

LB/KM//MLR

STRICTLY PRIVATE & CONFIDENTIAL
MLRO

27 June 2017

Dear MLRO

Important Regulatory Update for all MLROs: The New Money Laundering Regulations 2017 came into effect on 26 June 2017

We are writing to you as your firm's Money Laundering Reporting Officer ("MLRO") to make you aware that the UK Government has enacted The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (referred to as the "Money Laundering Regulations 2017").

Whilst the final regulations were not published until Friday 23 June 2017, they came into force with effect from Monday 26 June 2017. They bring in very significant changes to the UK's Anti-Money Laundering (AML) regime and will have wide-reaching changes for our firms.

They can be accessed at: http://www.legislation.gov.uk/ukxi/2017/692/pdfs/ukxi_20170692_en.pdf. I would encourage you to read the legislation, but the enclosed "The New Money Laundering Regulations 2017: What You Need to Know" will help to highlight the key changes.

1. What are the main changes?

The main headlines are:

Changes directly affecting Firms:

- **Politically exposed persons (PEPs):** the definition (which relates to prominent public figures in a senior role) has been widened to include domestic PEPs.
- **Beneficial owners (BOs):** now have to have their identity verified (reliance on the Persons of Significant Control Register is not enough).
- **Policies and procedures & internal audit**
Other than sole practitioners without staff, all firms will need to ensure that the AML policies/procedures are approved in writing by a senior management person. They must be regularly reviewed and updated, and communicated within your firm. There is also a new requirement for firms of a certain size to have an independent audit of compliance with the policies and procedures. We are urgently seeking clarification on how this differs from the current compliance review requirement and will provide further clarity as soon as it is available.
- **Enhanced due diligence:** is mandatory for all high risk situations (e.g. high risk clients and services).
- **Data protection:** Data which has been obtained from a client in accordance with the Money Laundering Regulations 2017 should not be used by the firm for any purpose other than preventing money laundering or terrorist financing. A new client must be provided with information about how their data is handled and the firm would be advised to check the sources and disclosures of information it has given in its own registration under the Data Protection Act 1998. The firm is required to delete all data from its systems after 5 years from the time when the relationship ends or a transaction is completed.

Supervision changes:

- **Approval process:** ICAS, and all other supervisors, will require to operate an approval process to approve all principals, owners and management in the firms we supervise from an AML perspective – this needs to be completed by 25 June 2018. The definition of "manager" is included in the attached document.

- **Criminality checking:** HM Treasury are requiring all supervisors to conduct criminal disclosure checks on all principals, owners and management in firms we AML supervise, by 25 June 2018.
- **MLRO & BSMLP notifications:** firms will require to appoint a board-level or senior management level person (Board or Senior Management Level Person “BSMLP”), where applicable, who is responsible for compliance with the regulations. This may be a different person from the MLRO.
- **Risk assessments:** Firms will be required to carry out an overall firm-wide risk assessment and, on request, submit this to its supervisor.
- **Trust & Company Service Providers (TCSPs):** Supervisors will require to notify HM Revenue & Customs of all firms who conduct TCSP services for inclusion on a public register, which needs to be up and running by 25 June 2018.
- **New regulator:** the accountancy and legal profession have a new regulator called the Office of Professional Body Anti Money Laundering Supervision (OPBAS) – this will be situated within the Financial Conduct Authority.

2. What will ICAS be doing?

Lobbying

ICAS and the other accountancy sector supervisors have responded to all Government consultations, with a view to helping to shape the new regime, but most of the legislation derives directly from the Government’s implementation of the European 4th AML directive.

We continue to lobby to deliver consistent regulation of the accountancy sector, both qualified and unqualified, and are engaged with HM Treasury on a number of extant issues. We will also engage with the new oversight regulator once it has been established. Moreover, the UK will be subject to an inspection by the Financial Action Task Force (FATF) and we will look to contribute meaningfully to this process, for the benefit of our firms, and the profession.

Engagement: AML working party

We recognise that the upcoming changes will have a significant impact on firms as well as how ICAS supervises them in the future. We are going to set up a working party of practitioners, with representatives from firms of different sizes, to help ICAS decide how best to implement these changes. If you would like to be involved, please contact me. We would particularly like to hear from sole practitioners.

Keeping you updated

We are taking the following steps:

- We will post all AML developments, as they happen, to our AML News page on icas.com. This can be located by searching on ‘AML news’ or at www.icas.com/amlnews. There is only a small amount of content on this page at the moment, but this will increase as the landscape becomes a bit more certain. We encourage you to periodically check this section of the website.
- We have already started to include an AML training session in our mandatory Practice Management course. The remaining courses will be held later this year in Glasgow, Newcastle and Aberdeen. For more information and to book a place, please search on “Practice Management” at icas.com.
- We will discuss the main changes with firms on all forthcoming monitoring visits.
- We will continue to notify members of practice developments through our monthly Practice Update by email.
- For all regulatory submissions, we will write to the MLRO directly.

3. What do you need to do?

The requirements of the New Money laundering Regulations 2017 are now in force, other than the supervisory changes which will come into effect later this year. We will notify you in due course, as the MLRO, when we need you to start submitting applications or risk assessments. For now, your key priorities should be:

Training

- Please make sure you keep up to date on AML developments as they happen (See the ‘Keeping you updated’ section above). Please make sure you keep your principals (if relevant) and staff updated.

Your procedures

- Please make sure that your AML policies and procedures are updated for the new changes.
- Software providers have been facing a challenge in updating AML procedures as the finalised regulations have only just been published. For example, SWAT which publishes GPPM for ICAS and which we make available to all our eligible firms for free, will be working to update the manual as quickly as possible and we will let firms know when that is done. If you have not yet subscribed to GPPM you can register at <https://www.icas.com/member-benefits/general-practice-procedures-manual>.

If you have any queries regarding the changes, please contact our Practice Support team in the first instance on 0131 347 0254.

If you no longer hold the position of MLRO in your firm, please pass this onto the firm's current MLRO and notify ICAS who that is.

Yours sincerely

MICHELLE MULLEN
Executive Director, Professional Standards