weeks to demonstrate how the non-compliant issues would be rectified.

The firm provided an action plan within the timeframe required, advised that the practitioner had subscribed to use the Anti-Money Laundering Compliance Company (AMLCC) software provided to IFA members, and addressed each of the non-compliant issues within the three months follow-up period.

# Impact of our supervisory work

Of the 221 reviews undertaken, 30% required follow-up action by the IFA to ensure compliance with the regulations.

At the end of the AML review, we discuss and document findings with the firm. The firm is required to review the findings and address the issues by completing an action plan in a timely manner. Failure to co-operate with this process may lead to disciplinary action.

The AML reviewer will evaluate the firm's completed action plan. Once the action plan has been agreed by the AML reviewer and the firm, progress will be monitored over an agreed period and evidence of action to address the findings will be requested by the AML reviewer. The AML review will only be closed once all findings have been addressed as documented in the action plan. Failure to address the findings will lead to disciplinary action by the IFA.

# Enforcement actions

As a regulator and supervisor, we will take the necessary measures to secure compliance with the regulations by our firms and members who fail to meet their anti-money obligations and standards.

Our disciplinary process is robust, fair, consistent, proportionate, dissuasive and transparent. It is guided by our disciplinary sanctions guidance which provides a framework to our Conduct Committees to make decisions regarding enforcement actions. The IFA's Conduct Committees, which include the Regulatory Committee, Investigations Committee, Disciplinary Committee and Appeal Committee, have sufficient powers to remove the benefits of non-compliance. These range from caution, reprimand, severe reprimand, suspension of membership, suspension of practising certificate and/or removal of membership. This broad range of enforcement actions ensures that our disciplinary process deters non-compliance and also removes the benefits of non-compliance.

Records of enforcement actions are publicised on [our website](#) and included in the IFA magazine. During the 2020/21 period, the following enforcement actions were taken relating to non-compliance with the money laundering regulations:

Membership removed	1
Membership suspended	1
Total fines issued	£19,100

## Disciplinary case study

As a result of a referral from the IFA Regulatory Committee following an AML compliance review of an IFA firm, it was identified that the member and firm had: failed to meet CPD requirements; failed to meet professional indemnity insurance (PII) requirements; failed to appoint a suitable alternate; was non-compliant with Money Laundering Regulations including training, lack of AML policies and procedures; had failed to undertake appropriate client due diligence on clients; and had failed to cooperate with the AML compliance procedures. The member and firm also failed to adhere to the fundamental principle of professional behaviour detailed in the IFA Code of Ethics.

The Disciplinary Committee found there was a prima facie case that rendered the member and firm liable to disciplinary action under IFA Bye-laws, Code of Ethics and Money Laundering Regulations.

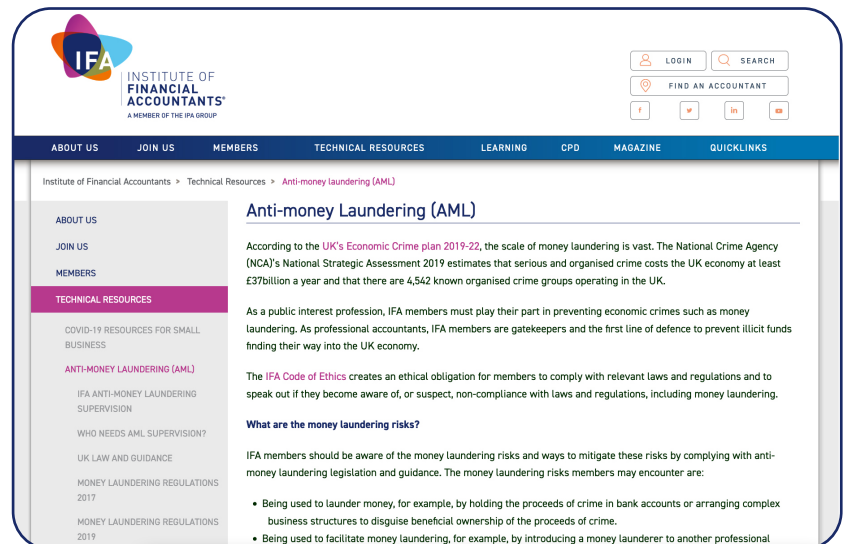
The member and firm were fined a total of £5,000 and ordered to pay costs of £2,719.

The outcome of the case was published on our website, in the IFA magazine and was entered onto the Shared Intelligence Service (SIS) database housed at the FCA.

Subsequently, the member was excluded from membership and the firm is no longer supervised by the IFA due to non-payment of fines and costs. A county court judgement has now been issued to the member by the IFA's solicitors.

# Information & guidance

We provide a wide range of support and resources to our firms to help them meet their obligations and provide an understanding of money laundering risks.



In particular, our [website](#) includes information on the regulations, risk-based approach, and suspicious activity reporting. More targeted information is shared electronically through dedicated emails to firms such as our AASG alerts, which highlight various money laundering threats and red flag indicators.

Our bi-monthly member magazine and weekly e-newsletter include updates on legal and regulatory changes, alongside other developments to support members in their endeavours to keep up to date. Our regular free branch meetings, quarterly update events and 'setting up in practice' workshops for new firms provide practical help with their obligations, in particular in the areas of client due diligence, firm-wide risk assessments and suspicious activity reports.



To help our firms with their anti-money laundering obligations, we provide free AML compliance software to our supervised firms. Lastly, we also encourage our firms to raise concerns, and confidentially [report breaches](#) of the regulations by other IFA supervised firms anonymously by email or phone.

# Looking ahead

Over the coming year, AML and preventing economic crime will be key priorities. The IFA, and all other private and public stakeholders, will continue our work to further improve the UK's AML regime to help prevent economic crime and money laundering.

In the UK we work closely with law enforcement agencies, the government and other professional bodies to fight money laundering.

## Legislation

We will be participating and responding to HM Treasury's review of the effectiveness and scope of the Money Laundering Regulations and OPBAS Regulations issued in July 2021. HM Treasury has adopted a twin track approach to the review of the Money Laundering Regulations consultations, which close on 14 October 2021. The [Statutory Instrument 2022](#) consultation seeks views on the implementation of newer Financial Action Task Force (FATF) requirements to maintain the UK's compliance with international AML standards, as well as a series of small measures to help clarify the regulations and strengthen the supervision regime, following feedback from stakeholders.

The Money Laundering Regulations Call for Evidence seeks to comply with the obligation in the Regulations and the Economic Crime plan 2019/22 to review the effectiveness and scope of the MLRs and OPBAS Regulations by June 2022. This call for evidence also provides an opportunity to consider how to approach future reform in the absence of the requirement to follow new EU Directives, and has been structured into three themes. These are: the overall effectiveness of the regime; whether key elements of the current regulations are operating as intended; and the structure of the supervisory regime including the work of OPBAS to improve effectiveness and consistency of professional body supervisor supervision.

## Economic Crime Plan

We will continue to participate in various working groups that are progressing the actions in the UK's Economic Crime plan 2019/22, which contains seven strategic principles and 52 action plan points. Of particular relevance to the accountancy sector are the points relating to a greater understanding of threats, improved transparency of ownership and better sharing and usage of information to more effectively and efficiently use our resources to prevent money laundering and economic crimes such as fraud, bribery and corruption.

During the year and previous years, the IFA was involved in discussion with HM Treasury and the Home Office on developing a sustainable resourcing model for the economic crime framework. At the Budget 2020 the government announced its intention to introduce an economic crime levy, which aims to raise £100m a year from the anti-money laundering regulated sector. The IFA **responded** to the consultation, which took place between July and October 2020. We are awaiting the outcome of this consultation which will clarify what the levy will pay for, how it will be calculated, collected and shared amongst the anti-money laundering regulated sector, including the accountancy profession.

We will also continue to develop stronger public/private and private/private partnerships, in particular working with HMRC, the Home Office, HM Treasury, NECC and the NCA to share best practice and lessons learned, with the common aim to combat economic crime.

## **Risk-based approach**

The IFA's risk-based approach to supervision is central to mitigating money laundering risks and the prevention of economic crime. It enables us to focus our efforts and resources where the risks are highest, creating a robust regime at a proportionate cost. We will continue to review our supervision strategy, risk-based approach and our monitoring review cycles, in light of an increased understanding of threats and vulnerabilities affecting the accountancy profession.

We will also continue to work with the NCA, NECC, legal and accountancy professional bodies and other partners, to increase our combined understanding of threats, vulnerabilities and money laundering risks in such areas such as trust or company service providers. This increased knowledge will further enhance our risk-based supervisory approach.

## **Trust or company services**

The National Risk Assessment 2020 highlighted trust, or company service, providers (TCSP) as being at a higher risk of being used by criminals to facilitate money laundering. Many of our firms provide, or intend to provide, trust or company formation services to their clients. We will be conducting a thematic TCSP Review during 2021/22 to better understand the threats, vulnerabilities and money laundering risk for our firms that are offering these services. If selected for the thematic review, we would encourage our firms to participate in the survey in order that we can provide further guidance on risk factors and red flags associated with these services, as well as help our firms to mitigate money laundering risks.

## Information & intelligence sharing

We share information with other professional body supervisors and HMRC to ensure there is a strong AML supervisory regime. Where we believe there are gaps or overlaps in the supervision of our members and firms, we will liaise with the relevant supervisor to ensure that the member is effectively supervised as required by legislation.

The IFA is a member of the Shared Intelligence Service (SIS), which is housed within the UK's Financial Conduct Authority. Membership enables us to participate in information sharing between professional body supervisors and law enforcement on AML matters. As a member of SIS, the IFA must respond to intelligence sharing enquiries from other SIS members and proactively input its own intelligence into the SIS.

We are also a member of 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), AML statutory supervisors and law enforcement agencies.

The IFA is a member of a number of forums where best practice is shared in the fight against money laundering and terrorist financing. The [Anti-Money Laundering Supervisors Forum \(AMLSF\)](#) aims to share and develop the consistent application of best practice across all AML/CTF supervisory bodies. It liaises with the National Crime Agency, HM Treasury, the Home Office, HMRC and other government agencies involved in the prevention and reduction of economic crime. The AASG, currently chaired by the IFA, is a sub-committee of the UK's AMLSF consisting of professional body supervisors listed under [Schedule 1 to the Money Laundering Regulations 2017](#). It is a forum in which professional bodies work collaboratively to develop accountancy sector supervisory policy to promote consistency in standards and best practice.

The AASG works together with the Joint Money Laundering Intelligence Taskforce (JMLIT) to share information and intelligence on money laundering threats and red flag indicators to our supervised populations in the accountancy sector. We have started the process of seeking feedback from our firms on the usefulness and relevance of the JMLIT alerts.

## Suspicious activity reports

The IFA will continue to participate in various working groups that are looking to reform the suspicious activity reporting regime, a key deliverable of the Economic Crime plan 2019/22. We are also working with the UK's Financial Intelligence Unit to enhance the quality of SARs to the NCA by organising internal and external events aimed at improving the quality of SARs, and by sharing information and guidance to firms to help them with their training.





Established in 1916, the Institute of Financial Accountants (IFA) is an internationally recognised professional accountancy membership body and a full member of IFAC, the global accounting standard-setter and regulator.

The IFA is part of the Institute of Public Accountants (IPA) of Australia Group, the world's largest SME-focused accountancy group, with 42,000 members and students in 80 countries.

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