

Anti-money laundering ***annual report***

2022–23

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Foreword from Professional Regulation and Standards Compliance Board (PRSC)

This report sets out AAT's anti-money laundering (AML) supervision and monitoring results for 2022/2023.

The report aims to provide transparency over AAT's work as a supervisory authority in this period, including an overview of all AML monitoring activities and providing insight into member compliance with the *Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017* (as amended, updated or re-enacted from time to time) known as the '*Money Laundering Regulations*' in this report.

AAT supervises firms and individuals to address and mitigate money laundering risks by adopting a risk-based approach and having a robust framework in place to help firms meet their regulatory requirements first and foremost, but also to apply proportionate enforcement action when they do not. The PRSC Board considers effective AML supervision to be a key factor in the fight against financial crime and as such, supports the continuation of the role and responsibility AAT has as an AML supervisor. AAT plays a critical role in combatting money laundering by ensuring our supervised population adhere to the highest standards. While there are some positive signs of improvement, we must ensure there is a continued focus on improving levels of AML compliance and this remains a fundamental objective for AAT.

Highlights from our supervisory work include:

- expanding our monitoring activities to test the effectiveness of our approach to supervision
- responding rapidly to the changes in the sanctions regime with regard to Russia
- ensuring members remember and understand their obligations
- issuing guidance and support to our members and firms to help them meet their obligations
- imposing sanctions and financial penalties to members in breach of the *Money Laundering Regulations*.

AAT will continue to review its supervisory strategy to ensure that standards are being met and maintained and invest in systems and resources in this area, to become a more data-driven and agile regulator and supervisor, further demonstrating the AAT's overall commitment to fighting economic crime and preventing the legitimisation of the proceeds of crime through money laundering.

This report demonstrates the high standards of supervision, which are continually improving, and this is why AAT strongly resists aspects of the proposed changes to the supervisory regime, some of which may create an inadvertent risk of higher costs for members and the taxpayer, longer decision times, and high risks over data transfer and inadequate supervision during transition. There is a model for incremental but effective change, and we support this option.

The PRSC Board would like to thank our members for their continued commitment to mitigating money laundering risks by prioritising compliance and cooperation with AAT monitoring visits, as well as our staff for their challenging work and contribution toward the AAT's effective supervisory framework. We hope that members will reflect on the key themes identified and areas of the *Money Laundering Regulations* where supervised firms should improve their compliance and take timely measures.

Introduction

AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 80,000 student and affiliate members worldwide. We are committed to acting in the public interest and maintaining public confidence in the accountancy profession as a professional body and anti-money laundering (AML) supervisor recognised under the *Money Laundering Regulations*.

Our role as AML supervisor

AAT’s supervisory strategy is to uphold standards and compliance with the *Money Laundering Regulations* by providing robust anti-money laundering supervision through a risk-based regime, focusing our efforts on those firms where the risk that they will be used to enable money laundering is highest. Our work in preventing money laundering and terrorist financing is overseen and supported by the Office for Professional Body Anti-Money Laundering Supervision (OPBAS).

Our AML monitoring activities are designed to support the work of our supervised population and in this capacity, members are provided with a range of **resources and guidance for licensed members**, and we **conduct practice assurance reviews** to help our licensed members comply with the current regulations.

We supervise and monitor around 6,200 firms providing accountancy and bookkeeping services to the public by way of business. While our supervised firms vary in size, approximately 45% are sole practitioners with the remaining 55% of firms operating with only one or two other principals in a firm.

How we monitor

Part of AAT’s AML supervisory approach is to carry out monitoring activity on our licensed members to ensure that they are complying with the money laundering by adopting risk-based, proportionate, and effective policies, procedures, and controls to mitigate the risks of firms being used by criminals as vehicles for money laundering/terrorist financing. While we try to support our firms to ensure their compliance with the regulations, we also have an obligation as a supervisory authority to take appropriate action where a member fails to demonstrate they meet the required standards.

We carry out practice assurance reviews on licensed members and the AML monitoring is part of this wider practice review. The annual sample selection for this reporting period is approximately 5% of our supervised firms along with any follow-up reviews deemed necessary, often at the members own cost. Moving forward we will be expanding the selection to include a further 5% of licensed bookkeepers for us to undertake a desk-based review. A risk assessment is conducted on all firms, and this contributes to the timing and frequency of reviews, and we use different delivery methods (either a telephone review or an onsite review) appropriate to the size and types of practices.

Below are some of the key requirements of the *Money Laundering Regulations* that must be available for inspection as part of our review activity:

- written policies, controls and procedures used by the firm
- risk-based client due diligence for all new and existing clients
- firm wide risk assessment
- periodic review on firm’s own compliance with the regulations
- training records that demonstrate all relevant employees, including the MLRO, have received suitable training for their role
- internal procedures for making a suspicious activity report
- criminal record check for all its beneficial owners, officers, and managers (BOOMs).

Risk-based approach

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

Our approach reflects a constant dialogue with other supervisors and with OPBAS in regard to best practice.

To assist with our risk-based method and monitoring activity, our supervised population are required to complete an annual AML return pertaining to their own anti money laundering policies and controls, to help us identify and assess the risk levels of their firm in relation to money laundering and terrorist financing.

The risk categories identified from the data analysis are then used to select the practice assurance sampling reviews.

The survey includes sections on:

- firm profile (including number of staff, size of client base)
- client risk profiles
- any risk indicators such as clients who high net worth individuals, clients who operate in any high-risk jurisdictions or are on the financial sanctions list
- providing high-risk services such as TCSP
- controls and procedures in place to detect and prevent money laundering and terrorist financing
- suspicious activity reporting procedures.

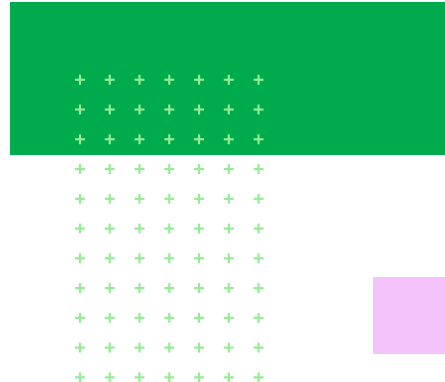
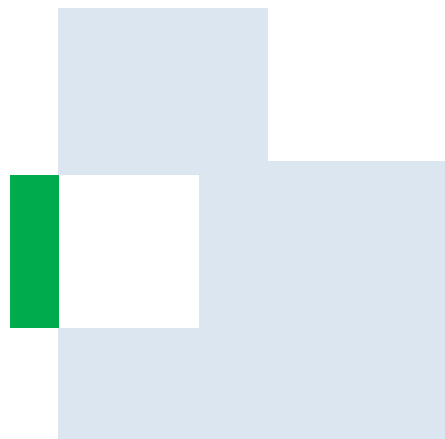
The risk score identified, based on the analysis of firm information, translates into the following risk-based categories:

Risk category	Action/intervention
Low risk	No further action is required.*
Medium/Low risk	Monitor annual returns for changes of status.
Medium/High risk	Any immediate queries addressed through internal practice assurance review case processes. Feeds into practice assurance review programme if not previously reviewed within the past five years.
High risk	Prioritised practice assurance review, unless this review has already been conducted in the past three years, in which case follow up action by telephone or disciplinary action where breaches identified.

The AML survey conducted in 2022 resulted in the following risk assessment outcomes:

Money Laundering or Terrorist Financing Risk	The number of relevant firms/sole practitioners for each member risk profile (AML survey 2022)
High risk	6%
Medium risk	43%
Low risk	51%

*Although AAT’s risk methodology sets out no further action is required for low risk firms, AAT undertakes dip sampling and thematic reviews of all firms.



The intelligence gathered from the results of the survey indicate that the level of risk associated with firms where AAT licensed members operate is rated as relatively low risk. This is primarily driven by the following components:

- information from those AAT supervise shows that the vast majority are dealing with a small number of low-risk UK based clients and providing low risk services such as bookkeeping
- wider sector risk assessments, including the NRA, suggest that high-end money laundering poses the highest risk, particularly large-scale organised crime, and corruption by senior Politically Exposed Persons (PEPs) in overseas jurisdictions. These risks are not reflected to any significant extent within the activities of our supervised cohort
- AAT does not supervise members based outside of the UK; our findings indicate 11% of AAT’s supervised population undertake work outside of the UK from their UK registered business address.

This year’s survey results show that there has been an increase in members rated medium and high risk: this increase is largely because of newly licensed members who are yet to have in place appropriate policies and procedures.

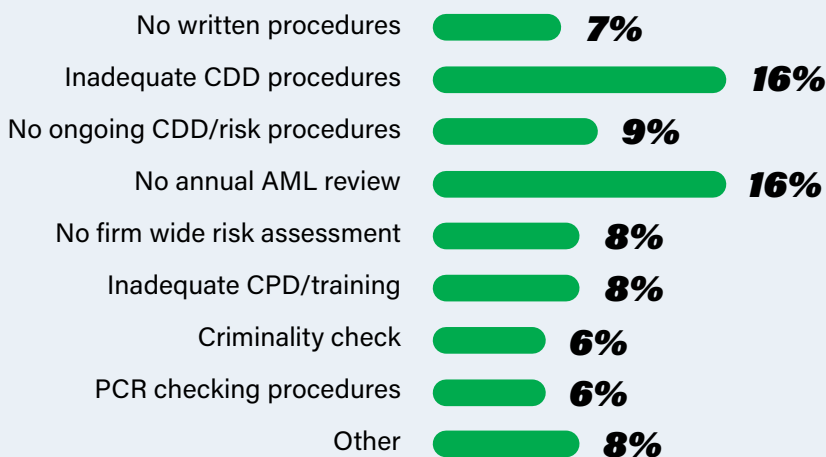
Practice assurance review activity

In this annual period, around 320 licensed members were selected for a practice assurance review to be undertaken on their firm. In terms of review type, 60% of the reviews were completed as a desk-based review with the other 40% reviews being undertaken remotely or on-site. The following results were obtained:

Rating	Total number of telephone reviews reported to 5 April 2023	Total number of onsite reviews reported to 5 April 2023
Compliant	64%	74%
Generally compliant (but intervention may be required)	17%	19%
Not compliant	19%	7%

From our practice assurance reviews completed, we identified some common findings of non-compliance with the *Money Laundering Regulations*:

AML findings as a total percentage of breaches identified (%)



‘Other,’ as above, represents the requirement for employee screening, no PSC checking procedures, and retention requirements for lost clients.

The review findings and subsequent exchanges with licensed members identify there remain some misconceptions concerning AML procedures, particularly in relation to recording and documenting activities. Although there is an understanding of member obligations such as client due diligence and risk assessment, it is not always adequately documented.

A further misunderstanding is in respect of licensed members who have been in public practice and known their clients for a considerable amount of time (preceding the introduction of the 2007 regulations) so consider themselves discharged of their obligations.

Furthermore, we find that some of the firms we review have not performed a regular review of the adequacy and effectiveness of their policies, controls, and procedures. The regulations say that firms must (where appropriate to size and nature of the business) establish an independent audit function to assess the adequacy and effectiveness of the firm’s AML policies, controls, and procedures. Additionally, sole practitioners with no employees often do not appreciate the need to document their firm’s policies, procedures and controls, complete a firm-wide risk assessment, and carry out and document annual monitoring of their firm’s compliance with the *Money Laundering Regulations*.

Follow-up activity

Approximately 35% of firms that receive an AML review are subject to robust follow-up monitoring, as we follow-up non-compliant firms where breaches have been identified and need to be addressed. Any follow up action takes place via the AAT Professional Standards team.

For any AML non-compliance elements identified during practice assurance (and/or any other practice assurance matters) are given a set period of time to rectify the issues, at which point they may be subject to a further review at their own expense if it was determined significant contraventions exist within the firm. Any failure at this second review may result in the removal of licence and membership and will normally result in the member being unable to reapply for a licence for a minimum period of 12 months and, on receipt of any subsequent reapplication for a licence, they may be required to submit to practice assurance monitoring prior to approval at their own expense.

Practice assurance review case study

A medium/high risk firm was selected for an AML monitoring review in accordance with the AAT’s risk methodology. The firm is an incorporated business with no employees other than the two directors. The firm provides accountancy, tax compliance and company secretarial services to small businesses, sole traders, and personal tax clients in the UK. The gross fee income of the firm for the year ended 31 March 2022 was approximately £100,000.

A number of non-compliant issues were identified, AML specific: no documented AML policy, controls, and procedures; no firm risk assessment; inadequate ongoing client due diligence and risk assessments for existing clients; no up to date AML training had been documented; and the firm did not have a written procedure to report discrepancies in the PSC register.

Following the review, the licensed member was issued with an outcome letter highlighting the non-compliant issues along with guidance on the requirements. Given the considerable number of adverse findings and corrective actions to be taken, they were put on notice that a mandatory follow-up review was required to take place and that it would be at their own financial cost. This would be a final opportunity for the member to demonstrate the non-compliant issues had been fully rectified, and if not, the effect being their licence and AML supervision would be terminated in accordance with *AAT’s Licensing Regulations*.

A further monitoring review was then undertaken in March 2023, of which they passed. However, the AML breaches have been since been referred to Professional Standards for disciplinary action.

Enforcement action

As a professional body and supervisor, we will take robust action to improve compliance with the regulations by licensed members who fail to meet their anti-money obligations.

AAT is afforded the powers of Expulsion and/or the termination of a licence (and membership) under the **Disciplinary Regulations** and **Licensing Regulations** for any serious cases where a member has been identified as not complying with the laws, regulations and standards relevant to accountancy service providers and failed to provide any professional insight or reassurance during the intervention stage that they would address their AML compliance moving forward.

Our main objective is to enhance the standards of our licensed members and support them to achieve compliance, rather than seeking to terminate AML supervision or imposing disciplinary sanctions. However, it is recognised that enforcement action is dissuasive and represents a visible level of robustness to the regulation of anti-money laundering. Our **Indicative Sanctions Guidance** specifically refers to AML breaches, providing a platform for the most suitable action to be taken.

The following formal action was taken as a result of breaches that are related to AML/CTF, and/or contravention of the *Money Laundering Regulations*.

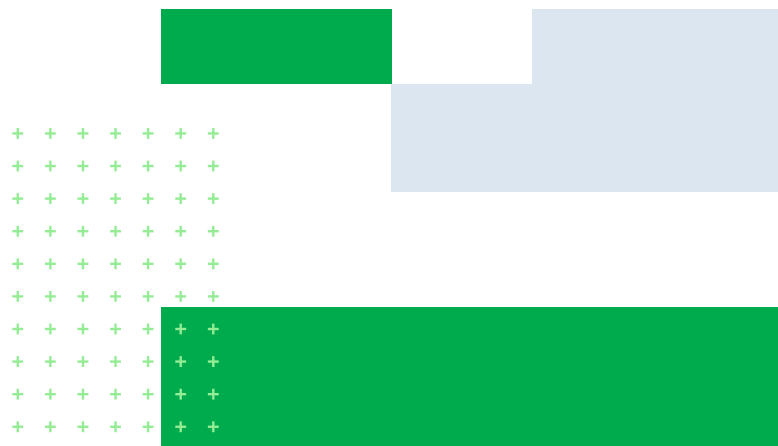
- AAT expelled five members.
- AAT terminated four practising licences and AML registrations (and overall membership where the member was unable to demonstrate they were no longer providing services to the public).
- AAT terminated a further 12 practising licenses (along with AML supervision) as a result of the firm failing to respond to our 2022/23 AML survey request thus preventing AAT from meeting our own obligation under Regulation 17 of the MLR2017 to prepare and record a risk profile of our supervised population.
- AAT imposed 54 reprimands/severe reprimands.
- AAT imposed 61 monetary fines equalling £98,468.00 on members who were found to be working in contravention of the *Money Laundering Regulations* (including monetary penalties in a number of cases where the member consented to the Discipline and Conduct panel decision that a follow-up practice assurance takes place at the member's own expense).

AAT publishes its regulatory outcomes on our website [here](#) and included in the *AT* magazine.

Disciplinary action case studies

A member was severely reprimanded and fined £4,076.00 by the Discipline and Conduct Panel for providing accountancy services by way of business between 2017 and 2023 without being registered with a supervisory authority for Anti Money Laundering purposes. Details of the misconduct and sanction imposed were published on both our website and in the *AT* magazine for public consumption.

A member was severely reprimanded and fined £3,800 for not complying with their obligations under the *Money Laundering Regulations*. The firm failed to have adequate anti-money laundering policies or procedures in place, had not completed a firm-wide risk assessment, had not carried out adequate risk assessments on clients as part of initial and ongoing client due diligence, had not undertaken regular anti-money laundering training, and had not carried out a periodic review of the firms anti-money laundering controls and procedures. The member brought the firm into compliance and actively consented to the sanction imposed by the Investigations Team in accordance with AAT's *Disciplinary Regulations*.



Our supervisory approach

The information gathered within this reporting period indicates that the level of risk associated with firms where AAT supervised licensed members operate is low to medium. The impact of the introduction of the *Money Laundering Regulations 2017* continues to be evident in the non-compliance findings, particularly for the whole firm risk assessment and the recording and documenting activities. Although there is an understanding of member obligations such as client due diligence and risk assessment, it is not always adequately documented.

AAT is pleased to find many examples of good practice, particularly in the way that firms have tried to embrace the risk-based approach to AML and members disengaging with clients they considered to be high risk, as well as reducing the range of services provided, particularly concerning Trust and Company Service Provider services (TCSPs). There are several areas where improvement must be applied and should drive the members to maintain a high level of scrutiny and to ensure that defences are at their highest levels. For instance, AAT found that firms are not performing, and updating, their client due diligence (CDD) throughout the client relationship. Furthermore, it was highlighted that some of the firms AAT reviews have not performed a regular review of the adequacy and effectiveness of their policies, controls, and procedures regularly.

309 Suspicious Activity Reports (SARs) were submitted to the NCA by 166 of our supervised firms, a 47% submission rate of our members submitting fewer than two SAR in the 12 month period. This is expected given that information from AAT's supervised population shows that the vast majority are dealing with low-risk clientele, which may be a contributing factor as to why reporting levels are low. However, although the overall submission rate appears low, our resources have focused on articles and guidance within the [AAT Knowledge Hub](#) and [Licence zone](#) to reinforce reporting obligations guidance and improve the quality of SAR reporting, which may be a contributing factor as to why reporting levels have increased slightly. For example, in March 2023, AAT posted a Knowledge Hub article around the new SARs Portal being launched and drew attention to the guidance on submitting better quality SARs.

AAT has continued to see a small number of whistleblowing disclosures since the introduction of our standalone AML whistleblowing helpline. This may be due to the misinformation and negative perception of the term whistle-blower widely held. Given that the term

whistleblowing is not explicitly used in the MLRs, it may confuse members and mislead potential reporters as to whether they have 'whistle-blower' protections. Nevertheless, AAT continues to promote this route of confidential disclosure to members through the [website](#) and encourage our members to raise concerns, and confidentially report breaches of the regulations by other AAT supervised firms anonymously by email or phone.

Trust or Company Service Providers

To help combat money laundering, HMRC holds a register of all relevant persons who offer trust and company services, accessible to law enforcement agencies to use for their activities only. These people are identified as Trust and Company Service Providers (TCSPs) by HMRC. Under the *Money Laundering Regulations*, a trust or company service provider is any company or sole practitioner whose business is to:

- form firms
- provide a registered office, business address, correspondence address, administrative address for a company, partnership, other legal person, or arrangement
- act or arrange for another person to act as a:
 - director or secretary of a company
 - partner (or in a similar position) for other legal persons
 - trustee of an express trust or similar legal arrangement
 - nominee shareholder for another person, unless the other person is a company listed on a regulated market which is subject to acceptable disclosure requirements.

In order to fulfil our own regulatory requirement within the meaning of the *Money Laundering Regulations*, we provide HM Treasury with a list of all firms who are approved to offer TCSP (Company Secretarial Services) and therefore fall within this category. AAT is required to keep this register up to date with any changes. There are around 1,671 firms and 469 sole practitioners supervised by AAT to provide trust and company services to the public. In July 2022, AAT published the findings from its thematic [TCSP review](#). Overall, we found that whilst TCSP services may pose a high risk of money laundering, with that risk increasing when provided with other high-risk accountancy services or combined with other high-risk factors, the majority of our firms providing TCSP services have adequate policies, procedures, and controls in place to identify, assess and address these risks.

Driving best practice

We recognise the constantly evolving risk of money laundering and terrorist financing and work closely with other professional bodies as part of the Accountancy AML Supervisors Group (AASG) to promote consistency in standards and best practice.

Considering the gaps in knowledge and insight identified during our monitoring activity and AAT's obligation to respond to those contraventions, we have continued to try to improve member engagement by providing support and guidance to help them comply with the *Money Laundering Regulations*. Resource has therefore been focused on producing articles, templates and checklists within **AAT's AML Guidance, AAT Knowledge Hub** and **Professional zone** to complement existing guidance. AAT also undertook a review of our own AML checklists and templates to ensure they continue to be relevant. The key changes included:

- including the assessment of proliferation financing risks
- reflecting changes to the requirements around the reporting of material discrepancies to Companies House
- strengthening existing guidance around the reporting of sanctions breaches.

AAT communicated these changes via Knowledge Hub and the licensed member newsletter, and included examples of key risks and red flags when undertaking a proliferation financing risk assessment.



AAT Comment and AAT Knowledge Hub

To assist with AAT's drive on AML, the following articles were published during this reporting period.

- Good governance and anti-fraud controls in charities
- Risk alert – sanctions risk update
- AML alert: bribery and corruption, future threats for the UK
- New service will make it easier and faster to report PSC discrepancies.
- AML Alert: how family offices can be used in money laundering
- New Register of Overseas Entities goes live on 01 August 2022
- Red Alert: Financial Sanctions Evasion by Russian Elites and Enablers
- Preventing human trafficking from the war in Ukraine
- Clients, sanctions and the ban on accountancy services to Russia
- How to deal with sanctioned clients
- Prohibition on provision of accountancy services to Russia
- NCA bulletin: Indicators of Sexual Exploitation
- What the Register of Overseas Entities means for accountants
- Explainer: Further amendments to the *Money Laundering Regulations*
- AML Alert: Missing Trader Fraud
- AML Alert: Money Laundering Risks Relating to the UK Investor Visa Programme
- Alert: risks of verification work for the Register of Overseas Entities
- Why you should automate your Anti-Money laundering system.
- AML Alert: Unregistered OTC crypto brokers
- AML Alert: Potential indicators of sexual exploitation
- AML Alert: Money Laundering via Scrap Metal Businesses
- AAT sanctions for AML breaches
- AML training for staff
- Employee screening – are you meeting your AML obligations?
- AML Alert: High net worth individuals and tax evasion
- NCA's Suspicious Activity Report online portal guide

Also, our bi-monthly member magazine and licensed member e-newsletter provide updates on legal and regulatory matters along with developments in the accountancy world to help support our wider membership keep up to date.

Suspicious Activity Reporting (SARs)

We are explicitly clear in our public guidance that if you “know”, “suspect” or have reasonable grounds for knowing or suspecting that a person is engaged in money laundering or dealing in criminal property, you must submit a **Suspicious Activity Report (SAR)** to the **National Crime Agency (NCA)** as soon as it is reasonably practicable to alert law enforcement that certain client activity/transactions are in some way suspicious and might indicate money laundering or terrorist financing activity. We encourage all our members once they've formed a suspicion to document the basis for their reasons. Equally, it is important to document why there is no suspicion and you have decided not to submit a SAR. Failing to file a SAR to an MLRO or the NCA is a criminal offence.

The quality of a SAR can affect the NCA's ability to prioritise and process the report in a timely manner and AAT have encouraged improved quality through our own communications and guidance alongside signposting to NCA's guidance:

- **Introduction to Suspicious Activity Reports - National Crime Agency**
- **Guidance on submitting better quality Suspicious Activity Reports (SARs)**
- **Guidance for anti-money laundering supervisors on submitting better quality suspicious activity reports (SARs)**
- **SARs Reporter Booklets**

Sector-wide risk outlook

The **UK national risk assessment of money laundering and terrorist financing 2020** (NRA) concluded that there is a particularly high risk of criminals exploiting accountancy services for money laundering and determined that high-end money laundering and cash-based money laundering remain the greatest areas of risk in the UK. It also discovered

that the traits or characteristics for identifying criminal activity are becoming increasingly blurred and that professional services, such as accountancy, provide a gateway for criminals to disguise the origins of their funds. As for proliferation financing, the first **UK national risk assessment proliferation financing** found awareness of proliferation financing risk in the accountancy sector is low in most countries, and globally the focus continues to be on financial institutions. Given the important role accountants play in facilitating global finance, this could represent a particular risk to the UK, notably in relation to trust and company service providers (TCSPs) given the ease of establishing companies in the UK.

The Accountancy AML Supervisors' Group (AASG) has published **risk outlook guidance (PDF)** in respect of areas in the accountancy sector where there may be a higher risk of money laundering and/or terrorist financing. The guidance sets out the key risks and red-flag indicators to look out for based on emerging threats and trends.

The CCAB has produced the **anti-money laundering and counter-terrorist financing guidance** for the accountancy sector. It has been prepared to help accountants (including tax advisers, TCSPs and insolvency practitioners) comply with their obligations under UK legislation to prevent, recognise and report money laundering. Compliance with it will ensure compliance with the relevant legislation (including that related to counter-terrorist financing) and professional requirements.

Anti-money laundering helplines

We currently operate two AML helplines.

AAT's general AML helpline offers advice on all aspects of complying with the *Money Laundering Regulations*, such as advice on how to report suspected illegal activity. To discuss any questions you might have, call us on **+44 (0)20 7367 1347** or email **aml@aat.org.uk**

Alternatively, members and members of the public can call on **+44 (0)20 7397 3182** or email **aml.whistleblowing@aat.org.uk** to discuss, in confidence, concerns about an AAT member or an AAT supervised firm.

Effective supervision case study

AAT received an enquiry into our dedicated AML helpline from a supervised member who had concerns that their accountancy firm had been approached by an individual to help them to launder money. The potential client asked the firm to complete an end of year tax return for a small business. As part of the member’s client due diligence and risk assessment procedures, the following “red flags” were identified:

- client wants to incorporate the business, which is unusual given the type of business
- client indicated they only require this engagement as a “one off” service
- client was not responding to / avoiding requests and reminders to provide requested identity documentation
- client asked if the service could be provided by way of “cash in hand”.

Although the member determined, based on risk, they would not be onboarding them as a client, they had two points they wanted to seek guidance. Firstly, even though they are not a client, are they still allowed to complete a SAR. Secondly, how do they inform the potential client they do not wish to provide services to them, without tipping off?

In terms of advice, a discussion took place around risk and their professional obligation under the MLR2017 to submit a Suspicious Activity Report (SAR), regardless of whether the client is engaged with signed terms in place or not. The member was advised that given the circumstances they had set out, AAT shared their suspicions, and informed them that they should submit a SAR as soon as possible. In respect of mitigating the member’s concern they may be “tipping off” the client if they do not take them on and provide this service, they were advised to keep the reason short and professional in tone, such as advising the individual the firm is not taking on new clients due to current workload / staffing levels. As part of the effective intervention, the member was signposted to AAT’s resources, the CCAB guidance and the NCA’s SAR guidance. A follow-up call took place with the member in which they confirmed a SAR had been submitted.

Emerging AML threats

As a result of Russia’s ongoing invasion of Ukraine, the UK government has undertaken several actions, including but not limited to imposing sanctions on Russian banks, political figures and oligarchs, and the provision of certain services.

Accountancy professionals, particularly leaders, should be fully aware of and keep up to date with sanctions, including their scope and potential impact, as they apply to their business, workforce, and clients. Firms should review their client base afresh in the light of world developments to comply with regulations and protect their reputation. The updated sanctions may cause clients to become newly classified as PEPs or even result in the prohibition of services being provided to a client. It is the responsibility under the *Money Laundering Regulations* of supervised firms to conduct risk assessments, carry out sanctions checks, and perform Enhanced Due Diligence (EDD), where required.

While still rare, some accountancy service providers may be asked to accept payment in, or to hold, crypto assets. This mechanism does not necessarily raise suspicions in itself but does make it easier to hide the origin of funds compared with other payment methods. Accountants with clients who wish to pay via this method should bear in mind the increased risk of this type of payment method when determining their procedures for CDD and subsequent monitoring.

Fraud, money laundering, and other economic crimes are on the rise. There are several reasons for this upward trend, but one of them is clearly the cost-of-living crisis. Soaring inflation and rising interest rates are placing a difficult burden on households, which means people or businesses may be more likely to engage in criminal activity or commit acts of fraud themselves. It is therefore incumbent on both AML supervisors and professional accountants to be aware of this and be suitably vigilant through risk-based activity.



Information and intelligence sharing

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

AAT is an active and engaged member of both the Accountancy AML Supervisors Group (AASG) and the Anti-Money Laundering Supervisory Forum (AMLSF), focusing on sector specific issues arising in relation to AML/CTF obligations arising either for members of the regulated sector as supervised, or the supervisors themselves. Maintaining excellent working relationships with these groups has enabled collaboration with other supervisors both within the accountancy sector and the wider private sector.

We are also a member of the Accountancy Intelligence Sharing Expert Working Group (Accountancy ISEWG). The purpose of the Accountancy ISEWG is to advance and improve intelligence and intelligence-related information sharing between accountancy sector professional body supervisors (PBSs), anti-money laundering (AML) statutory supervisors and law enforcement agencies.

AAT is a contributing member of the FCA Shared Intelligence Service (SIS) enabling it to fulfil the information sharing standards expected of an anti-money laundering supervisory body. The system is checked regularly to ensure no adverse intelligence has been recorded in respect of members applying to hold a practising licence and AML supervision with us.



Looking ahead

AML and preventing economic crime will be key priorities and AAT will continue our work to further improve the UK's AML regime to help prevent economic crime and money laundering.

Trust, or company service, providers (TCSP) are considered as being at a higher risk of being used by criminals to facilitate money laundering in the National Risk Assessment 2020. We will therefore be working with other supervisors, OPBAS and the National Economic Crime Centre (NECC) to better understand the threats, vulnerabilities and risks posed to our supervised population that are providing such services, and will look to provide more targeted guidance to help firms detect where TCSP services are being exploited by criminals.

AML related materials are centralised on the AAT website, so they are easily accessible to all members. This allows us to proactively increase awareness around the extensive AML requirements prior to becoming licensed, by ensuring they have access to all relevant guidance, templates, and key AML information.

As previously noted, the poor economic forecast combined with a rise in the number of both individual and UK company insolvencies that is likely to continue to climb as rising interest rates and the cost-of-living crisis – at a time when many are still just recovering from the pandemic increases the likelihood of increased economic crime. Supervisors and their members must be alert to this, particularly (for AAT members) in the increased risk of tax evasion and fraud.

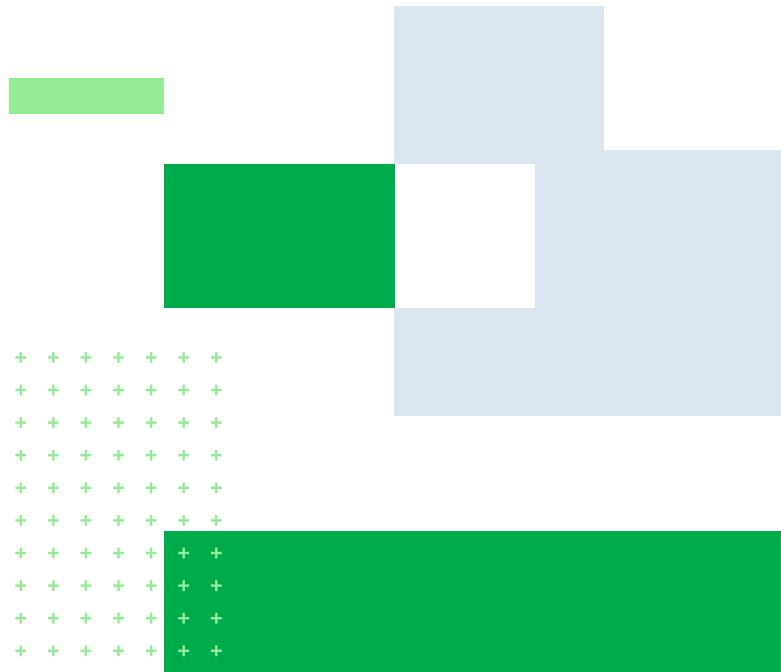
AAT plan to invest in systems and resources to become a more data-driven and agile regulator and supervisor, further demonstrating the AAT's overall commitment to fighting economic crime and preventing the legitimisation of the proceeds of crime through money laundering. We will look to be more proactive in directly targeting licensed members with relevant communications, where intelligence gathered as part of our annual AML data collection exercise indicates any contravention with the regulations.

To understand how and when our firms report Suspicious Activity Reports (SARs) we plan to undertake a SARs thematic review on firms we assess as being at a higher risk of facilitating money laundering based on client profile and services provided. The aim is to establish any trends and weaknesses in reporting but also identify best practice by asking about their procedures for reporting suspicious activities, staff training and the number and nature of internal and external SARs made annually. We also want to see how we can help firms improve the quality of the SARs they submit through our guidance and resources.

We also continue to develop our approach to effective risk-based AML supervision, including, considering what additional training and support we might offer to our supervised members to address knowledge gaps and risk areas. As well as continually reviewing our supervision strategy, risk-based approach and our monitoring review cycles, in light of an increased understanding of threats and vulnerabilities affecting the accountancy profession. All of which will strengthen AAT’s ability to help prevent economic crime and money laundering.

We'll be working our Markets and Products team to introduce CPD on AML that is more digestible and flexible so our supervised firms can undertake training at a pace that suits them.









AAT will continue to remind its supervised members that AML compliance should never be a tick box exercise, and that those not meeting the basic requirements expose themselves to risks and to falling into the category of negligent or unwitting professional enablers.



Any questions?

For further information about AAT's role in combatting money laundering and the resources we provide, please visit [AAT's website](#).

Alternatively, please get in touch on [+44 \(0\)20 7367 1347](tel:+442073671347) or by email at aml@aat.org.uk

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