



ANTI-MONEY LAUNDERING (AML) MONITORING ANNUAL REPORT 2018



2018

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INTRODUCTION

We are pleased to present our Anti-Money Laundering (“AML”) annual report, covering our AML monitoring activities for 2018. We are aware that the recent period has been a challenging time, particularly with the implementation of the new Money Laundering Regulations 2017 (full title: The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017)

Whilst there continues to be some examples of firms implementing the new regulations well, a number of compliance results in this report are disappointing, but anticipated, due to these regulatory changes. For this reason, the Foreword this year comes from the Regulation Board, so that we can underline some important messages for firms.

Whilst our AML monitoring is conducted as part of our Practice Monitoring visits for which we have issued a full Practice Monitoring Annual Report (see “What we do”), we continue to issue a stand-alone AML report 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 due to the new regulations.

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

- An overview of our AML monitoring activities during 2018; 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

Introduction

The Regulation Board is the executive board established by Council for setting policy and procedures relating to the regulatory functions of ICAS, including AML supervision. For this reason, this year's report Foreword comes from the Regulation Board, which aims to underline a number of important messages to firms.

The Board is comprised of members of Council, the Chairs of both Regulatory Committees, four Public Interest Members (including two Public Interest Members of Council) and a number of CA members. The Authorisation Committee, which makes all regulatory decisions in relation to audit firms, reports regularly to this Board. The Investigation and Insolvency Committees also report to this Board'

We have recently considered the 2018 AML monitoring findings presented to us by the Authorisation Committee and are concerned by the compliance results. The Board would, therefore, like to share a number of important messages with our firms.

Compliance results

Whilst there has been a reduction in non-compliant firms (from 5% in 2017 to 3% in 2018) the number of compliant firms has reduced to 57% of firms reviewed (from 63% in 2017, 72% in 2016, and 70% in 2015), with an increase in the number of generally compliant firms increasing to 40% in 2018.

The Board had anticipated a downturn in compliance given that the "Goalposts have moved" and firms are now being measured against the new Money Laundering Regulations 2017, over which there is a learning curve.

Nevertheless, the Board is disappointed by the overall number of firms requiring follow-up checks and would like to highlight a number of key steps below that firms could take now to improve compliance. It is much preferable for firms to take timely measures now, rather than wait until a monitoring visit.

The Board would note that the firms that have demonstrated a good level of compliance in the face of these challenges are to be commended, and the Monitoring team have fed back these positive messages through the visit process.

Challenges

We understand that it has been another tough year for practitioners. Firms have been hit with a number of regulatory changes which impact general practice, including:

- The implementation of the Money Laundering Regulations 2017;
- The introduction of the General Data Protection Regulation (GDPR);
- The transition to New UK GAAP; and
- Making Tax Digital.

Whilst these changes have increased the workload of firms, this has not translated into increased fees. This, coupled with staff shortages faced by a number of firms, and difficult economic conditions, has led to a squeeze on firms' resources, which may have led to some firms devoting less resources to AML compliance than is required.

Main Area of focus

The most significant weaknesses identified in this report are the failure to adopt appropriate risk based Customer Due Diligence measures and to monitor these risk assessments on an ongoing basis. Approximately 30% of firms are still identified as having weaknesses in these areas. This is covered in more detail in the Key Themes section of the report.

Regulatory impact

As is explained in the 'Follow-Up' section of this report, ICAS is a developmental regulator and we have developed a follow-up check approach which means firms are given one chance to improve, before paid follow-up checks or regulatory penalties are considered necessary. Most firms clear their first follow-up check quickly and no further action is required. However, in cases of delays the Authorisation Committee will charge the firm for successive follow-up checks or has the power to raise regulatory penalties or, in the worst cases, refer firms to the Investigation Committee for disciplinary action.

Our new AML oversight body, OPBAS (the Office for Professional Body AML Supervision) has already notified all professional bodies that poor compliance will not be tolerated and that all professional body supervisors should be operating "credible deterrents" and that regulatory or disciplinary sanctions require to be adopted.

In light of the above we have published new guidance called "AML Regulatory Actions Guidance", which aims to make the Authorisation Committee's regulatory actions more transparent to our firms. This guidance can be accessed at <https://www.icas.com/regulation/amlnews>

Actions Needed

We acknowledge that there are no easy answers to these challenges. We urge you to take action now if your firm is not AML compliant. If you are not sure how compliant your firm is, we urge you to engage with the ICAS Practice support team for advice and assistance and invest in an external compliance review or training. The monitoring team have indicated that if the following key steps are taken you should be in a good position:

- **Step 1: Direct sufficient resources to AML compliance:** when our monitoring team visit firms, AML compliance is quite often viewed as an administrative job that is not a priority. Given the change in regulatory landscape this needs prioritising and sufficient time and resources allocated to it. Partners and staff should be trained up and be knowledgeable too.
- **Step 2: Prioritise risk assessments:**
 - **Step 2A: Prioritise getting all AML risk assessments documented and up to date.** Don't wait until a monitoring visit. This means pulling together all the information you have on a client in support of the risk assessment too.
 - **Step 2B: Pull together the sum of these risk assessments into one overall firm-wide risk assessment.** Ideally do this before your Firm's Annual Return is due, as you will be asked to submit it then.
 - **Step 2C: Introduce an ongoing monitoring mechanism that prioritises your riskier areas:** Ongoing monitoring is needed to keep the AML risk assessment up to date. For standard or lower risk AML clients with no significant changes, annually should be fine. Clients with higher risk, should be reviewed more regularly and enhanced due diligence procedures should be applied. It is important to record the extent of ongoing monitoring undertaken. Even if there are no changes, you should at least document when the review was conducted, and the conclusions reached.

Each of these requirements is covered in more detail in the Key Themes section of this report.

ICAS will continue to help you and your firm in achieving AML compliance. Examples of the support available includes:

- Advice and support on monitoring visits;
- Firm-wide risk assessment guidance, templates and case-studies;
- Follow-up checks;
- Practice Support visits and advice;
- Our new online bank of technical resources, including an AML section;
- Access to the General Practice Procedures Manual; and
- Practice Management course.

These are explained in the ICAS Support section of the report.

Conclusion

This report brings a number of important messages, but if you take prompt action now it should be easier in the long term. We hope that you find this report useful and start to take action on any issues that could apply to your firm.

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.

- 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

Appendix One explains the “The Regulatory Framework”.

What we review

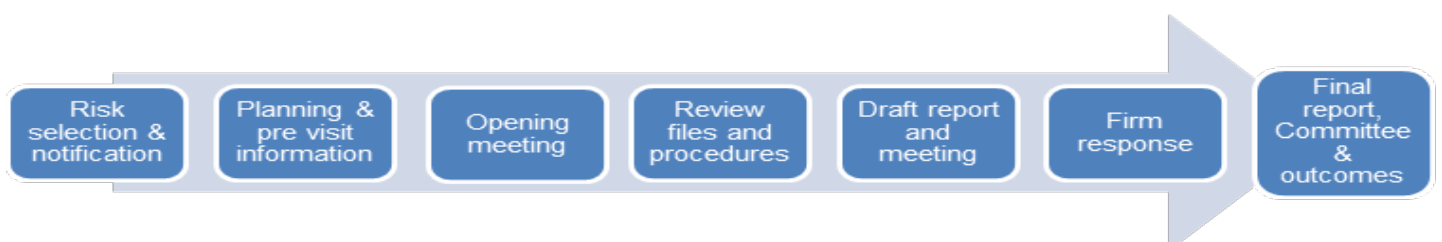
We conduct AML monitoring reviews to all ICAS AML supervised firms. Currently, we conduct our primary AML monitoring review as part of a wider Practice Monitoring review, but our procedures are such that we are able to conduct stand-alone AML reviews or AML follow-up checks, when required.

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 reviews during 2018 for the smallest practices assessed as low AML risk. If 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. We took the decision to cease telephone reviews, which was previously one of the methods of fulfilling monitoring responsibilities, following the implementation of the new regulations.

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:



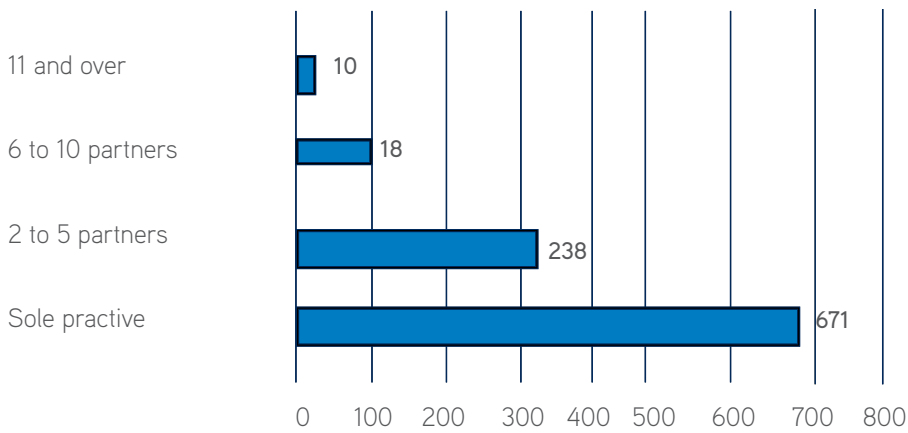
For desk-top reviews, firms submit their files and procedures for the monitoring team to review off-site and a telephone call is held with the firm to go over the findings, after which the draft report is sent to the firm.

Who we review

We regulated 965 firms and conducted 161 reviews during 2018. We also conducted approximately 60 follow-up checks during 2017.

Size of firms regulated by ICAS at the end of 2018

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

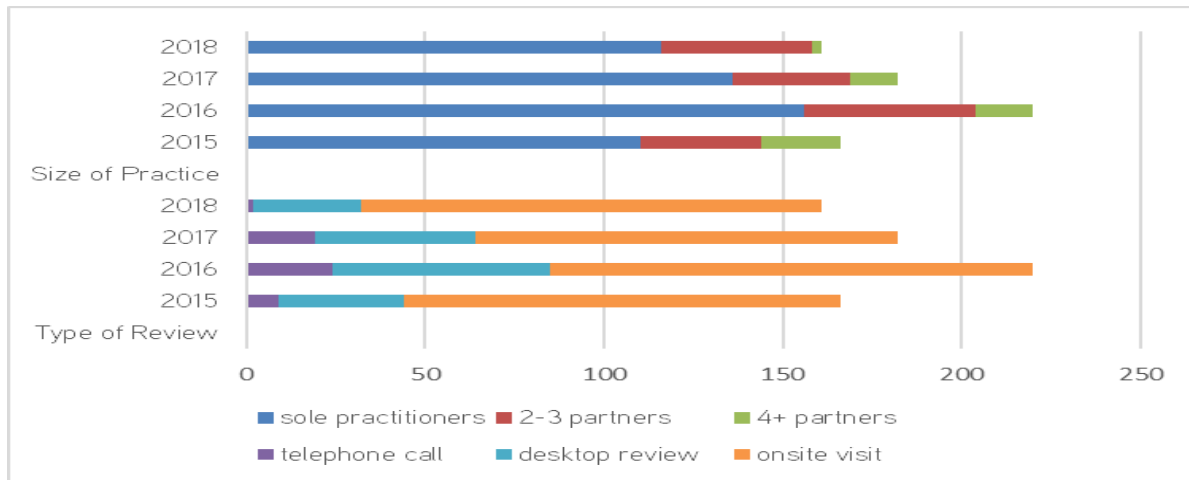


2018 Monitoring Results

Reviews

In 2018 we conducted 161 AML monitoring reviews (2017: 182, 2016: 220, 2015: 166, 2014: 189), via a combination of delivery methods, and to firms of differing sizes.

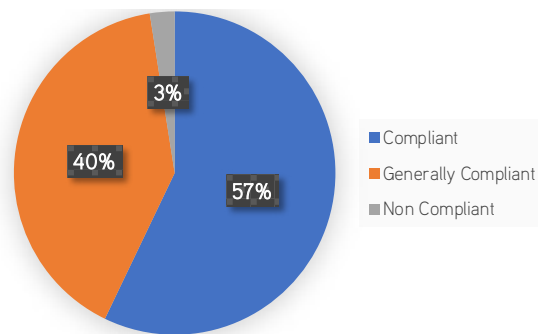
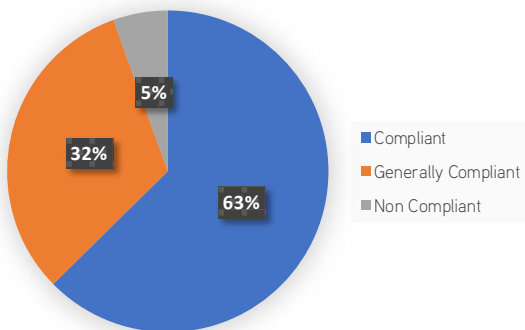
The majority of our reviews were to small firms, which mirrors our community of practitioners:



AML outcomes

2018 Reviews

2017 Reviews



It is difficult to make comparisons year-on-year as:

- different firms are visited each year; and
- the regulatory landscape has changed significantly, with firms reviewed during 2018 being assessed against the new regulations, where there are inevitable learning curves, compared to previous years where firms were measured against the 2007 regulations.

We are required to report to HM Treasury, and our new AML oversight body OPBAS, whether firms are:

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

97% of firms were assessed as compliant or generally compliant (compared to 95% in 2017). However, the number of compliant firms has reduced to 57% of firms reviewed (from 63% in 2017, 72% in 2016, and 70% in 2015). This downturn was anticipated as a result of the new regulations bedding in and the inevitable learning curve that firms are facing.

Approximately 43% of firms reviewed in 2018 are now subject to follow-up checks as we follow-up on generally or non-compliant firms. We take a robust approach to following up on issues because we want to ensure that firms get to grips with the new regulations quickly. Our new oversight body, OPBAS, also expects robust follow up action to be taken.

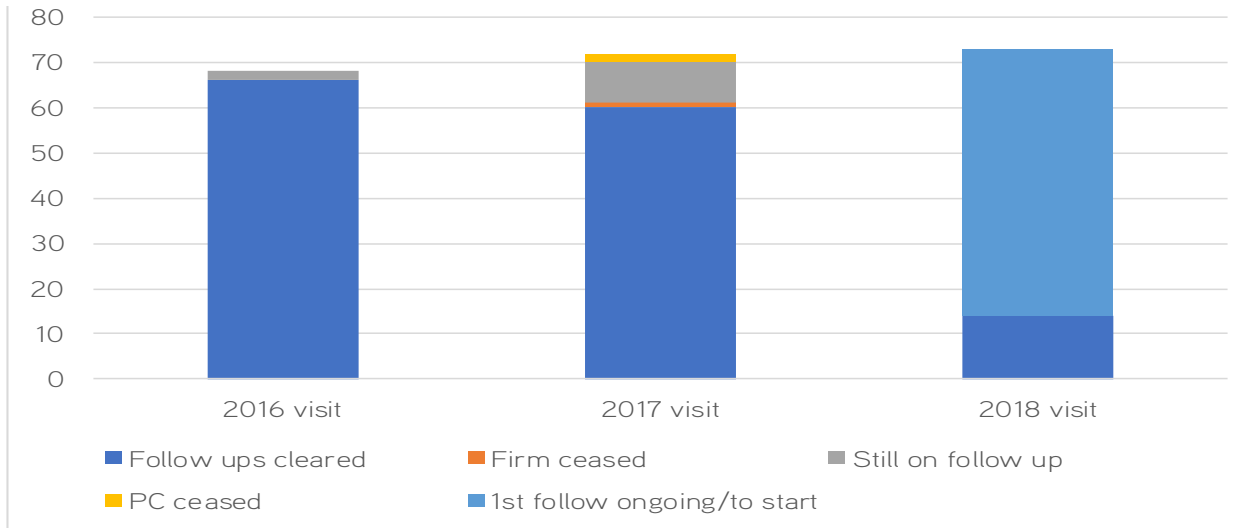
The most serious failings we see are in customer due diligence and ongoing monitoring. Approximately 30% of firms reviewed still need to improve their approach to assessing and evidencing risk based customer due diligence, and ensuring that these risk assessments are reviewed (and updated if necessary) on a regular basis. This is explained later in “Key Themes”.

Follow-Up Checks

As part of the developmental regulation approach, 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 support from our Practice Support team before they receive their follow-up check. This support is free of charge unless significant assistance is required to implement changes required.
- Regulatory sanctions: firms failing to improve quickly may be faced with regulatory penalties or referrals to the Investigation Committee. This is not the norm, but this is covered in more detail in the 2019 News section of this report. Our focus is to get firms to achieve compliance, rather than going straight for penalties or discipline.

Firms on AML follow-up checks (this shows the year of the original visit, and what has since the visit)



NB: The cleared visits are only those which have been approved as cleared by the Committee. There are a number of firms on follow up whose visit checks have been completed 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.

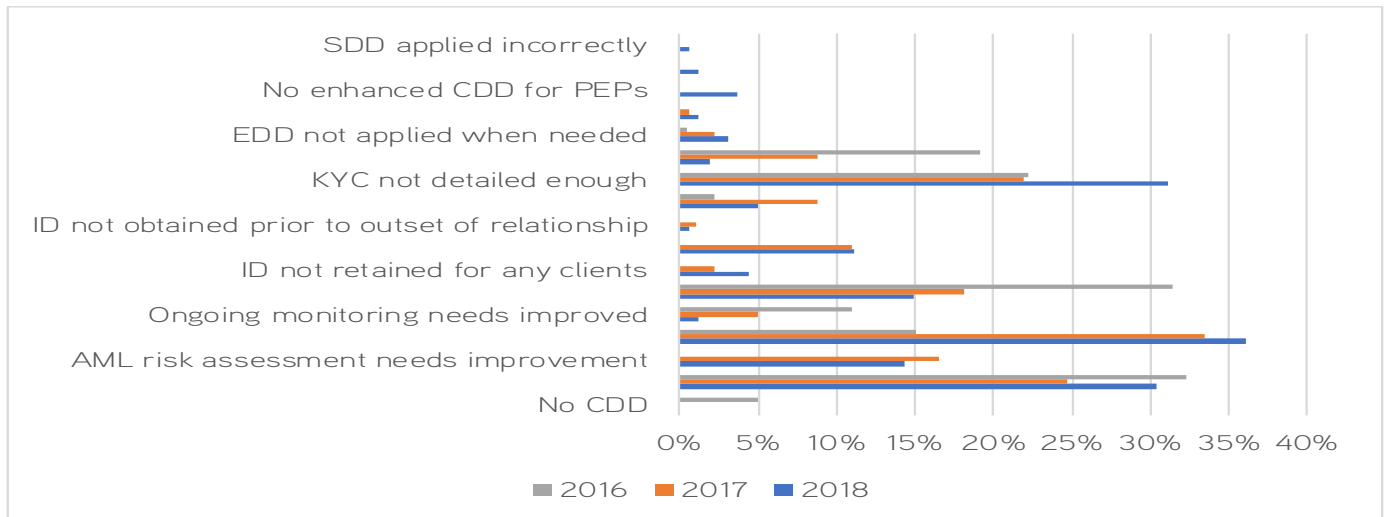
Key Themes

Given the Money Laundering Regulations 2017 have been live for over a year, we have provided more detail in this year's report on how the new regulations are bedding in. We have provided comparatives where possible.

We start with one of the most common findings on monitoring visits, Customer Due Diligence.

Customer Due Diligence – including AML Risk Assessment

Most Common CDD Issues (expressed as % of firms reviewed)



Abbreviations:

AML: Anti Money Laundering

KYC: Know Your Client

CDD: Customer Due Diligence

EDD: Enhanced Due Diligence (for higher risk situations)

SDD: Simplified Due Diligence (for lower risk situations)

PEPs: Politically Exposed Persons

ID: Client identification

The nature of customer due diligence issues are changing. The emphasis for firms and regulators following the 2007 regulations mainly centred on obtaining sufficient know your client information and client identification. Whilst risk assessments and ongoing monitoring were required, they weren't always given the prominence required.

Following the introduction of the Money Laundering Regulations 2017 the focus is very much on obtaining sufficient information to make a full and informed client AML risk assessment, and identify measures to reduce, manage or eradicate the risk. The emphasis is also on ensuring that this is not one-off, and is ongoing, with any changes in risks (and safeguards) being identified on a timely basis. Improvements in compliance have been seen in relation to a number of areas including identification procedures and some Know Your Client (KYC) areas. However, the issues surrounding risk assessments and ongoing monitoring are still marked.

No Client AML Risk Assessment

You will see that the second highest finding is that 30% of firms reviewed had engagement files where clients had not been risk assessed. This is marginally up on last year, but improved on 2016.

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

You will also see above, that the monitoring team have identified a small number of apparently higher risk situations which should have resulted in enhanced due diligence measures, but which did not.

Firms' attention is also drawn to the FCA's PEP ("Politically Exposed Persons") Guidance and the guidance in relation to financial sanctions reporting

Ongoing Monitoring

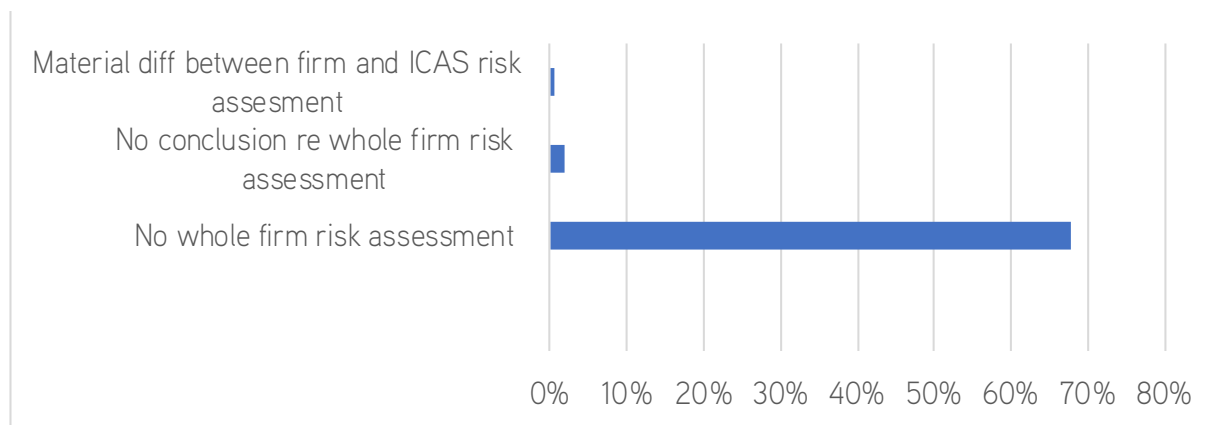
The most recurring finding is a lack of ongoing monitoring. 36% of firms reviewed did not conduct ongoing monitoring of clients. CDD is not a one-off exercise that is conducted only at client acceptance. The client's risk should be reviewed on an ongoing basis, and the risk assessment should be updated to reflect any changes or new risks. The frequency and extent of ongoing monitoring will depend on the current AML risk assessment. The higher the risk, the more frequent and in-depth the monitoring should be. The extent of ongoing monitoring carried out should be clearly recorded for each client.

KYC not sufficiently detailed

The extent of KYC documentation is improving, however, the main findings now are that there is not always enough client details recorded to support the AML client risk assessment. The client risk assessment depends on sufficient documentation of the client's business, locations, services, history, ownership, financing, connections, trading results etc. to assess the five risk criteria mentioned earlier.

Firm-Wide (whole Firm) Risk Assessment

Most Common Whole Firm Risk Assessment Issues (expressed as % of firms received)



This is a new requirement. Regulation 18 of the Money Laundering Regulations 2017 require firms to assess the money laundering risk for the whole firm. The risk assessment should be carried out at least annually, but updated for any new and changing risks, when they are identified.

Using the risk assessment should assist practitioners to determine the areas of most risk, and hence dedicate sufficient resources and activities to minimise and mitigate the risks identified.

ICAS has produced a risk template, guidance and case-studies to help you complete your risk assessment. These were made available in February 2018 on the [AML news](#) section of icas.com.

Of the 161 firms visited, 109 firms were still to complete a whole firm risk assessment, 41 of these were firms visited one year after the regulations were introduced.

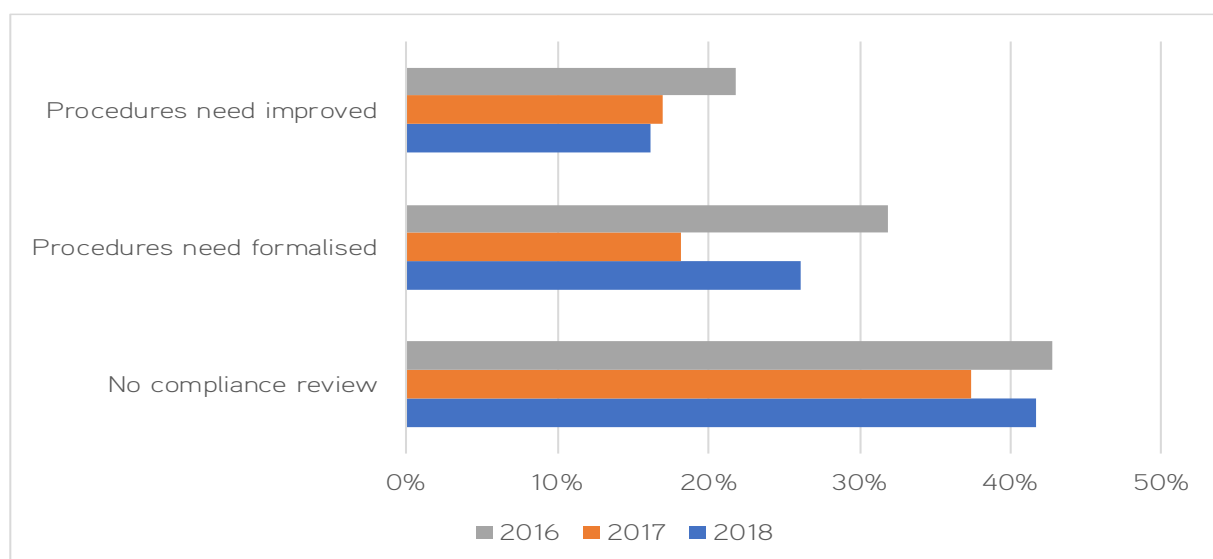
If your firm has not yet completed a firm-wide risk assessment it is important that this is done as soon as possible. If you have not submitted your risk assessment to ICAS, this will be requested in your next Firms Annual Return during 2019.

A number of firms have commented that this risk assessment has made them think about risks they hadn't previously identified, and that it has helped inform risk measures within the firm, protecting the firm. It is not a "paper exercise" and can be an important risk measure to help protect your firm.

Where firms have completed a firm-wide risk assessment, these have generally been completed well and there have been very few, to date, where the monitoring team have identified risks which have not been picked up by the firm.

AML Procedures and Compliance Reviews

Most Common Procedures and Compliance Review Issues (expressed as % of firms reviewed)



Compliance Reviews

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. This year, 42% of firms had not conducted a compliance review. The purpose of this review is to act as a “healthcheck” on your firm’s AML compliance and identify weaknesses in policies and procedures which you can improve on a timely basis, and before the monitoring team come calling.

The 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.

Procedures

Key to all of the above is ensuring that your firm has up to date procedures in place. Improvements have been seen generally 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, a number of firms omit to tailor the procedures to the firm’s circumstances.

Firms are reminded 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.

AML Training

Most Common Training & Screening Issues (identified as % of firms reviewed)

- The firm does not screen relevant employees for skills, knowledge, integrity at recruitment
- Training undertaken is insufficient and does not follow all the requisite areas.
- No test or confirmation of understanding for staff members.
- Staff training carried out but no evidence of attendance and extent of training recorded.
- MLRO/MLCP training is not up to date.

AML training is a key requirement and generally most firms are devoting sufficient time and resources to training staff. However, there are still some training issues identified on monitoring visits as indicated above. You will see one of the new findings being raised on visits is the lack of training for the MLRO and the ML Compliance Principal (the “MLCP”), which is usually borne out by poor compliance standards or a lack of knowledge being demonstrated during monitoring reviews.

Given the importance of this area, we encourage all firms to ensure that all principals and staff are trained on:

- the main requirements of the Money Laundering Regulations 2017;
- the firm’s AML policies and procedures: and
- the AML risks facing the firm and the action required, such as has been demonstrated in the firm’s firm-wide risk assessment.

The new regulations also specifically require employee screening at recruitment and a small number of firms were unable to demonstrate that this had been done.

Supervision Issues

Most Common Supervision issues (number of firms reviewed with issues)

Under Regulation 26 of the Money Laundering Regulations 2017 all Beneficial Owners Officers and Managers (“BOOMs”) must be approved by their relevant AML supervisor. During 2018, ICAS issued an online approval process which all firms were required to complete before this deadline.

The regulation further required that no BOOM should be guilty of a “relevant offence”. HM Treasury and OPBAS therefore required all supervisors to ensure that firms conducted “disclosure checks” on their BOOMs. As part of the approval process, ICAS requested a confirmation that disclosure checks had been performed for each BOOM and that no issues were identified.

Approximately 25 firms have been identified during 2018 monitoring reviews to either have omitted to submit BOOM approval forms or have not conducted the relevant disclosure checks. These matters have been referred to the Regulatory Authorisations team.

Less common is the number of firms found to not be approved as supervised. These are mainly separate legal entities from firms’ main practices, which the firm has omitted to include in an AML approval application.

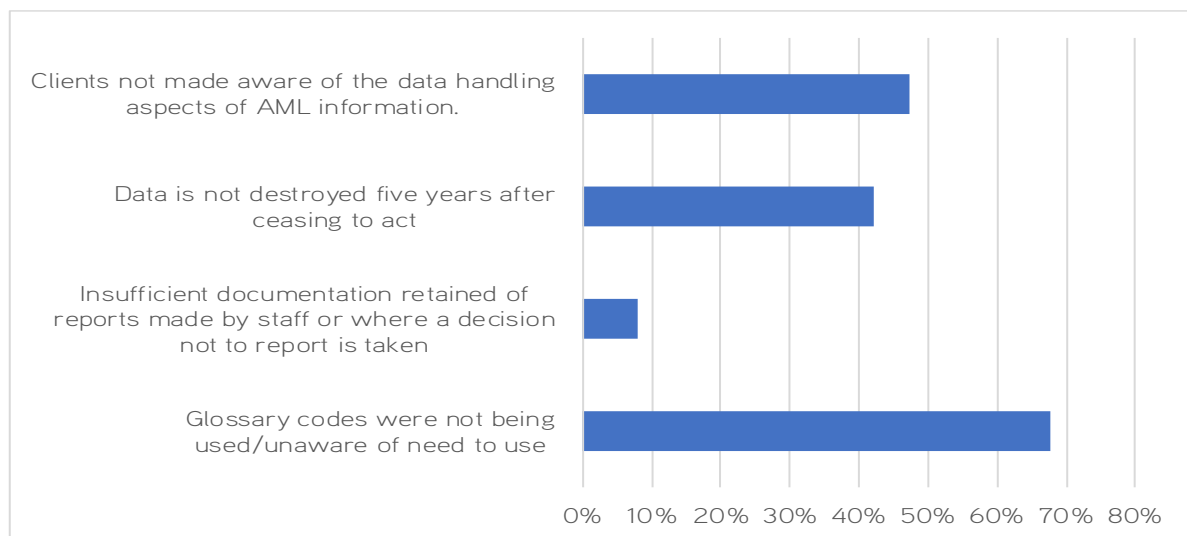
Firms are reminded that:

- ICAS must be informed of all legal entities in the firm, or connected to the firm, conducting accountancy or Trust & Company Service Provider (TCSP) services;
- All BOOMs in each entity must be approved by ICAS using the AML approval process;
- The firm must conduct a disclosure check (i.e. Disclosure Scotland in Scotland, DBS in England) for each BOOM and ensure that the BOOM has no relevant offences. Any relevant offences must be notified to ICAS.

Following a transitional period, the Committee is likely to take regulatory action for failures to follow this process.

Reporting and Data Protection

Most Common Reporting and Data Protection Issues (expressed as % of firms reviewed)



As explained last year, the Monitoring team conduct a review of the firm's SARs (Suspicious Activity Reports) and SAR procedures on monitoring visits.

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 followed the appropriate Defence Against Money Laundering ("DAML") procedures, where required.
- Where reports have been made, that appropriate glossary codes are quoted as part of the report.
- There are procedures in place for suitable secure storage and retention of internal reports and SAR's.

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. The AML news section of the website contains various guidance including guidance on DAML procedures and SARs guidance.

Reporting Issues

The level of SAR reporting is low and so the incidence of SAR reporting issues is therefore low. However, firms are reminded that where SAR reports are made that Glossary Codes are required in completing SARs (60% of firms reviewed were directed to Glossary Code requirements).

In a small number of firms, the MLRO had not documented their conclusions as to why an internal report should not result in a SAR being made.

Data Protection Issues

In over 40% of firms reviewed, the firms had not disclosed the AML data handling requirements to clients in their terms of business. A similar number of firms had not implemented a data destruction policy which complied with the regulations.

Regulation 40 of the Money Laundering Regulations 2017 sets out the data handling requirements for AML record-keeping. It requires that CDD records should be kept for at least five years after the client relationship (or transaction, if one-off) has ended, at which point the records should be destroyed. Firms are not, however, required to retain the records for more than ten years.

Regulation 41 also requires firms to explain to new clients that personal data received for AML purposes is only processed for those purposes.

'Case Studies' – illustrations of monitoring visits with differing outcomes

In order to illustrate examples of monitoring visits, the following brief case studies are provided for reference:

Case Study 1

During a Practice Monitoring visit it was noted that the firm had not established appropriate Anti-Money Laundering procedures, including no formal Customer Due Diligence recorded (except some identification documentation); no risk assessments formally recorded; nor sufficient knowledge of client information recorded. The firm was provided with 3 months to rectify the situation, but the follow-up check revealed no progress, and the firm had not responded to an offer of advice and guidance from the ICAS Practice Support team. The firm was referred to the Authorisation Committee with a recommendation that a further follow-up be conducted, this time paid for by the firm, and the firm was made aware that if insufficient progress was made by that further follow-up, then a regulatory penalty may be applied, or a possible referral to the Investigations Committee. This case demonstrates the potential implications where a firm does not address requirements in a timely manner and does not accept assistance offered by ICAS Practice Support in doing so.

Case Study 2

A firm that had received a monitoring visit 4 years ago was subject to a visit on a shortened timescale due to it historically not keeping sufficient AML documentation. The previous visit was subject to follow-up action, and the firm was able to demonstrate that appropriate procedures were implemented. The current visit identified that the firm had maintained the standard of AML compliance since the previous visit. This is an example where the previous follow-up check, coupled with support, resulted in the firm achieving an improved level of compliance. The time to next visit, going forward, will no longer be on a shortened timeline.

Case Study 3

An established firm with two partners and a number of long-standing clients was subject to a monitoring visit that raised an issue over the lack of consistency when recording CDD, particularly in respect of long-standing clients. As the issues had been raised at a previous monitoring visit a follow-up check was carried out within 3 months. The firm met with a member of the ICAS Practice Support team and took advice on the best way to ensure compliance with the regulations could be demonstrated. During the follow-up check the level and consistency of documentation had improved, and no further follow-up action was required.

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.

ICAS New Technical and Regulatory Help: New Online Bank of Resources and a New Digital Service.

The new online bank of resources is the first port of call for members with regulatory or technical queries. FAQs on ICAS regulatory matters and links to technical guides can now be accessed via one central point.

Our comprehensive FAQs and guides should resolve the majority of queries, but if an answer can't be found, a question can now be logged with our technical teams using the new digital technical queries portal.

The digital portal makes it easier for members to identify and contact the appropriate technical team, which will help provide a faster response time. It replaces the process of submitting queries by email. The new digital portal also offers greater security and data protection.

You can submit technical and regulatory queries on:

- Accounting and auditing
- Tax
- Practice support
- Anti-money laundering and GDPR
- Insolvency
- Ethics

The AML section includes the following key publications:

- SARs guidance.
- DAML guidance.
- Information on current ML/Terrorist Financing risks.
- A link to the BOOM application process.
- 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. The Monitoring Team have noted that some proprietary checklists do not always conclude with an overall risk assessment and therefore firms are encouraged to record an overall concluding risk assessment for their articles have included:

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 issues have included:

- AML developments: recent articles have included FAQs on DAML, and the Top 4 AML Fundamentals.
- Making Tax Digital updates
- GDPR
- Practice development
- Technical Bulletin roundup

The current issue can be accessed at [capractice.icas.com](https://www.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

In 2014, ICAS introduced a mandatory requirement to attend the Practice Management Course once every five years. This is the final year of the first cycle and all members in practice were required to have completed a Practice Management Course by 30 April 2019. In addition, any member having been granted a practising certificate since 2014 have been required to attend a Practice Management Course within 12 months.

While maximum benefit from the course can be obtained from attending one of the courses held in locations around the country, we recognise that personal circumstances may make it difficult for all members in practice to attend a course. An online digital learning course has therefore been developed which allows everyone to access the course and meet their mandatory participation requirement.

The online course is made up of three modules. They can be undertaken at a time suitable for you (over a number of sessions if required) using any device such as desktop, mobile or tablet.

Anti-Money Laundering Update

This module covers, an overview of who is regulated and the legislation in place. The most frequent AML issues encountered by the practice monitoring team and guidance on what firms need to do to demonstrate compliance. An overview of the new requirements brought in in 2017, and finally also looks at the practical issues faced, such as completing a Suspicious Activity Report.

Data Protection: Beyond GDPR

This module considers data protection more generally and then delivers 10 key messages on how practitioners should be embedding a data privacy culture within their firm, and why GDPR compliance is not a one-off exercise.

ICAS: Here to Help

This module highlights the work and resources done by ICAS to benefit CA practitioners, and how we are improving the experience for the practice community.

2019 News

Firms Annual Return

We are currently transitioning to a new online Firms Annual Return. Firms with September 2018 month-end return dates onwards will be asked to complete their return online.

The return now contains a significantly expanded section on AML, and it also asks you to upload your firm's firm-wide risk assessment.

If you have any questions about your new return please contact far@icas.com or phone 0131 347 0281.

AML Regulatory Actions Guidance

As explained in the Regulation Board Foreword, ICAS has published an "AML Regulatory Actions Guidance" which is aimed at:

- Guiding the Authorisation Committee (and Review Panel) in making regulatory decisions, particularly in relation to Regulatory Penalties;
- Help firms understand what action is likely to be taken, and why; and
- Act as a deterrent.

This guide includes

- the Committee's powers and remit in relation to AML;
- a flowchart which explains what happens to firm from the start to the end of visit process, including what happens if a firm delays in improving. It explains the interaction between follow-up checks, progress updates, and regulatory penalties; and
- it provides a regulatory penalty table showing the type of penalty that could be expected by a firm, if it delays in making improvements.

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—
 - as a director or secretary of a company;
 - as a partner of a partnership; or
 - 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—
 - a trustee of an express trust or similar legal arrangement; or
 - 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](#)". Audit guidance has been issued by the Financial Reporting Council (FRC) via [International Standard on Auditing 250A \(ISA 250A\)](#).

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 housed within the Financial Conduct Authority, and was 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.

OPBAS conducted an inspection visit to each professional body supervisor during 2018.

TCSP Register

HMRC holds a register of firms which TCSP services. This register is not available for public inspection and will only be available to law enforcement agencies.

HMRC holds a register of firms which TCSP services. This register is not available for public inspection and will only be available to law enforcement agencies.

It is a criminal offence to conduct TCSP services without being disclosed on the register. It is also a criminal offence to conduct accountancy or TCSP services without being AML supervised.

If you have not notified ICAS of all legal entities connected to your practice which conduct accountancy or TCSP services, please ensure you contact Regulatory Authorisations

Approval of beneficial owners, officers and managers "BOOMs"

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 approval was 26 June 2018.

The regulation further required that no BOOM should be guilty of a "relevant offence". HM Treasury and OPBAS required all supervisors to ensure that firms conducted "disclosure checks" on their BOOMs (i.e. via Disclosure Scotland checks in Scotland and DBS checks in England and Wales).

ICAS issued an AML approval application during 2018 which all firms were required to complete by the 26 June deadline. As part of the approval process, ICAS requested a confirmation that disclosure checks had been performed for each BOOM and that no issues were identified.

Firms are reminded that BOOM approval is an ongoing requirement and that any impending changes to the Beneficial Owner, Officers or Managers in your firm must be notified in advance to Regulatory Authorisations. Upon notification to ICAS of any changes regarding Principals, firms are reminded of their AML Regulatory obligations including submitting an application to become a BOOM.

It is a statutory breach to omit to apply for BOOM approval and the Authorisation Committee is required to take robust regulatory action

Appendix Two:

Other Useful Links and Contacts

We hope you find this report useful, and 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.



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