



Anti-Money Laundering
ANNUAL REPORT 2017

2017

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INTRODUCTION

We are pleased to present our first stand-alone Anti-Money Laundering (“AML”) annual report, covering our AML monitoring activities for 2017.

Whilst our AML monitoring is conducted as part of our Practice Monitoring visits (see “What we do”), we have issued a separate report this year due to:

- the increased public interest in how the UK AML regime operates, and particularly how professional firms are supervised;
- the increased Government interest in the effectiveness of the UK AML regime; and
- the wide-spread regulatory changes which took place in 2017.

This report aims to provide transparency over our work and includes:

- An overview of our AML monitoring activities during 2017; and
- Key messages and detailed findings arising from monitoring visits.

We hope that you find it useful in considering your firm’s AML compliance. We encourage you to share the report with your colleagues.

If you have any comments or questions, please contact us at auditandpracticemonitoring@icas.com.

FOREWORD

Significant changes in the AML Regulatory Landscape

We recognise, first and foremost, that it has been a tough year for firms, mainly due to the challenges arising from changes in the economic and regulatory landscape. Whilst many of these changes were not AML related, the AML regulatory regime started to undergo significant reforms during 2017.

The key AML regulatory changes included:

- The new 2017 regulations (or its formal title, “**Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017**”). These new regulations became law on 26 June 2017, creating far wider anti-money laundering requirements and replaced the previous 2007 regulations.
- The Consultative Committee of Accountancy Bodies issued new guidance (CCAB “**Anti-Money Laundering Guidance for the Accountancy Sector**”) to reflect the new regulations, which replaced the previous **CCAB Guidance**. This was published in draft form during 2017, and the final approved guidance was issued on 7 March 2018.
- The outcome of the UK Government’s Call for Information resulted in the announcement that a new Anti-Money Laundering oversight body, The Office for Professional Body Anti-Money Laundering Supervision (“OPBAS”), would come into effect on 1 January 2018.

Additional changes came from the new **PEP (“Politically Exposed Persons”) Guidance** issued by the Financial Conduct Authority and further requirements were issued in relation to **financial sanctions reporting**.

Given the depth of change, Appendix One provides more details of the reformed regulatory framework.

What has ICAS been doing?

We wrote to all MLROs in June 2017 to update every firm on the new regulations and we produced a **brochure** explaining the key changes. We also covered the new changes in the ICAS Practice Management course and in various articles in **CA Practice Magazine**.

Whilst we have continued to conduct AML monitoring as part of Practice Monitoring visits we have also spent a significant amount of time this year meeting with the various Government bodies and other supervisors to discuss the changes. We remain concerned that only the professional body supervisors are accountable to the new oversight body, and that the statutory supervisors, including HMRC, the default supervisor for unqualified operators in the accountancy sector, are not yet scoped into OPBAS oversight.

There have been a number of key consultations which we have responded to, and we have raised the above concerns in our responses. We have made a number of these more recent consultation responses publicly available on the **AML news** section of icas.com.

AML Compliance

Our AML monitoring has shown that we have seen overall improvements in firm's compliance with key regulations.

Nevertheless, we want to make sure where firms are not fully compliant that any issues are quickly addressed, in order to ensure that these firms do not fall further behind with the new regulatory changes, and we have therefore put more firms on follow-up checks.

During 2017, we took an educational approach to our monitoring by providing advice to firms on visits of the new regulatory requirements, given the lack of lead-in time for the implementation of the legislation. From 2018 onwards, our focus will be on monitoring how firms are implementing these changes and on taking appropriate regulatory action if necessary.

Looking to the future

2018 is set to be another challenging, but interesting, year, as highlighted in our section "2018 News".

In the meantime, the key is to try and stay on top of changes. We hope you find this report useful in keeping up to date with some of the main challenges we find.

WHAT WE DO

Background: Developmental Regulation

ICAS is an Anti-Money Laundering (AML) supervisor recognised under Schedule 1 to the Money Laundering Regulations 2017. We aim to deliver Developmental Regulation. This means that our AML monitoring activities are designed to both:

- support the work of our AML supervised firms; and
- uphold standards and provide re-assurance to the public.

Our primary role is to effectively monitor our supervised population and to **work with**, and to **support**, firms to ensure compliance with the Regulations. As explained previously, the regulatory landscape is becoming increasingly challenging, meaning we require to act as a robust regulator.

As this is the first AML report, we have gone into some detail on which firms are supervised, and why, in Appendix One “The Regulatory Framework”.

What we review

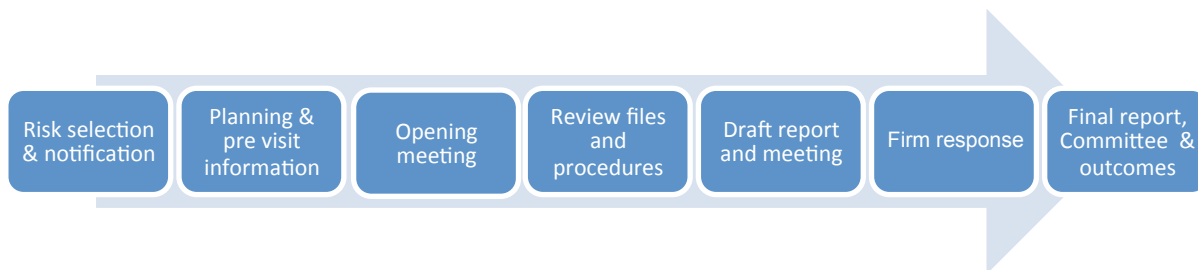
We conduct AML monitoring reviews to all ICAS AML supervised firms. Currently, we conduct our primary AML monitoring review as part of a wider Practice Monitoring review, but our procedures are such that we are able to conduct stand-alone AML reviews or AML follow-up checks, when required.

We risk assess firms to decide on the timing and frequency of reviews, and we use different delivery methods appropriate to the size and types of practices. Most firms will receive an onsite visit, however we also conducted desktop or telephone reviews during 2017 for the smallest practices assessed as low AML risk. If telephone or desktop reviews are commenced that we subsequently identify as a higher AML risk than expected, then we escalate the nature of the visit. First visits to new practices are almost always an on-site visit.

Whilst the primary checking of AML compliance is conducted as part of Practice Monitoring, we also conduct engagement file AML checks during Audit Monitoring and Insolvency Monitoring visits to ensure that these specialist engagements also cover the appropriate AML procedures. From a wider firm context, we ensure that our Practice Monitoring teams and the firm’s AML senior compliance team are kept informed of any audit or insolvency visit AML findings.

How we review

Our AML review process is, as follows, for on-site visits:



For desk-top reviews, firms submit their files and procedures for the monitoring team to review off-site and a telephone call is held with the firm to go over the findings, after which the draft report is sent to the firm.

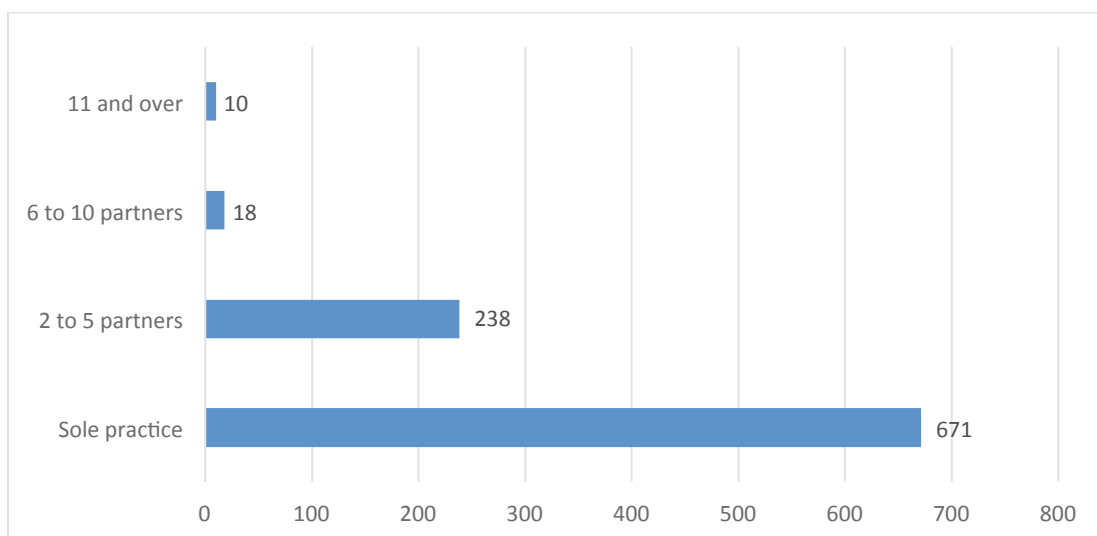
In the case of telephone reviews, no files or procedures are reviewed, and the review consists of a telephone discussion with the firm, followed by the issue of a report. As also covered in "2018 News" we are unlikely to conduct as many, if any, telephone reviews going forward, due to the changing regulatory landscape.

Who we review

We regulated 937 firms and conducted 182 reviews during 2017. We also conducted approximately 60 follow-up checks during 2017.

Size of firms regulated by ICAS at the end of 2017

Whilst our firms vary in size, the majority are sole practitioners and 2 partner firms.

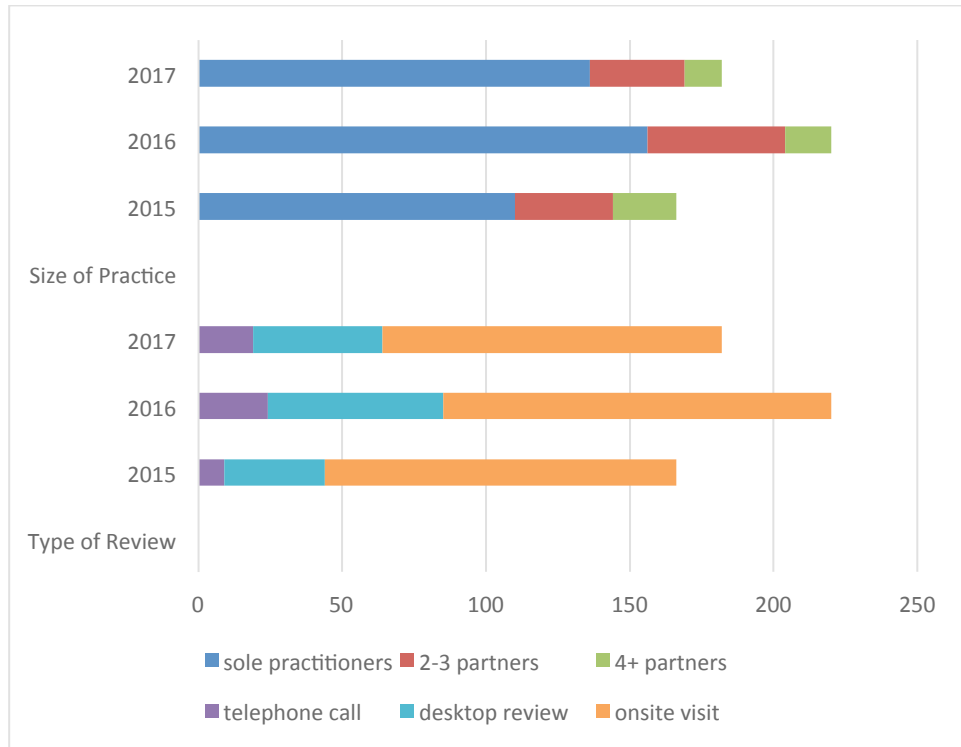


2017 MONITORING RESULTS

Reviews

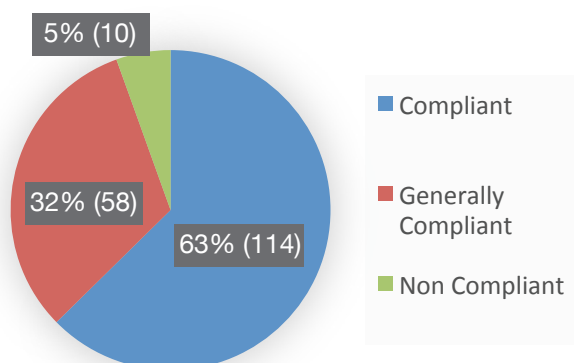
In 2017 we conducted 182 AML monitoring reviews (2016: 220, 2015: 166, 2014: 189), via a combination of delivery methods, and to firms of differing sizes.

The majority of our reviews were to small firms, which mirrors our community of practitioners:

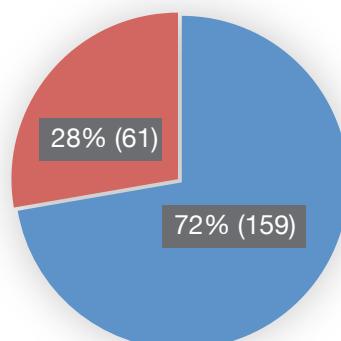


AML outcomes

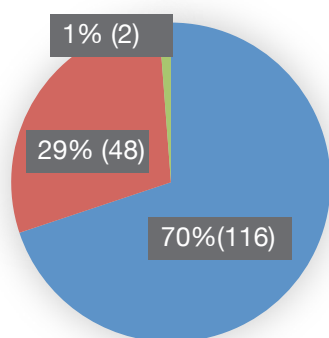
2017 Reviews



2016 Reviews



2015 Reviews



We are required to report to HM Treasury, and going forward to our new regulator OPBAS, whether firms are:

- Compliant;
- Generally Compliant; or
- Non-Compliant.

95% of firms were assessed as compliant or generally compliant. However, the number of fully compliant firms has reduced to 63% of firms reviewed (from 72% in 2016 and 70% in 2015). 37% of firms reviewed in 2017 are now subject to follow-up checks as we follow up on all firms assessed as generally-compliant or non-compliant.

The detailed findings below in the “Key Themes” section show that AML improvements are being made. Nevertheless, we are being more robust with our follow-up checks because:

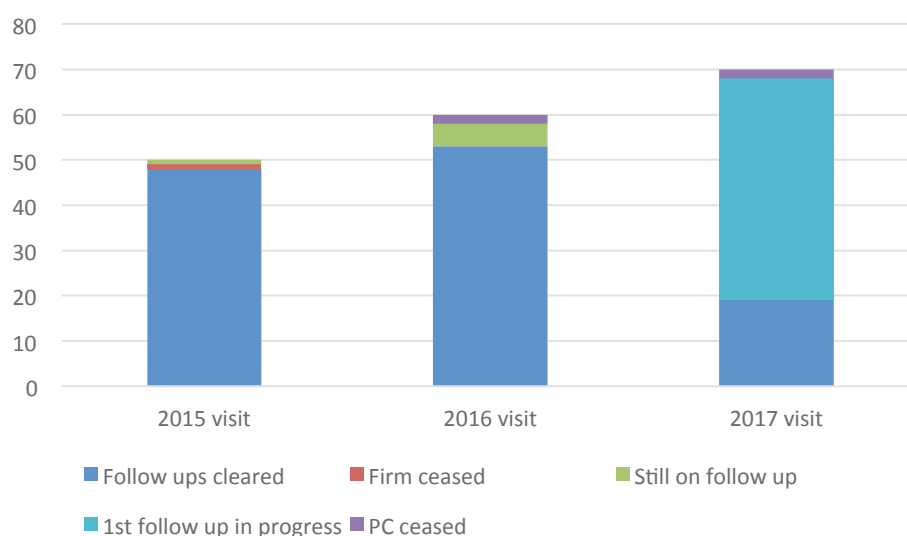
- the previous regulations were in place since 2007 and we are required to follow up on repeat failings;
- if firms don't catch up with pre-existing requirements quickly, they will be left behind with the new regulations; and
- we have a more robust regulatory landscape now, with a new oversight body.

Follow-Up Checks

As part of the developmental regulation approach, all generally-compliant and non-compliant firms receive follow-up checks to ensure that the required improvements are made, as follows:

- **Three-month follow-up checks:** all firms are scheduled for a follow-up check around three months of the Committee outcome letter following their monitoring visit.
- **Practice Support:** firms on follow-up are offered free support from our Practice Support team before they receive their follow-up check.
- **Regulatory sanctions:** firms failing to improve quickly may be faced with regulatory penalties or referrals to the Investigation Committee. But this is exceptional and is 'last resort' for serious cases. Our focus is to get firms to achieve compliance, rather than going straight for penalties or discipline.

Firms on AML follow-up checks



NB: The cleared visits are only those which have been approved as cleared by the Committee. There are many other follow up visits which are underway or awaiting Committee decision.

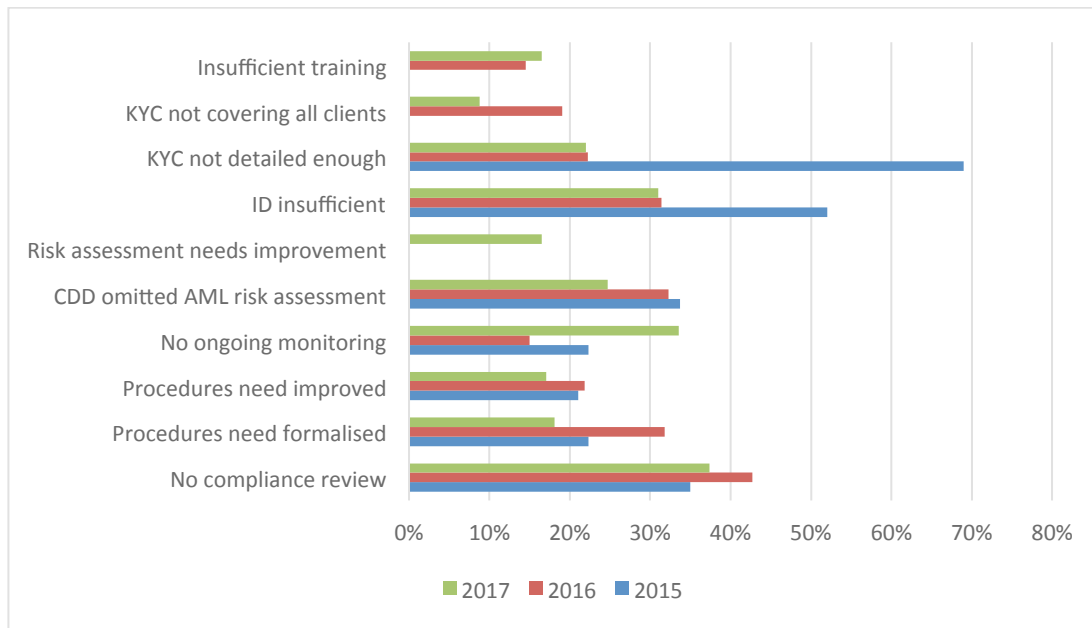
The majority of firms have quickly cleared their follow-up checks on the first three-month follow-up check.

In addition to the follow-up checks, the Authorisation Committee also has a range of powers at its disposal for more serious reports and may impose conditions or restrictions, regulatory penalties, or make referrals to the Investigation Committee.

At present, there are a small number of firms which are on further follow-up checks because their AML issues have not been cleared quickly. Whilst no regulatory penalties have yet been raised, given further follow-up checks to these firms are underway, the Committee will consider whether any further regulatory action is needed in due course.

KEY THEMES

Key AML Findings (% of firms)



Many firms have been adopting the AML section of the General Practice Procedures Manual (GPPM), made available by ICAS at no cost to all AML supervised firms and, as you can see in the table above, improvements have been made in relation to:

- Know Your Client;
- Client Identification; and
- AML procedures.

However, more attention needs to be focussed on risk-based Client (Or Customer) Due Diligence (“CDD”) procedures, and in particular the firm’s approach to AML risk assessments and ongoing monitoring.

We have gone into significant detail below on each of the main issues raised:

- to ensure that your compliance reviews consider these areas in detail; and
- to ensure that we update you on the practical implementation issues in relation to the new regulations.

Conducting a thorough AML risk assessment

Using the five criteria

One of the most important areas of the new Money Laundering Regulations 2017 is the focus on the AML risk assessment process.

Conducting a thorough risk assessment of each client, and the services provided to each client, is not new and was a requirement of the old regulations. However, all too often we see firms only gathering client identification proof (e.g. passports or driving licences) and know your client (KYC) information, and missing the key point of CDD which is to take this information and decide whether this client/service poses a low, standard or high risk of money laundering/terrorist financing. This risk assessment should be supported by the evidence gathered and the reason for the conclusion should be clear.

Whilst this has been a longstanding requirement, the new regulations are far more explicit on what criteria need to be considered in making your risk assessment.

These risk assessments should include consideration of the main five risk criteria of:

- the nature of client;
- geography;
- nature of services being provided to client;
- the transactions of the client; and
- the means of delivery of the services to the client.

This risk assessment is key and determines the extent and frequency of CDD required:

- **Extent:** how much supporting evidence needs to be gathered, and the extent of third party verification; and
- **Frequency:** how often you will need to monitor this (“ongoing monitoring”).

This is a cyclical process where you may need to gather initial information from clients. If there are any concerns further work may be required in deciding whether to accept the client and, if so, how to monitor the client/service and safeguard against risks.

Enhanced & Simplified Due Diligence

The approach to Enhanced Due Diligence (EDD) and Simplified Due Diligence (SDD) is different now. Under the old regulations the application of anything other than a standard risk assessment was pretty “automatic” i.e. if the client was not face-to-face EDD was applied, if the client was a UK financial institution or quoted company or similar, SDD was applied.

The intention behind the new regulations is to ensure that there is more thought given to this and it now requires that a full risk assessment is completed covering the five risk criteria above, before anything other than standard CDD is conducted.

For example, if you had a listed company client where SDD would have been automatic in the past, you will now need to risk assess the client to ensure that there are no other risks which might mean SDD isn't right – such as the client is a UK listed company but has a division which trades with high risk countries.

Similarly, the new requirements are essentially saying that if you have any high-risk factors, over and above the factors that were covered in the old regulations, EDD should be employed.

These new regulations were intended to enhance the risk approach and not reduce its effectiveness. However, we have identified one issue in firms' implementation of these new requirements – the widespread over-reliance on SDD.

A firm's due diligence is intended to be risk-based. Rather than interpreting the new regulations as requiring an extra layer of thought in relation to the application of SDD or EDD, they have instead been interpreted as allowing SDD to be applied across a wider number of clients.

A small number of firms have recently, incorrectly, applied SDD to their firm's full client base. This has been justified on the basis of “low risk”, however when the monitoring team have reviewed the risk assessments it is clear that the clients are really just standard risk and that there are no especially “low risk” factors.

We advise firms to consider that the default is standard risk and any movement from that assessment should be justified on client files with supporting evidence.

Section 5.3.5 and Appendix E of the **CCAB Guidance** provides useful guidance on low risk factors in determining whether SDD is appropriate– but firms are warned that you are required to consider the totality of the five risk criteria in considering whether the client is low AML risk and SDD is appropriate. Low risk factors should not be “cherry-picked” to justify the application of SDD.

Firm-wide risk assessment

One of the changes in the new Money Laundering Regulations 2017 is the need for each firm to complete a firm-wide risk assessment which is kept up to date, and which ICAS may ask you to submit from time to time.

Rather than just being yet another regulatory “hoop” this change is aimed at getting firms to stand-back and think about the firm in totality, and the areas that might expose the firm to higher risks of being used to facilitate money laundering/terrorist financing. This risk assessment should then inform the firm on the particular blocks of clients or services which are higher risk for which EDD should be applied on each engagement or lower risk where SDD could be appropriate.

As explained in “ICAS Support” the monitoring team have produced a firm-wide risk assessment template, guidance and worked examples. This can be accessed on the **AML news section** of icas.com.

Ongoing monitoring

Firms are reminded that CDD is not a one-off exercise and should be kept up to date. As mentioned above, the frequency and extent of ongoing monitoring of clients and services provided should be dependent (a) on the AML risk assessment and (b) when any new risks emerge.

Firms are advised to use the new firm-wide risk assessment (see “ICAS Support”) to identify key risks in the firm, and to ensure that client or service types needing more regular or in-depth CDD are being identified.

Compliance Review

As with previous years, the lack of a regular AML compliance review continues to be a regular finding on visits and one which firms could easily remedy.

The new regulations now refer to the requirement to have an “independent audit function”. The **CCAB Guidance** interprets this as being regular, independent reviews to understand the adequacy and effectiveness of the firm’s systems and any weaknesses identified.

The guidance indicates that “independent” does not necessarily mean external, as some businesses will have internal functions (typically audit, compliance or quality functions) that can carry out the reviews. Any recommendations for improvement should be monitored. Existing monitoring programmes and their frequency can be extending to include AML.

The reviews should be proportionate to the size and nature of the business. A sole practitioner with no relevant employees need not implement regular, independent reviews.

Client Identification

We have generally seen a gradual improvement in this area, but where firms are still falling down is in not having any evidence of client identification for longstanding clients.

One of the concerns we have with the new regulations is in relation to the application of SDD procedures for identification purposes.

In addition to a number of firms applying SDD on too wide a basis, a number of firms have interpreted SDD as meaning that they do not need to verify the identity of clients, and their beneficial owners. Our interpretation is that that Section 28 requires that client identification is verified, regardless of the AML Risk Assessment. However, the extent of the verification will depend on the AML risk.

Know Your Client

Whilst improvements are being made in relation to Know Your Client information, a number of firms have not provided enough information about the client to support the client’s risk assessment, particularly regarding the client’s finances, sources of income and other financial data.

Procedures

Key to all of the above is ensuring that your firm has up to date procedures in place.

Improvements have been seen across the last three years, mainly due to the implementation of General Practice Procedures Manual (“GPPM”) which ICAS has made available free to all eligible firms (and the AML section free for all ICAS supervised firms).

However, where a number of firms fall down is making sure that these procedures have been tailored to the firm’s circumstances.

Firms should also remember that the Money Laundering Regulations 2017 require that the firm’s AML policies and procedures:

- are regularly reviewed and updated;
- must be appropriate to the size and nature of the firm;
- must be approved by senior management;
- must be in writing and include a record of any changes as a result of the review and update and the steps taken to communicate those policies, controls, & changes within the firm;
- must include risk, internal controls, Customer Due Diligence (“CDD”), reporting and records, compliance monitoring; internal communication; policies for enhanced risk situations (EDD); and
- take into account sector guidance such as CCAB guidance.

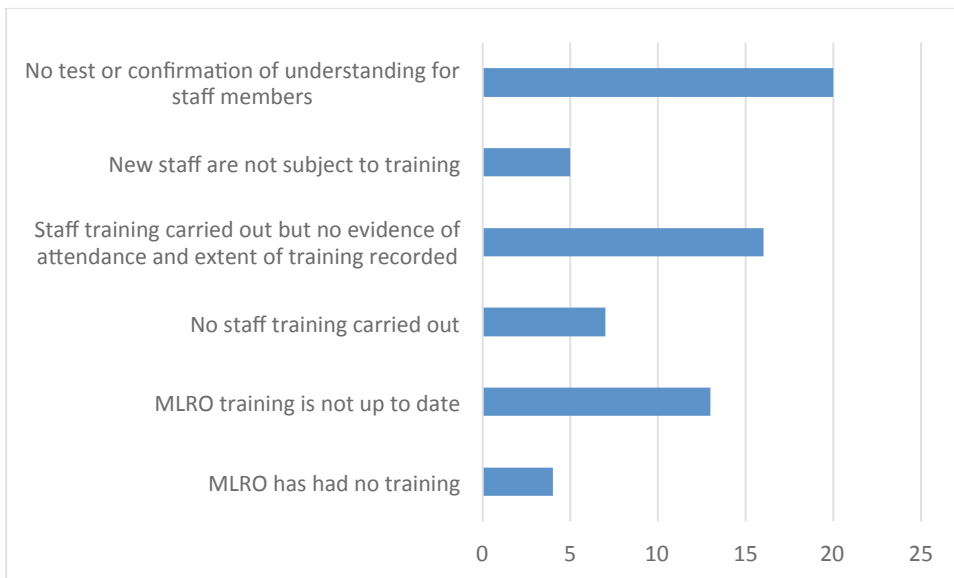
If your firm is not tailoring off-the-shelf procedures, then you will need to ensure that your policies and procedures are updated for the new regulation requirements.

Training

As well as procedures, it is very important that firms ensure that all principals and staff are trained on the money laundering requirements and on the firm’s procedures, and that their understanding of the firm’s policies and procedures are confirmed.

This year, 30 of the firms visited (16% of firms reviewed) had insufficient training.

Given the importance of this area, we have provided a graph below:



Also remember that in addition to staff training the new regulations also now require employee screening.

Reporting

Finally, in relation to reporting, we now conduct an in-depth review of the firm's SARs (Suspicious Activity Reports) and SAR procedures on monitoring visits. Whilst the incidence of issues is low this is a very important area of monitoring, in order to ensure that firms are taking the correct approach to reporting to the National Crime Agency ("NCA").

Our monitoring includes checks to ensure that:

- Records are being maintained of any matters reported by staff to the MLRO and of action taken to such reports.
- Reports made by staff to the MLRO are held separately by the MLRO and not on the client file.
- There is evidence that the MLRO has considered reports made by staff within a reasonable timescale following the report being made.
- Appropriate procedures are in place covering external reports to the National Crime Agency ("NCA").
- Firms have sought "consent" to continue to act when a report has been made.
- Where reports have been made, that appropriate **glossary codes** quoted as part of the report.
- Any reports to the NCA are held separately by the MLRO and not on the client file.
- There are procedures in place for suitable secure storage of internal reports and SAR's for at least 5 years after receipt by the MLRO.

The frequency and number of SARs is reviewed as part of the visit and where delays in dealing with SAR reporting are noted, these are investigated by the monitoring team to establish the reasons.

The ICAS website contains **guidance on the role of MLROs**. There is also **NCA** guidance.

Firms are also reminded that GPPM provides useful guidance on the appropriate approach to reporting. In particular, it provides guidance on firm's reporting responsibilities where HMRC have already instigated an investigation (firms are still advised to consider whether there is the possibility of criminal conduct and to discharge their SAR report duty where there are concerns).

ICAS SUPPORT

We take a developmental approach to regulation, and we have a number of initiatives to assist our community of firms in complying with compliance requirements.

AML News (www.icas.com/amlnews)

AML has been fast-changing over the last year and our AML news page informs firms of key developments as they happen.

The AML news page includes the following key publications:

- A link to the new Money Laundering Regulations 2017;
- An explanation booklet on the key changes brought about by the new regulations;
- A link to the new draft CCAB Anti Money Laundering Guidance for the Accountancy Sector;
- The new ICAS Firm-Wide Risk Assessment, Guidance & Templates (see below);
- A link to the new FCA PEP Guidance; and
- Our consultation responses to various HM Treasury and Financial Conduct Authority consultations on the future of AML regulation.

ICAS Firm-Wide Risk Assessment, Guidance & Templates

In February 2018, the Practice Monitoring team issued guidance on the new requirement to conduct a firm-wide AML risk assessment (a requirement of Section 18 of the new Money Laundering Regulations 2017).

This guidance includes the following:

- A new template risk assessment;
- Guidance explaining how to conduct the firm-wide risk assessment, and keep it up to date;
- Two worked examples, showing how the template can be used in practice.

This guidance is aimed at supporting our practitioners and is not mandatory. Firms can use other proprietary checklists, or develop their own approach, if preferred.

CA Practice digital magazine

CA Practice digital magazine brings the latest essential information, news and views for those in public practice. Issued on the third Thursday of each month CA Practice has been designed to alert you to important issues and inform you of the ICAS practice team's activities and important course dates.

Previous articles have included:

- AML developments;
- Making Tax Digital updates
- GDPR
- Practice development
- Technical Bulletin roundup

The current issue can be accessed at capractice.icas.com.

Back-dated copies can be accessed at <https://www.icas.com/ca-today-news/icas-digital-magazines/ca-practice/ca-practice>.

The General Practice Procedures Manual

If you have not already registered to use GPPM and you would like to, please go to <https://www.icas.com/member-benefits/general-practice-procedures-manual> (you require to first log in with your member details) or contact Practice Support.

Practice Management Course: The deadline looms

Practising Certificate Holders are reminded of the need to attend this course once in the five-year period from 1 April 2014 to 31 March 2019.

The dates and locations on icas.com are the last opportunities available to attend the course prior to the 31 March 2019 deadline and reminders will be issued to those who have yet to attend.

This course provides an AML update and for 2018 will focus on the practical implementation of the new regulations and the key issues we are finding.

For more details search “**Practice Management Course**” at icas.com.

2018 NEWS

The main changes during 2018 are expected to be:

- The HMRC Trust & Company Service Provider register went live on 1 March 2018. The next phase of approving beneficial owners, officers and managers will take place in Quarter 2 of this year. This will be an easy online form.
- As part of this form, firms will be asked to provide their firm-wide risk assessment.
- In order to accommodate the new regulatory regime, we will shortly be publishing ICAS AML Regulations. This is to ensure that firms are clear on their main responsibilities and also in order for ICAS to be able to take regulatory action when required.
- Our monitoring approach to the smallest firms is likely to move away from telephone reviews.
- OPBAS is now operational.

Approval Process

Following on from submission of the **AML Regulatory Form**, the Regulatory Authorisations team will contact all respondents directly to ensure that their firm's beneficial owners, officers and managers apply for "approved person" status. This simple application process will be open during Quarter 2 of this year, and the final deadline for existing firms will be 26 June 2018, in line with the legislation.

Firm-wide risk assessment

As part of the above online application form, firms will also be asked to submit their firm-wide risk assessment. As explained in ICAS Support, we have provided example templates, guidance and worked examples in www.icas.com/amlnews to help you with this.

Monitoring approach

Given the changing regulatory landscape, we are unlikely to conduct many, if any, telephone reviews going forward. Most firms will receive an onsite or desktop review (with those firms previously receiving a telephone review, most likely receiving a desktop review) both of which include a review of engagement files and procedures.

OPBAS

There have been a significant number of public consultations in the run up to the establishment of OPBAS. The impact of OPBAS on firms is likely to be minimal given the day-to-day engagement will be with ICAS. Nevertheless, there will be cost implications, as highlighted in the recent OPBAS fee consultation, and the impact on regulatory licence fees will require to be considered in due course.

APPENDIX ONE: THE REGULATORY FRAMEWORK

Who is regulated?

The following roles conducted by our firms are regulated;

- auditor;
- external accountant;
- insolvency practitioner;
- tax adviser; or
- trust or company service provider (TSCP).

Accountancy services are defined by the HMRC as “*the recording, review, analysis, calculation or reporting of financial information*”.

We provide a more detailed definition of accountancy services in the ICAS guidance called **Guidance: When is Practising Certificate required?**.

TSCP services are defined in the regulations and include:

- forming companies or other legal persons;
- acting, or arranging for another person to act—
 - o as a director or secretary of a company;
 - o as a partner of a partnership; or
 - o in a similar capacity in relation to other legal persons;
- providing a registered office, business address, correspondence or administrative address or other related services for a company, partnership or any other legal person or legal arrangement;
- acting, or arranging for another person to act, as—
 - o a trustee of an express trust or similar legal arrangement; or
 - o a nominee shareholder for a person other than a company whose securities are listed on a regulated market.

If you are in doubt whether any of your entities require to be supervised, please contact our regulatory authorisations team who can advise you. See the contacts in our ICAS Support section.

What is the legislative framework?

There is significant legislation involved in AML supervision, including:

- The Money Laundering Regulations 2017;
- The Proceeds of Crime Act 2002 (POCA) as amended by the Serious Organised Crime and Police Act 2005 (SOCPA) and relevant statutory instruments;
- The Terrorism Act 2000 (TA 2000) (as amended by the Anti-Terrorism Crime and Security Act 2001 (ATCSA) and the Terrorism Act 2006 (TA 2006)) and relevant statutory instruments.

POCA and TA 2000 contain the offences that can be committed by individuals or organisations.

Following the introduction of the new Money Laundering Regulations 2017, the Consultative Committee of Accountancy Bodies (CCAB) has also updated our sector guidance “Anti Money Laundering Guidance for the Accountancy Sector”. Appendices cover insolvency and taxation. Meanwhile, audit guidance has been issued by the Financial Reporting Council (FRC) via International Standard on Auditing 250A (ISA 250A).

Why were there changes during 2017?

Whilst some of the new 2017 regulations were directly translated from the EU 4th Money Laundering Directive, which required to become UK law on 26 June 2017, a number of other regulation changes derived from the UK political landscape:

FATF

At the time of writing this report, the UK is currently undergoing its Financial Action Task Force (FATF) mutual evaluation. This means the UK is being assessed for its effectiveness in combatting money laundering and terrorist financing. In the lead up to this evaluation, the UK Government made a number of changes to the UK's AML regime, extending the regulations beyond the minimum EU requirements, including:

- The requirement to have an approval process for beneficial owners, officers and manager of AML supervised firms, which includes criminality checks, and for which firms will require to submit applications by 26 June 2018; and
- A Trust & Company Services (TCSP) services register maintained by HMRC.

Government Call For Information

As part of the Government's increased focus on AML it issued a Call For Information during 2016. This review focussed on the wide range of professional body supervisors and did not extend to the Government's statutory regulators. The result of this review was the formation of a new oversight body, OPBAS, with the aim of ensuring consistent regulation across the professional bodies.

OPBAS

Our new oversight body ("the Office for Professional Body Anti-Money Laundering Supervision"), is charged with ensuring consistent supervision in the legal and accountancy sectors.

OPBAS is to be housed within the Financial Conduct Authority, effective from 1 January 2018. Its scope will not cover the statutory supervisors, being HMRC; the FCA and the Gambling Commission.

Its powers are wide and include the powers to:

- Publicly censure /remove AML supervisors;
- Request information/annual questionnaires/returns;
- Commission skilled third parties to report on body's AML effectiveness;
- Accompany professional bodies on monitoring visits;
- Conduct desk-top reviews;
- Conduct onsite supervisory visits;
- Request staff attendance at interview;
- Conduct thematic reviews;
- Issue directions; and
- Facilitate information sharing.

There have been numerous public consultations on the establishment of OPBAS, although we remain concerned by the uneven playing field in relation to accountancy supervision, given that the unqualified operators are regulated by HMRC and not within OPBAS scope. To see our consultation responses, please visit the consultation section at www.icas.com/amlnews .

We anticipate regular inspection visits and accompanied monitoring visits from 2018 onwards.

TCSP Register

As explained above, one of the new requirements of the Money Laundering Regulations is that HMRC will hold a register of firms conducting TCSP services. This register though will not be available for public inspection and will only be available to law enforcement agencies.

All firms AML supervised by ICAS were previously asked by our regulatory authorisations team in December 2017 to complete an **AML Regulatory Form** by 5 January 2018, in order to ensure that firms conducting these services are included on the new statutory register. This was an online form and we thank firms for taking the time to complete the form.

It is a criminal offence to conduct TCSP services without being disclosed on the register. If you have not completed an AML Regulatory Form and you think ICAS is your AML Supervisor, please submit this form urgently. The website link above provides advice by way of FAQs.

Approval of beneficial owners, officers and managers

Section 26 of the new Money Laundering Regulations 2017 requires all beneficial owners, officers and managers in each firm to be approved by their AML supervisory authority – the deadline for application is 26 June 2018.

As part of our preparation for this approval we requested some firm information in the above AML Regulatory Form so that we have all the necessary firm information before our regulatory authorisations team start the approval process.

The next phase of the application will be issued in Quarter 2, and will involve the firms providing information about all beneficial owners, officers and managers in the firm to ensure that these persons become “approved persons”, as explained in 2018 News.

APPENDIX TWO: OTHER USEFUL LINKS AND CONTACTS

We hope you find this report useful. If you have any comments or questions please contact us at auditandpracticemonitoring@icas.com

Within ICAS there are a number of contacts which may be useful:

- **Regulatory authorisations:** if you have any queries regarding your firm's ICAS AML supervision or the approved persons within your firm, please contact regulatoryauthorisations@icas.com or phone 0131 347 0286.
- **Money Laundering confidential helpline:** if you have any potential money laundering issues, please contact our confidential helpline on 0131 347 0271.
- **The ICAS Practice Support Service:** provides support to all ICAS registered firms. It offers a variety of services on all aspects of practice, which can be tailored to meet the needs of your firm. For more information on any of these services, contact 0131 347 0249 or email practicesupport@icas.com