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Firm-wide Money Laundering Risk Assessment Thematic Review



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Key terms

Term	Meaning
AML	Anti-money laundering
BOOM	Beneficial owner, officer, or manager (in relation to our firms)
CDD	Customer due diligence (when identifying clients)
EDD	Enhanced due diligence
ICAS	Institute of Chartered Accountants of Scotland
KYC	'Know your client' processes
Money Laundering Regulations / MLRs	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
MLCP	Money Laundering Compliance Principal (a role in firms)
MLRO	Money Laundering Reporting Officer (a role in firms)

About ICAS

ICAS is the world's oldest professional body of accountants. We represent over 24,000 members working in the UK and around the world. Our members work in private practice and in a range of businesses, as well as in the public and not for profit sectors. They contribute significantly to society.

ICAS' Royal Charter requires that we act in the public interest. Our regulatory functions are designed and exercised to place the public interest first. Our Charter also requires ICAS to represent its members' views and protect their interests. On the rare occasion that these are at odds with the public interest, it is the public interest that must be paramount.

ICAS is a Professional Body Supervisor (PBS) for anti-money laundering (AML) and counter terrorist and proliferation financing (CTPF). We supervise more than 800 firms for AML/CTPF compliance, most of which are based in Scotland.

The Regulation Board is the body appointed by ICAS' Council to be responsible for regulation and regulatory policy at ICAS, including our approach to AML/CTPF. In addition to overseeing how ICAS maintains professional standards amongst members, students, affiliates, and firms, the Regulation Board is also a strategic body, discussing developments in regulation and closely monitoring ICAS' engagement with its oversight regulators.

The Authorisation Committee was established by the Regulation Board to discharge the responsibilities in relation to the licensing and monitoring of AML supervised firms.

Executive Summary

- Given concerns raised in the 2023/4 annual AML Report that a significant proportion of lowest and low risk firms were failing to identify risks in their annual AML Declarations, we reviewed over 10% of the population of the firms assessed as lowest and low risk following their submission of their 2024 AML Declaration.
- The thematic review found that whilst most firms understood the service risks facing their firm, the majority of firms failed to identify client risks. The list of the most common risks omitted is provided in this report.
- The main cause of the omissions has been due to a lack of understanding of the AML/CTPF risks.
- 21% of firms also overstated the extent of their AML policies and procedures.
- The knock-on impact of these errors and omissions was that 55% of the participant firms had a higher risk category following the thematic review than based on the information submitted on their AML Declaration.
- Firms are reminded to declare all risk factors present within the client base, even if it is believed that sufficient mitigations are in place.
- As risk categories form the basis of how firms are monitored, firms are also reminded of the seriousness of getting their declaration wrong, and of the regulatory action that could be taken against the firm, including regulatory penalties.
- The firms which participated have been requested to correct any errors on future risk assessments. The implications of movements in risk grades will be taken into account for monitoring reviews.
- All other firms are asked to use this publication for education purposes and to improve their AML declarations, where relevant.
- As a result of the findings, ICAS published detailed guidance to firms accompanying the 2025 AML Declaration. Experience from recent monitoring reviews indicates that this guidance is helping firms improve their understanding.
- We may conduct further thematic reviews over this area in future years to establish whether firms are improving their AML Declarations and risk assessments.

Background

ICAS is approved as a PBS under Schedule 1 of MLRs. This places an obligation on ICAS to monitor the firms we supervise for AML compliance, and to take appropriate follow-up action to address non-compliance.

All firms which are supervised by ICAS for AML purposes are subject to AML supervision under the ICAS Anti-Money Laundering Regulations. The obligations of the supervised firm, including a requirement to co-operate with ICAS AML Monitoring, are detailed in Section 4 of the Regulations. On 1 August 2023 ICAS launched a new risk-based AML monitoring regime. The starting point, and an integral part of this monitoring regime, is the firm's annual AML Declaration which is submitted to ICAS in May each year and is the firm's means of communicating its AML risks to ICAS.

Each firm must submit an AML Declaration to ICAS each year. The return includes questions on the nature of the firm's clients, the services provided, various AML compliance questions, and other risk factors. The declaration is updated annually to ensure that it reflects current Money Laundering, Terrorist Financing and Proliferation risks. Many of the questions derive directly from risks highlighted in the National Risk Assessment and from the risk intelligence we receive from regulatory and supervisory sources and law enforcement.

The information submitted highlights the AML risks faced by the firm and should reflect the risks identified in the firm's firm-wide risk assessment. Regulation 18 of the MLRs require that every relevant person (be that firm or sole practitioner) take appropriate steps to identify and assess the customer, geographic, product or service, delivery channel and transaction risks of money laundering and terrorist financing faced by the firm. We expect all of our member firms and sole practitioners to conduct a firm-wide risk assessment and to keep an up-to-date record of this in writing in accordance with the MLRs.

How we risk assess each firm

The responses to the annual AML Declaration provided by firms are collated, with risk scores and weightings allocated, giving every firm an overall AML risk score. We revise risk scores based on any additional intelligence received in relation to each firm from law enforcement, complaint investigations, disciplinary proceedings, other monitoring visits to the firm, compliance history, and other external and internal sources.

Once all firms have a risk score, we allocate them into one of the following risk categories:

- Lowest
- Low
- Medium
- High
- Highest

From 1 August 2023 onwards, the risk category has determined:

- How often a firm is reviewed.
- How the firm is reviewed.

Thematic review methodology

As highlighted in page 12 of our 2023-24 annual [AML Report](#), we identified that not all firms are conducting effective firm-wide risk assessments. This is particularly noticeable for firms at the lower end of the risk spectrum, being lowest and low risk firms.

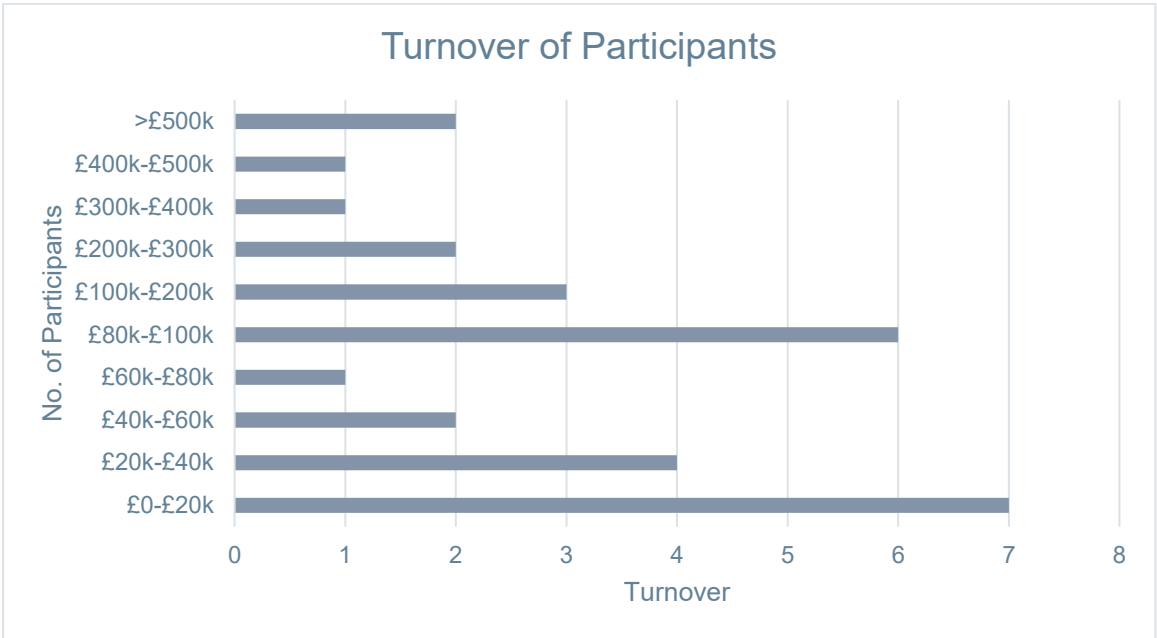
We therefore decided to conduct a thematic review by dip sampling a number of firms in the lowest and low risk categories to identify the proportion of firms with incomplete or ineffective risk assessments and to identify the common risks missed so that we can provide timely and comprehensive feedback to firms on an educational basis to help firms improve their risk assessments.

We contacted the Money Laundering Reporting Officer (MLRO) and Money Laundering Compliance Principal (MLCP) at a sample of 29 firms, from the population of 274 firms assessed from the 2024

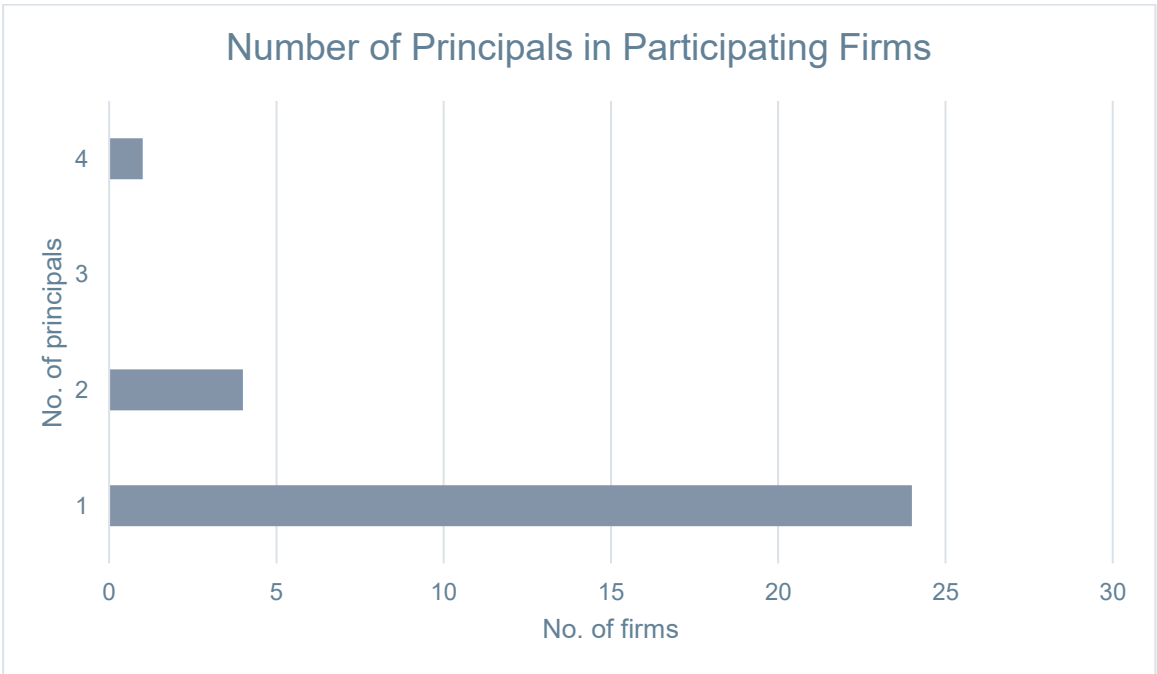
AML Declaration as lowest/low risk, to request their participation in the thematic review. Our sample was conducted on a random basis, excluding firms which were visited recently or about to be visited in 2025.

Upon agreement, we obtained a copy of the firm’s most recent firm-wide risk assessment and reviewed this, in conjunction with the 2024 AML Declaration. We then conducted a meeting with each firm where we discussed the background of the firm, including the BOOMs, services provided, nature of the clients, etc. and the responses to the questions on the AML Declaration and firm-wide risk assessment.

This thematic review forms part of our supervisory monitoring program. The table below summarises the size of firms included in this thematic review by turnover:



The table below summarises the size of firms included in this thematic review by the number of principals within the firm:

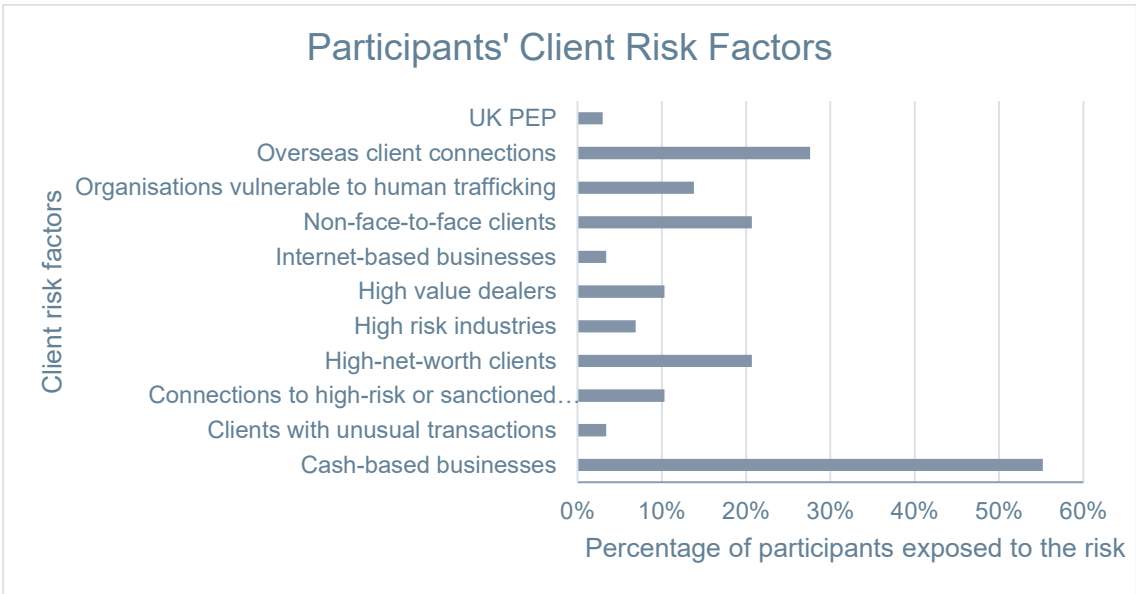


Our findings are included in this report, and we recommend that all firms review these as they provide an insight into the common risks missed by firms in undertaking their firm-wide risk assessment, and in completing the AML Declaration, and the underlying causes of these omissions.

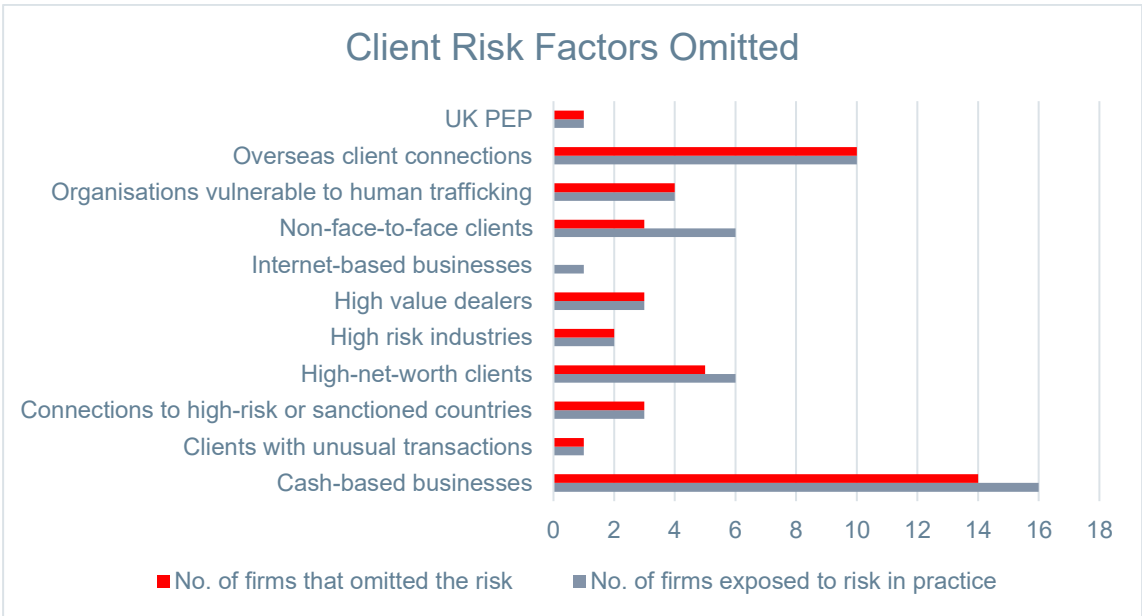
Client risks

During the thematic review meeting held with each participant firm, the client base was discussed to understand the various clients of our firms, including their ownership structure, industries they operate in, transactions undertaken, etc.

The following client risks were identified in the thematic review population from these discussions:



Following the thematic review meeting, the information gathered during the discussion was compared to the firm's most recent firm-wide risk assessment responses and their 2024 AML Declaration submission to understand the risk factors omitted. The below table provides a comparison between the number of firms exposed to a particular client risk and how many of those firms had omitted the risk factor from their firm-wide risk assessment and/or AML Declaration:



The findings

The results clearly show that the vast majority of the participant firms omitted to identify most of their client risks which is of serious concern.

The repercussions for missing significant AML risk factors are serious and are covered at the end of this report.

The underlying causes of each omission were discussed with the MLRO/MLCP during the thematic review to understand any common misunderstandings or misinterpretations within the population.

Cash-based businesses

The risk factor omitted from the greatest number of firms' risk assessments was clients operating cash-based businesses, with 14 of the 16 firms (88%) with such clients in their client base missing this risk factor. Of the 14 firms that omitted this risk, all but one had misinterpreted 'cash-based' to mean 'cash-intensive'. These firms explained that the majority of their clients' takings are now derived from card payments as opposed to cash. However, as now explained in the 2025 AML Declaration Guidance paper, cash-based businesses are comprised of any clients that can accept cash for goods and services, even if the percentage of cash received is small.

Cash-based businesses are often targets for money launderers because:

- They can be used to integrate large amounts of cash into the financial system.
- There is a risk of under-declaration of income to reduce tax (i.e. tax evasion).

How we define a cash-based business is any business which has the ability to transact in cash, whether they hold high levels of cash or not. This definition will therefore include cash-intensive businesses but is not limited to them. Many businesses now only have a small proportion of cash, following the use of electronic payment systems, but are still considered risky because they could still be at risk of facilitating illegal transactions given their ability to make payments and accept receipts in cash.

Clients with connections to high-risk or sanctioned countries

Whilst only three participant firms had clients with connections to high-risk or sanctioned countries in their client base all three firms omitted this risk from their firm-wide risk assessment and AML Declaration. The underlying cause is each case was that the firm misinterpreted this to mean clients trading with or based in such countries. However, 'connections to' has the widest meaning in the context of this question and includes whether the client is from; resident in; has family members or close associates residing there; has a residence or offices there; trades with such countries, etc. The clients discussed during the thematic reviews were from a sanctioned country but had resided in the UK from several years and therefore had been omitted from the firm's consideration of this risk factor. In such cases, while there could be minimal ongoing connection with those countries, firms should be identifying and assessing those risks, and we ask that these are still included on AML declarations to allow the monitoring reviewer to have the necessary discussions with the firm to clarify the extent, if any, of ongoing risks.

Firms are reminded that the Financial Action Task Force (FATF) publish a list of jurisdictions under increased monitoring and high-risk jurisdictions subject to a call for action each quarter. These lists should be monitored by all firms and client connections to any country on these lists should be understood and any associated risk assessed.

The FATF list of jurisdictions under increased monitoring and high-risk jurisdictions subject to a call for action can be found [here](#).

The UK Government provides a free online sanctions check function which can be utilised by firms and can be found [here](#).

This client type brings particular risk factors which means it has a more significant impact on a firm's risk category than some others. As such, omission of a client with links to high-risk and/or sanctioned countries is more likely to lead to omissions in the firm's firm-wide risk assessment and/or AML Declaration being considered significant when considering the outcome on a monitoring review.

Clients with overseas connections

Similarly, 100% of the participant firms with clients with overseas connections in their client base (ten firms in total) omitted this risk from their firm-wide risk assessment and AML Declaration. Underlying causes of these omissions were that the firms misinterpreted the question to mean overseas company (i.e. companies not registered in the UK) clients or clients trading with overseas companies. However, overseas connections encompass a range of factors, including, but not limited to:

- A client with an overseas nationality.
- A client with some residency overseas (although not largely based abroad) or with family connections overseas.
- Clients with, for example:
 - Some (but not the majority of) operations overseas.
 - Some branches or subsidiaries overseas.
- Connected entities overseas.
- Connected trusts/trustees overseas.
- Parent companies overseas.
- Beneficial owners based overseas.
- Directors or trustees based overseas.
- Overseas customers or suppliers.

Such clients identified in these 10 firms included UK based companies with beneficial owners based overseas, personal tax clients who emigrated overseas, UK residents with an overseas nationality and UK client companies with overseas business operations.

When gathering Know Your Client information, firms should gain an understanding of a client's overseas connections in order to make an informed risk assessment, including transactions to/from the country in question, sources of funding, sources of wealth etc. Firms are also reminded to declare all risk factors present within the client base, even if it is believed that sufficient mitigations are in place.

Organisations vulnerable to human trafficking, including employment agencies

Four participant firms had clients operating in industries vulnerable to human trafficking within their client base, specifically employment agencies and haulage companies. An underlying cause of the omission of this risk factor within two of the firms' firm-wide risk assessments was that the template documents used did not explicitly ask a question on human trafficking risks. However, we do ask this question on the AML declaration and these firms also omitted this from their 2024 AML Declaration as they did not identify the link between haulage companies and human trafficking.

The other two firms had employment agency clients, however one only had one such client and the other noted that the employment agencies do not undertake casual working placements. Firms are reminded to declare all risk factors present within the client base, even if it is believed that sufficient mitigations are in place. The firm-wide risk assessment then provides the opportunity to identify the risk and document any mitigating factors or mitigating policies/procedures.

Organisations vulnerable to human trafficking include clients in an industry where there is the potential for organised immigration, crime and modern slavery. Many organisations are vulnerable, including those in construction, agriculture, transportation, beauty industry, employment agencies, domestic work, catering industry, garment and textile industries, entertainment (including adult entertainment) and car washes. However, this list is not exhaustive, and firms should be particularly alert to multiple risks with the one client which could indicate the existence of Organised Crime Groups, such as a client that runs an employment agency and is involved in the property rental sector, or agricultural sector for example, or a client that runs both adult entertainment and beauty businesses.

Clients operating in high-risk industries

Two participant firms were found to have clients operating in high-risk industries during the thematic review discussion. One firm had engaged two clients who work with cryptocurrency and the MLRO/MLCP was alert to the risks associated with this type of client per the discussions held. The firm had omitted this risk from their most recent firm-wide risk assessment as the template documents

used did not specifically ask a question about clients operating in high-risk industries and had not declared this risk in their 2024 AML Declaration as the two relevant clients were new and had not been engaged at the time of submission.

Cryptocurrency, by its nature, offers anonymity that complicates the tracking of illicit transactions. The pace of crypto-technology development challenges regulatory efforts and there is a general lack of effective oversight in crypto, compared to the traditional finance sector.

The other firm misunderstood that their client was potentially trading in dual-use goods, and this was discussed during the thematic review. Sectors with the ability to have dual-use goods are those which can be used for both civilian and military applications and therefore firms must understand the goods being imported and exported by their clients, and the countries and customers with which and whom they are transacting in order to assess the risk of dual-use goods in their client base. The UK government have produced a list of dual-use goods which firms can refer to in their assessment. An example would be fertiliser used for agricultural purposes, but which could also be used in explosives, for example.

The government's list of dual-use goods can be found [here](#).

High value dealers

A high value dealer (HVD) is a dealer that accepts cash payments (i.e. notes, coins or traveller's cheques) of €10,000 or more (or the equivalent in any currency) for goods, whether in a single transaction or a series of linked transactions.

Examples of HVDs that could accept cash payments of these amounts include:

- Jewellery and Precious Metal & Precious Stone Dealers.
- Art and Antique Dealers.
- Luxury Goods Retailers: Businesses that sell luxury items such as designer clothing, cars, watches, yachts, or other high-ticket items.
- Motor Vehicle Dealers: Dealerships that accept large cash payments for vehicles.
- Real estate.
- Auction houses.
- Businesses selling alcohol and tobacco.
- Wholesale cash and carry business.
- Businesses selling supply tools and equipment to tradespeople

HVD businesses must comply with the MLRs and should be registered with HMRC for AML supervision if they accept or make high value payments in cash for the following:

- Single high value cash payments for a large quantity of low value goods.
- High value wholesale or retail transactions.
- A single high value transaction made in instalments or on account.

Three participant firms acted for potential HVD clients and omitted these clients from their risk assessments and the AML declaration. They were all also unaware of the requirement for HVDs to register with HMRC for AML supervision.

Firms should familiarise themselves with these requirements and make inquiries of their clients to understand whether they fall into the definition of a HVD and, if so, whether they are complying with their obligation to register with HMRC for AML supervision.

Non-face-to-face clients

50% of participant firms with non-face-to-face clients recognised and assessed this risk. Where firms omitted this risk, the main underlying cause identified was that the firms had obtained identification, in the form of a photocopy of the individual's passport or driving licence, and therefore believed that they had conducted sufficient verification of ID. However, where an individual has not been met either physically or virtually, the firm may not be able to confirm that they are who they say they are, and there may also be the risk of a lack of engagement in fully understanding the client.

High-net-worth (HNW) clients

5 of the 6 participant firms (83%) with HNW clients omitted this risk from their firm-wide risk assessment and/or AML Declaration. The main underlying causes noted were a different interpretation of HNW and the risk being omitted in error. One firm acted for the individual's company and not the individual themselves (e.g. as a personal tax return client) and therefore did not believe they should include this risk in their assessment.

HNW Client: The definition we have used in our 2025 AML declaration is a person with a substantial amount of assets of £2million or more (excluding their primary residence) or annual income of £200,000 or more.

UK PEPs

One participant firm was identified as having a UK PEP client. This was omitted from their risk assessment as it was misunderstood that the definition of a PEP extends to the spouse (the client in this instance) of a senior politician.

Firms are reminded that a PEP is an individual who is entrusted with a prominent public function in the UK, other than as a middle-ranking or more junior official, or their family member or close associate.

Examples of prominent functions are as follows:

- Heads of state or government.
- Senior politicians, including members of parliament and ministers.
- Senior government officials (e.g., judges, ambassadors).
- Members of the armed forces or police at high levels.
- Senior executives of state-owned enterprises.

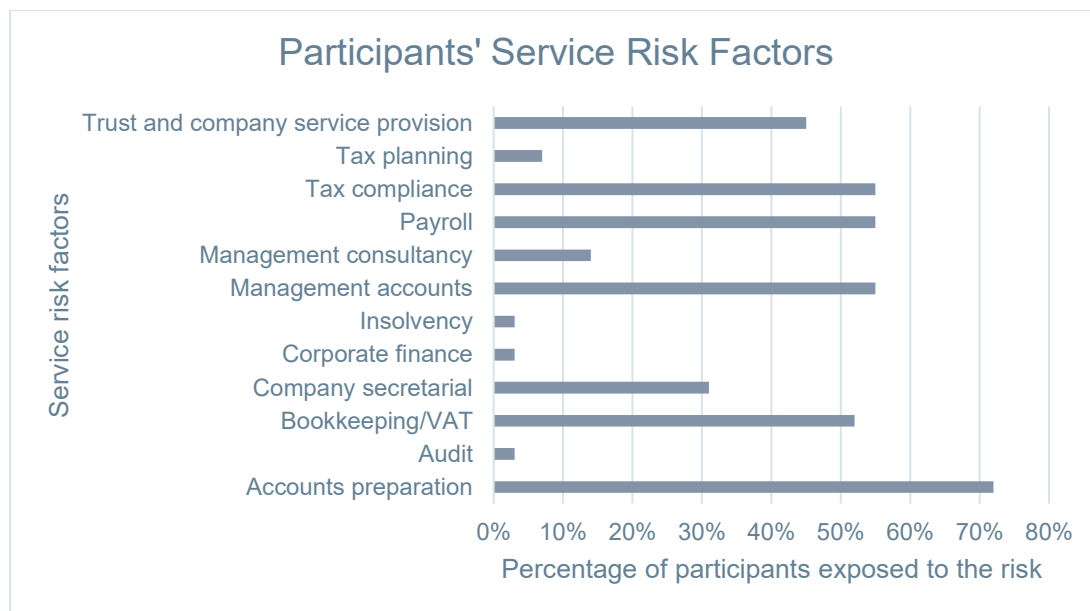
Firms are also reminded that engagement with a PEP must be approved by a firm's senior management and enhanced due diligence (EDD) procedures should be conducted on PEP clients in accordance with the MLRs.

Clients with unusual transactions

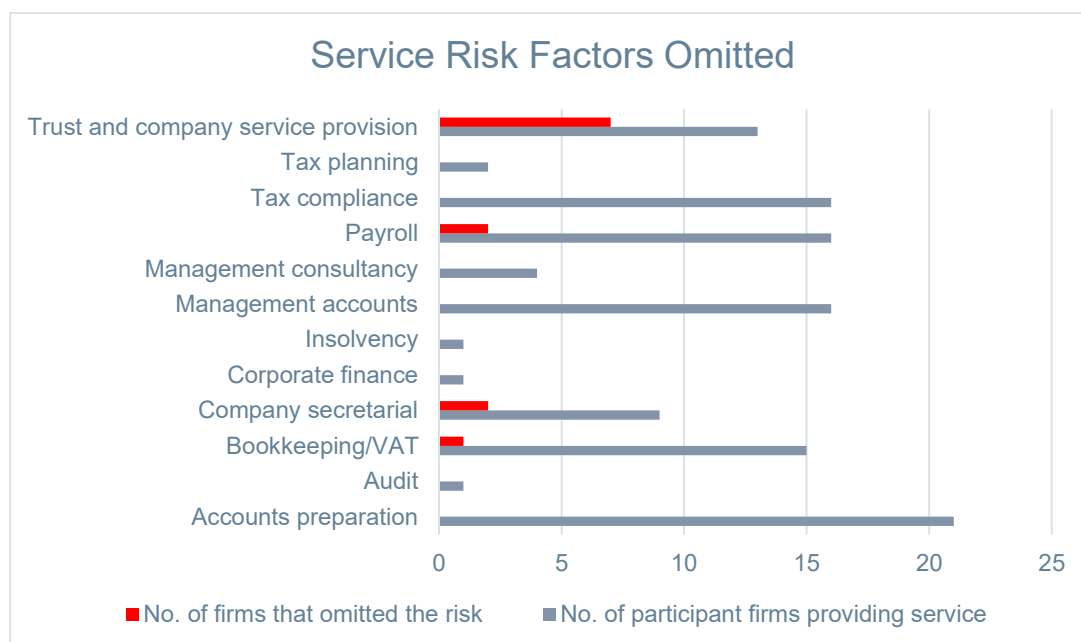
One participant firm identified a client with unusual transactions during the thematic review. This risk factor had been considered in the firm's most recent firm-wide risk assessment but not declared on the 2024 AML Declaration as the transaction occurred following submission of the declaration. This was therefore a timing issue rather than an omission.

Service risks

During the thematic review meeting held with each participant firm, the services provided to clients was discussed. The following services are provided by the participants of the thematic review:



Following the thematic review meeting, the information gathered during the discussion was compared to the firm's most recent firm-wide risk assessment responses and their 2024 AML Declaration submission to understand the services omitted. The below table provides a comparison between the number of firms with the named service and the number of those firms that omitted this from their firm-wide risk assessment and/or AML Declaration:



The results

The results show that the participant firms were more effective at, and familiar with identifying service risk factors than client risk factors. Only a small number of service risks were missed, Again the repercussions for serious under-declaration are covered at the end of the report.

Trust and company service provision (TCSP)

The National Risk Assessment identifies TCSP service provision as being one of the mainstream accountancy services which is at most risk of exploitation and this service is therefore considered to be high risk.

TCSP services were the most common service risks omitted from the participant firms' firm-wide risk assessments and/or AML Declarations with 46% of firms who offer such services failing to assess and/or declare this.

Three firms omitted this in error and two firms had declared company secretarial services and therefore believed they had correctly declared TCSP services. Company secretarial services include making updates to Companies House, such as submitting Confirmation Statements which have been completed by the client (**not** by the firm), on behalf of clients.

TCSP services include the following:

- Company formation.
- Trust formation.
- Providing a registered office address.
- Arranging / acting as director / secretary.
- Arranging / acting as a trustee.
- Completing and submitting Confirmation Statements on behalf of clients.

The remaining two firms who omitted this service risk explained that the service was previously provided to clients but is no longer offered. Therefore, there were 1-3 longstanding clients to whom the firm continued to either provide a registered office address to or act as Company Secretary on Companies House. These were therefore legacy appointments which should continue to be considered by the firms in conducting their firm-wide risk assessment and completing their AML Declaration.

Additionally, two firms submit completed Confirmation Statements to Companies House on behalf of clients but did not include this service in their firm-wide risk assessment and/or AML Declaration. This was due to a misunderstanding that submitting these statements did not constitute company secretarial services as they believed company secretarial was more formally being appointed as Company Secretary.

Firms are reminded that they must be registered with ICAS as a TCSP service provider in order to deliver these services. To obtain and/or confirm registration, firms should contact the ICAS Regulatory Authorisations team. Failure to obtain registration may result in regulatory action if identified on a monitoring review as it is a criminal offence.

Payroll, bookkeeping and VAT returns

Three firms omitted payroll, bookkeeping and VAT services from their firm-wide risk assessment and/or AML Declaration. There was no specific underlying cause identified for these omissions during the thematic review and these services were missed in error.

Firms are reminded that the National Risk Assessment identifies payroll services as being one of the mainstream accountancy services which is at most risk of exploitation and this service is therefore considered to be high risk. One such risk is the use of ghost employees i.e. fake persons being set up on the payroll in order that payments out of the business appear to be legitimate payments.

Similarly, keeping the VAT records for clients and making VAT returns may also be high risk and can risk sales being under-declared in order to avoid VAT, clients failing to register for VAT, VAT fraud being perpetrated, etc.

Whole-firm procedures and compliance

During the thematic review meeting held with each participant firm, the firm's AML policies and procedures were discussed to understand how firms are monitoring their compliance with the MLRs, the level and nature of customer due diligence procedures being applied, the level of AML training being completed, etc. The below table provides a summary of the main findings in regard to whole-firm procedures:

Finding	Participants with finding	% of participants
Insufficient CDD procedures conducted	6	21%
BOOM not approved	2	7%

Insufficient CDD procedures

The annual AML Declaration and ICAS firm-wide risk assessment template ask firms to confirm that they are applying an appropriate level of CDD procedures to their client base. However, during the thematic review, it was found that 21% of firms were not. The thematic review covered a discussion with each firm on their procedures in relation to:

- Identification and verification of the client, including existence of the client, verification of the beneficial owner(s), directors, trustees, etc.
- Recording of Know Your Client (KYC) information.
- Completion of client risk assessments.
- Ongoing monitoring of the client.

Following discussions held with three firms, it was found that some or all clients had not been met face-to-face (in person, via an online platform such as Teams or Zoom, via electronic biometrics, or other method providing sufficient assurance of identity) and therefore their identity could not be sufficiently verified.

Firms are reminded that obtaining a photocopy of a client's ID documentation is insufficient in providing assurance that clients 'are who they say they are' in isolation. Firms should ensure that they can confirm the individual's likeness to the ID documentation obtained by meeting the client or by obtaining copies certified by an appropriate party. Firms may wish to use an electronic CDD platform which includes facial recognition for additional security, for example.

Additionally, for a further three firms, it was found that verification of identities had either not been conducted on clients, or the evidence had not been retained, insufficient KYC information was recorded for clients, a risk assessment was not completed and the CDD records of clients were not subject to ongoing monitoring.

Firms are reminded that inquiries should be made of prospective clients to understand their business, the type and nature of their transactions, their suppliers and customer base, source of wealth/funding, geographical connections, etc., and this information should be recorded to support the risk assessment conducted on the client. KYC information and risk assessments should be subject to ongoing review and monitoring to ensure that information is up-to-date and the level of CDD procedures conducted remains appropriate to the risk profile of the client.

BOOM not approved

Firms must ensure that all BOOMs have been approved by ICAS as BOOMs prior to them acting in such a capacity. Failure to obtain ICAS approval of each person who holds the role of a BOOM in the firm is a criminal offence and any unapproved BOOM(s) identified on a monitoring review would likely result in Committee reporting and a potential regulatory penalty.

The definition of a BOOM is included at [icas.com](https://www.icas.com) [here](#).

Each firm is required to check annually that the list of BOOMs disclosed on the annual AML Declaration is accurate and complete.

The thematic review meetings covered the background of each firm, including ownership structure, officers, and individuals involved at a management level. Where applicable, this involved a review of the firm's profile on Companies House. During the discussions held with two of the participant firms, it was noted that the Company Secretary appointed per Companies House was not an approved BOOM of the firm with ICAS.

Firms are reminded that the Company Secretary is an Officer of the firm and therefore must be approved by ICAS. The Regulatory Authorisations team at ICAS can provide further information on the BOOM application and approval process. A direct link to the BOOM application form can also be found at [icas.com here](https://www.icas.com/boom).

Other common mistakes found on monitoring visits in regard to BOOMs include:

- In some firms we have found that spouses who are BOOMs are omitted. Any spouse/partner of a principal in the firm who has been designated a beneficial owner (e.g. shareholding of 25% or more), director or company secretary must be a BOOM even if they are not actively involved in the firm.
- We have found that AML personnel are sometimes omitted. Any member of staff involved in ensuring compliance with the firm's AML policies and procedures (e.g. an AML manager, ML compliance principal/officer, MLRO) must be approved as a BOOM.

Impact on risk and the monitoring regime

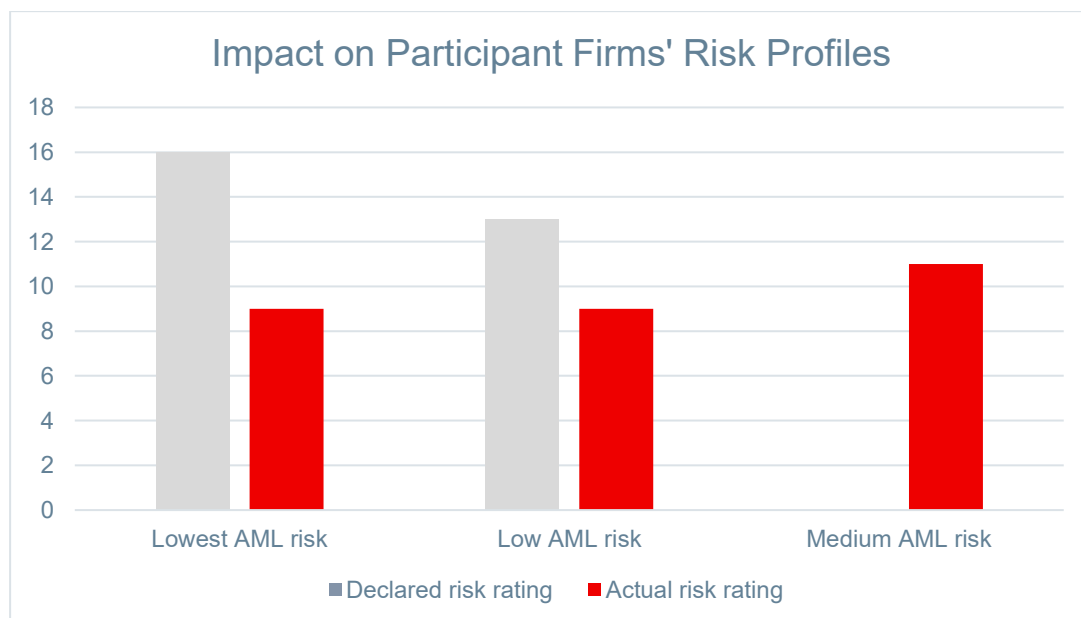
As noted above, based on the responses provided within a firm's annual AML Declaration, they are allocated into one of the following risk categories:

- Lowest
- Low
- Medium
- High
- Highest

The level of risk determines the frequency and nature of ICAS monitoring visits, as follows:

- Highest/high risk – approximately every two years – more likely to be onsite visit.
- Medium risk – approximately every four years – may be either onsite or desktop visit.
- Lowest/low risk – every 4-10 years – more likely to be a desktop visit.

The thematic review was conducted with a sample of 29 firms from the low and lowest risk category population of 274 firms. The main findings of the thematic review have been summarised within this report, alongside the underlying causes identified. The impact of these findings on the risk profile of the participant firms is summarised in the chart below:



The results

Omissions and/or errors in a firm's firm-wide risk assessment and AML Declaration, such as those detailed in this report, have an impact on the risk category of the firm which in turn impacts our

monitoring effort. Additionally, this is also likely to result in a firm underestimating the risks present in their business and the reputational harm they are potentially opening themselves up to.

Our findings show that a significant majority of firms, 55% of the participant firms, had significant omissions and/or errors that would have resulted in an increased risk category. This has a knock-on effect on the ICAS monitoring regime as it changes the timing, nature and frequency of our AML reviews. No firm's risk rating decreased following the thematic review. Firms are reminded to declare **all** risk factors present within the client base, even if it is believed that sufficient mitigations are in place.

Of the most concern was the seven firms which increased from the lowest risk category to the medium risk category, and four firms increased from the low-risk category to the medium risk category. Medium risk category firms are visited more frequently, and in more detail, than low and lowest risk firms. The implications of such serious omission are therefore that:

- The firm may not be visited as early or as frequently in the monitoring regime as it should be thereby 'flying under the radar';
- Were the risk category change not discovered until the monitoring visit this would have serious implications for monitoring resources. The risk category of a firm dictates the level of information reviewed during the monitoring review, the length of the monitoring review and the type of review (i.e. desktop, onsite). Therefore, a firm's risk profile changing following the commencement of a monitoring review has an impact on the MLRO/MLCP's time and the Regulatory Reviewer's time and can lead to an inefficient review process.

Repercussions for firms

The Authorisation Committee is likely to take regulatory action in relation to cases where a firm's AML declaration mistakes are found to have changed the risk category and particularly if it has impacted the timing, extent or frequency of monitoring reviews

Firms are reminded that, as of April 2025, new Regulatory Actions Guidance is now in use which emphasises the importance of firms providing accurate information to ICAS in respect of AML matters and proposes at least a regulatory penalty in such cases where there are serious delays or omissions in providing relevant information to ICAS,

The Regulatory Actions Guidance can be found at [icas.com](https://www.icas.com) [here](#).

Examples of regulatory penalties related to issues identified on this thematic review include but are not limited to:

- A monitoring visit highlights significant differences to the information reported to ICAS in the AML Declaration.
- The Firm has not undertaken a firm-wide risk assessment.
- Firm has not registered a BOOM or BOOMs.
- Firm has not registered for TCSP work.
- There are unacceptable delays in dealing with ICAS.

The ICAS Practice Support team are available to assist firms with, and provide guidance on, AML queries and firms should not wait for the results of a monitoring review to take action in respect of AML matters.

ICAS' response

The omissions and/or errors in a firm's firm-wide risk assessment and AML Declaration, such as those detailed in this report, identified that there may be a gap in our firms' understanding of the questions raised within the firm-wide risk assessment and annual AML Declaration and a need for the Monitoring team to provide firms with guidance on the meaning behind each of these questions and how to respond.

Therefore, following the conclusion of the thematic review meetings conducted at the beginning of 2025, the ICAS Monitoring team produced the 2025 AML Declaration Guidance paper. This guidance was provided to all MLROs/MLCPs via email alongside the link to the 2025 AML Declaration. The guidance was also published on [icas.com](https://www.icas.com) [here](#).

The aim of the guidance paper was to serve as a practical guide to assist firms in accurately completing their AML Declaration by providing clear explanations of the key terms, concepts, and requirements commonly used in AML compliance frameworks in order to ensure consistency, clarity, and a comprehensive understanding of the declaration's questions and the terminology outlined within. The guidance paper included the definition of and, where relevant, examples for, 50 of the questions included in the 2025 AML Declaration.

The deadline for submission of the 2025 AML Declaration was 31 May 2025. Early observations from the AML Monitoring reviews conducted from June 2025 onwards suggest that, where firms have referred to the guidance when completing their 2025 AML Declaration, fewer misunderstandings and/or omissions have been identified during the review process.

Three 'ICAS anti-money laundering in focus' videos were published by ICAS in 2025 to assist firms in understanding two higher risk service areas (TCSP and overseas entity agent services) and in understanding the main findings of the Monitoring Report. The videos can be found at [icas.com here](https://icas.com/here).

In addition to the guidance paper and AML videos, the Monitoring team plan to conduct the firm-wide risk assessment thematic review exercise again in the future to further understand whether the guidance being produced by ICAS is effective and to determine whether firms are improving in this area.

Participant firms have been advised of the improvements required to their risk assessment process and AML declarations. The implications of risk band changes will be fed into the monitoring process.

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