

# Anti-money laundering *annual report*

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2024–2025

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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 2024/2025.

The Professional Regulation and Standards Compliance (PRSC) Board is the governance body with responsibility for oversight of AAT's regulatory arrangements and plays a critical role in safeguarding the public interest. The PRSC Board takes its responsibility in overseeing AAT's role as an AML Professional Body Supervisor (PBS) seriously, and we are pleased to present AAT's anti-money laundering supervision report for the year ended 5 April 2025.

The report aims to provide transparency over AAT's work as a PBS 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.

During the period of this report, in July 2024, AAT received the outcome of our periodic assessment by the Office for Professional Body AML Supervision (OPBAS). The report provided OPBAS' assessment of effectiveness against the eight OPBAS Sourcebook areas. OPBAS' assessment was that all these areas were largely, or partially effective. Whilst there were areas of OPBAS' assessment with which we disagreed, we have engaged constructively and effectively with OPBAS to ensure that the delivery of AAT's supervisory work continues to develop and that the effectiveness of delivery continues to improve.

We have made significant investments and improvements to ensure that all relevant matters are effectively addressed. We are committed to maintaining the highest standards, and this assessment has also provided valuable insights and observations that support our continued work.

Highlights from our supervisory work include:

- expanding our monitoring activities to test the effectiveness of our approach to supervision
- engaging with other supervisors and relevant authorities to support the delivery of HM Government's Economic Crime Plan 2, MLR effectiveness consultation, National Risk Assessment (NRA) and Professional Enablers Strategy
- increasing our intelligence and information sharing with law enforcement and other supervisory bodies through the information sharing gateways
- 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 found to be in breach of the *Money Laundering Regulations*.

In 2023, HM Treasury published its consultation on reform of the anti-money laundering and counter-terrorism financing (AML/CTF) supervisory system; Reforming anti-money laundering and counter-terrorism financing supervision. Throughout 2024/25 AAT has continued to invest in the people and systems necessary to deliver effective supervision and to improve our supervisory approach. However, the absence of a decision by the government on the future supervisory model following this consultation is not assisting long-term decisions on the further development of supervisory systems across the sector. We would welcome an early decision on the outcome of the consultation.



AAT plays a critical role in combatting money-laundering by ensuring our supervised population adhere to the highest standards. The PRSC Board remain committed to delivering its remit effectively over the next year in ensuring AAT's AML supervisory arrangements are robust, transparent and proportionate to contribute to the fight against economic crime and to prevent the legitimisation of the proceeds of crime through money laundering.

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.

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## Introduction



**AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 80,000 students and affiliates 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](#)).

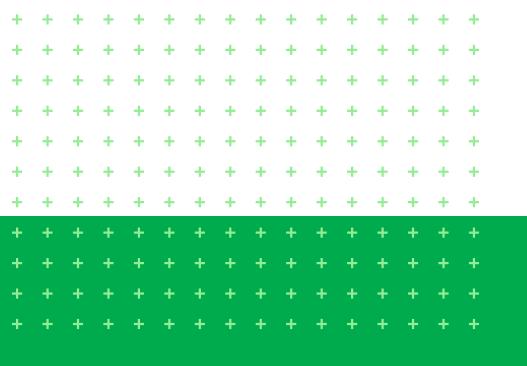
Our AML monitoring activities are designed to support the work of our supervised population and in this capacity, members are provided with a range of [resources and guidance for licensed members](#), and we [conduct practice assurance reviews](#) to help our licensed members comply with the current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

We supervise and monitor around 6,906 firms providing accountancy and bookkeeping services to the public by way of business. While our supervised firms vary in size, approximately 42% are sole practitioners with the remaining 58% of firms operating with only one or two other principals in a firm. We do not supervise members based outside of the UK.

## Beneficial owners, officers and managers (BOOMs)

The *Money Laundering Regulations* require all beneficial owners, officers and managers (BOOMs) to be approved by a supervisory authority and for firms to notify the supervisory authority if a BOOM is convicted of a relevant offence. AAT monitors how firms are complying with this obligation during our practice assurance and AML monitoring activities.

In this period, AAT approved 1,331 BOOM applications and rejected/refused 237 applications. This includes sole practitioners.



## 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 Regulations* 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. This includes imposing financial penalties, along with other sanctions considered proportion in accordance with AAT's *Indicative Sanctions Guidance*.

To monitor AML compliance, we carry out practice assurance reviews on our supervised population, reviewing licensed members using a risk based approach. We mainly focus our annual sample on firms where the risk of money laundering is highest, as well as other selection criteria that pulls together a picture of risk within the accountancy sector. From time to time, we also undertake thematic reviews, focusing on a particular area in order to understand more about delivery of the service or requirement. AAT also includes a randomly selected sample as part of the yearly cohort.

A risk assessment is conducted on all firms on an annual basis, which is then used to determine the timing and frequency of reviews, and the delivery method (either an onsite or desk-based review) appropriate to the size and type of firm.

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
- documented Client Due Diligence (CDD), including Know Your Client and Risk Assessment, conducted pre-engagement and on an ongoing basis
- 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. AAT conducted a review of its AML risk methodology in 2024-25 to ensure its ongoing effectiveness and address emerging risks including:

- products and services risk (inclusion of payroll)
- client risk (additional high risk factors)
- transactions risk (inclusion of cryptocurrencies and other crypto assets).

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.

AAT requires supervised firms to provide information on their AML policies, controls and procedures annually. This includes information on client risk, geographical risk, service risk, delivery channel risk, and industry risk. We use the AML annual firm return activity to develop risk profiles of firms.

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

The AML firm return includes sections on:

- firm profile (including number of beneficial owners, officers or managers (BOOMs), staff, size of client base)
- client risk profiles
- high risk indicators such as clients who are high net worth individuals, clients who operate in any high-risk jurisdictions or are on the financial sanctions list, and clients who operate in high-risk industries
- 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
<b>Low risk</b>	Subject to random sampling for either a practice assurance review or an AAT AML desk-based review.
<b>Medium risk</b>	Subject to practice assurance review selection or an AAT AML desk-based review unless a review has been conducted in the past five years and the review found the firm was compliant.
<b>High risk</b>	Prioritised practice assurance review unless a review has been conducted in the past three years and the review found the firm was compliant.

The AML firm return conducted in 2024 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 firm return 2024)
<b>High risk</b>	269 (4%)
<b>Medium risk</b>	2,592 (38%)
<b>Low risk</b>	4,045 (58%)



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

- the vast majority of firms are dealing with a small number of low-risk UK based clients and providing low risk services
- 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 (only 1% engage PEPs and less than 1% have clients operating in high-risk jurisdictions)
- 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 firm return results show that there has been a decrease in members rated medium risk and a slight increase in those rated low risk.

These changes have been attributed to a combination of factors, including:

- an increase in the number of firms reviewing their policies, controls, and procedures in the past 12 months
- an increase in the number of firms declaring they have procedures in place for reporting knowledge or suspicion of financial sanctions breaches to the Office of Financial Sanctions Implementation (OFSI)
- AAT's revised risk methodology and new risk profiles.

## Practice assurance review activity

In this annual period, we conducted a practice assurance review on 5% (327) of our supervised members. In terms of review type, 70% of the reviews were completed as a full-scope desk-based review with the other 30% reviews being undertaken as a full scope on-site visit. A further targeted sampling exercise was also undertaken on a further 65 low risk members, to review a specific supervisory requirement.

AAT grade the outcome of practice assurance as compliant, generally compliant or non-compliant.

A compliant rating is applied to a firm where it can demonstrate, and provide evidence, that it has effective and appropriate systems and controls in place that meet the requirements of the relevant money laundering regulations. The controls should minimise the likelihood that the firm will be exploited by those engaged in financial crime.

A generally compliant rating is applied to a firm that demonstrates it has systems and controls in place but there is insufficient evidence that they are fully effective, or they require improvement. However, the member has demonstrated a willingness and ability to make improvements and resolve the issues effectively. The firm will be asked how it will rectify the weaknesses identified and we will check the firm has made the necessary changes as part of any future reviews.

A non-compliant rating is applied when a firm's systems and controls are weak, and the member is assessed as being unable or unwilling to resolve the issues effectively to the extent that the firm is vulnerable to exploitation by criminals. In these cases, we will ask the firm to agree to an action plan or submit to a follow-up review at their own cost to ensure corrective actions have been taken. The member may be referred to the Investigation and Disciplinary team for further investigation and sanctions to be imposed.

The table below reflects the number of practice assurance reviews conducted in the relevant period with a comparison against the previous periods:

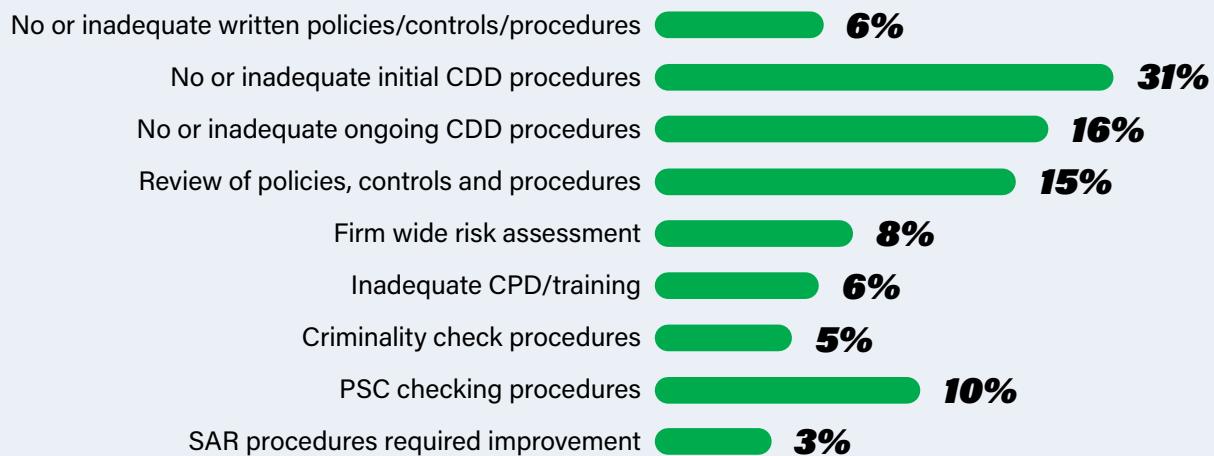
Period year ending						
Rating	2024/2025		2023/2024		2022/2023	
Compliant	12	4%	6	2%	6	2%
Generally compliant	235	72%	206	68%	161	61%
Non-compliant	80	24%	89	30%	96	37%
<b>Total</b>	<b>327</b>		<b>301</b>		<b>263</b>	

Of the firms we completed a review for in the reporting period 2024/2025, we found that in comparison with the previous year:

- the number of compliant firms has remained fairly consistent
- 72% of our members were generally compliant compared to 68% in 2023/24
- the percentage of firms assessed as non-compliant was 24% compared to 30% in 2023/24.

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

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



We conduct reviews of non-compliance cases to identify the underlying causes. The findings from these reviews, along with discussions with licensed members, have revealed persistent misconceptions regarding AML procedures. Generally, we observe that firms are making earnest efforts and believe they have robust compliance policies and procedures in place; however, our monitoring reviews indicate that they have not fully understood all AML requirements, especially concerning the recording and documentation of activities. While most firms recognise the necessity of client due diligence and risk assessment during the client on-boarding process, it is not always clear that these should be continuously reviewed and documented. The frequency of such reviews should be based on risk factors, but there may also be triggering events, such as the provision of new services to existing clients, significant changes in key office holders, the introduction of politically exposed persons, or the filing of suspicious activity reports.

We have discovered that members often lack a comprehensive understanding of 'risk' and possess an inadequate risk assessment documentation to effectively evaluate whether all risks have been identified. Ineffective risk assessment documentation occurs when a firm fails to document all the risks we have identified, even though they can articulate and describe these risks.

Moreover, it has come to our attention that certain firms under review have not conducted regular assessments of the adequacy and effectiveness of their policies, controls, and procedures. According to regulations, firms are required to establish an independent audit function to evaluate the adequacy and effectiveness of their AML policies, controls, and procedures, where appropriate to the size and nature of the business. Furthermore, sole practitioners without employees frequently fail to recognize the importance of documenting their firm's policies, procedures, and controls, performing a comprehensive firm-wide risk assessment, and executing and documenting annual monitoring of their firm's compliance with the Money Laundering Regulations.



## Practice assurance resources

In response to the findings from our practice assurance review activity, AAT has published the following resources for supervised firms.



### CPD Bitesize (available in AAT's Learning Portal)

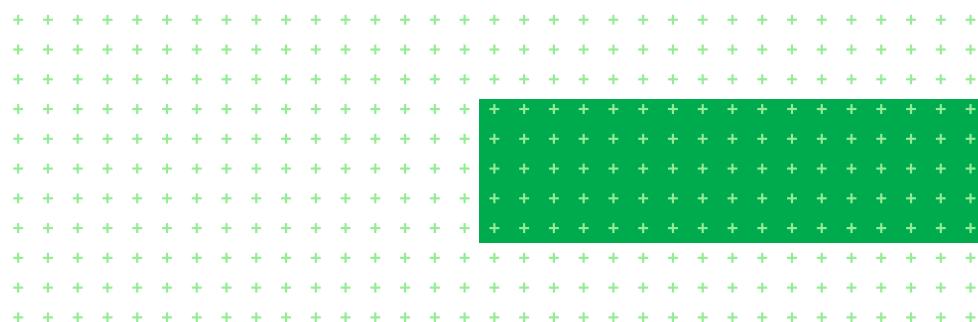
- **Module 1: What is money laundering**
- **Module 2: The key steps to AML compliance**
- **Further bitesize modules are currently in development.**



### Articles

- **New money laundering, terrorist financing and proliferation financing risks are emerging in the accountancy sector (updated AASG Risk Outlook)**
- **What you need to know about UK Sanctions**
- **Updated High Risk Third Countries list**
- **Trust or Company Service Providers (TCSPS): are you aware of the risks your business might face as a TSCP?**
- **AAT sanctions for AML breaches: don't get caught out**
- **UKFIU accountancy sector SAR best practice workshops**

The Accountancy AML Supervisors Group also added **emerging threats** to the [Accountancy AML Supervisors Group Risk Outlook](#).



## Follow-up activity

Any firm deemed non-compliant during a review where their procedures and controls are so seriously lacking to the extent that the firm would be vulnerable to exploitation by criminals are subject to robust follow-up monitoring by Professional Standards Regulation function.

The firm is 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.

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. Furthermore, 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.

Seven firms received a follow-up review in this period. One firm passed the second review, two passed with minor actions and the remaining members were terminated on the basis they were unable or unwilling to resolve the issues effectively in the timescale provided.

Rating	Total number of follow up reviews reported
Pass	1
Pass with action	2
Fail	4
<b>Totals</b>	<b>7</b>



## Practice assurance review case study

We carried out an onsite review to a licensed member with a high AML risk score. During our review we identified widespread non-compliance with the requirements of the Anti-Money Laundering Regulations. Non-compliance included no documented anti-money laundering policies, procedures, no regular review, ineffective training, and the firm was assessed as having ineffective client due diligence and risk assessment procedures in place.

During our review of the effectiveness of the CDD, we identified two of the four files reviewed did not have any documentation on the client's identity and the other records did not adequately record the business owners, sources of wealth, client activities, services provided and client structure. The firm had not been performing the full requirements of regulation 28, and were asked to explain how they planned to improve identification procedures to ensure they know their client and improve their risk assessment procedures to ensure risks are properly documented.

In light of the numerous adverse findings and the necessary corrective actions, the licensed member was granted a final opportunity to demonstrate compliance during a follow-up review at their own expense; otherwise, their licence and AML supervision would be revoked in accordance with AAT's Licensing Regulations.

We reached a positive conclusion on all matters necessitating follow-up action during the second review. Although two AML risk assessments remained outstanding, it was evident that the member had implemented improved processes to manage these delays.

While the member did rectify the firm's position, the AML breaches were still referred to the Investigation and Disciplinary team for enforcement action. Consequently, the member faced a monetary penalty of £3,000, received a severe reprimand for a duration of four years, and was stripped of fellow membership for the same period.

## 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*.

Enforcement action	2024/2025	2023/2024
Expelled	3	6
Licence and AML supervision terminated	50	25
Reprimands or severe reprimands	70	56
Number of monetary fines	72	58
Sum of monetary fines imposed	£214,250.00	£115,424.00

\*AML supervision was terminated for 40 firms as a result of the firm failing to respond to our 2024/25 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 publishes its regulatory outcomes on our website [here](#) and included in the *AT* magazine.

## Disciplinary action case studies

We conducted an onsite monitoring review of a licensed member and discovered significant shortcomings in the firm's Anti-Money Laundering (AML) procedures. This included an inability to perform client due diligence and their failure to conduct adequate risk assessments and ongoing due diligence. Furthermore, they had not carried out a satisfactory periodic review of their AML policies, procedures, and controls. The firm had also been offering trust or company services as part of their business without being registered with a supervisory authority for anti-money laundering purposes, as defined by the Money Laundering Regulations.

The Investigations and Disciplinary team reviewed the case and determined that the member had committed an act or omission that does not meet the standards reasonably expected, which brings, or is likely to bring, discredit to the member, the accountancy profession, or AAT.

The member actively accepted the sanction of a severe reprimand, which will remain on record for three years, in addition to a monetary fine of £5,000. The Order was made public at [aat.org.uk](http://aat.org.uk).

AAT also takes disciplinary action against firms that have been identified as providing accountancy or bookkeeping services to clients ("the public") by way of business but are not subject to AML supervision. We identified one member that had failed to notify AAT that they had been providing accountancy services for a number of years. On investigation, we identified that the firm wasn't AML supervised between 01 April 2018 and 14 June 2024.

The Investigations team made an order that the member be severely reprimanded for a period of three years and fined £4,279.





## 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 Providers (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.

353 Suspicious Activity Reports (SARs) were submitted to the NCA by 191 of our supervised firms, of which 62% submitted fewer than two SARs 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, AAT has begun circulating the UKFIU's *SARs in Action* magazine and *SARs Reporter Booklet* in AAT's e-newsletter.

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 widely-held negative perception of the term whistle-blower. 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:

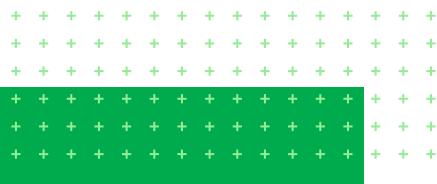
- forming a firm (i.e. companies, limited partnerships or other legal persons)
- acting, or arranging for another person to act:
  - as a director or secretary of a company;
  - as a partner of a partnership; or
  - in a similar capacity in relation to other legal persons;
- providing a registered office, 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.

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 as a trust or company service provider (TCSP) and therefore fall within this category. AAT is required to keep this register up to date with any changes. There are around 2,816 firms and 905 sole practitioners supervised by AAT that provide trust and company services to the public. Licensed accountants who provide TCSP services but are not included in HMRC's TCSP register are in breach of Regulation 56 of the MLR2017. Therefore, we urge our members providing TCSP, to ensure that this service, also known as Company Secretarial Service, is added to their licence. Please note – licensed bookkeepers are not permitted to offer this service.

## Driving best practice

We recognise the constantly evolving risk around 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 with our efforts 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 Comment and AAT Knowledge Hub

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

- **Illicit finance risks from Non-Established Taxable Persons**
- **Gold-based Financial and Trade Sanctions Circumvention**
- **Money Laundering & Cultural Property Trafficking Through the Art Storage Sector**
- **New money laundering, terrorist financing and proliferation financing risks are emerging in the accountancy sector**
- **What you need to know about UK Sanctions**
- **Failure to prevent fraud guidance**
- **Updated High Risk Third Countries list**
- **Introduction of identity verification and ACSPs: what you need to know**
- **Trust or Company Service Providers (TCSPS): are you aware of the risks your business might face as a TSCP?**
- **AAT sanctions for AML breaches: don't get caught out**

We also highlighted the following resources, available to our supervised population:

- AAT's Anti-money laundering annual report 2023–24
- UKFIU's SARs in Action magazine
- UKFIU's SARs Reporter Booklet
- UKFIU's Podcast - **Episode 20: Illicit Company Formation: The Public Private Partnership Response**
- UKFIU's accountancy sector **SAR best practice workshops**

Furthermore, our weekly 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 Reports (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

## 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. We provided guidance in response to 151 enquiries in this reporting period through the helpline. To discuss any questions you might have, call us on **+44 (0)20 7367 1347** or email [aml@aat.org.uk](mailto:aml@aat.org.uk)

The MLR requires AAT to take effective measures to encourage its own sector to report breaches of the provisions of the regulations to us as soon as there is a genuine concern. Our members, their firms and members of the public can call on **+44 (0)20 7397 3182** or email [aml.whistleblowing@aat.org.uk](mailto:aml.whistleblowing@aat.org.uk) to discuss, in confidence, concerns about an AAT supervised firm. If the information is provided to us on a confidential basis, we will take the appropriate steps to protect your identity. Further guidance on how to report information to us and how we'll use the disclosure is [available here](#).



### Effective supervision case study

AAT received an enquiry into our dedicated AML helpline. The request originated from a member who had recently detected several 'red flags' concerning a new client of only three months. The member discovered that the client had previously been investigated and fined for employing illegal workers. At the client's primary business, a food restaurant, he was fined £10,000, and subsequently, at the restaurant business owned by the client's spouse, which was registered under the spouse's name, they incurred a fine of £45,000 and had their licence revoked.

The member provided payroll services for the client under a separate main/holding company, and the client requested the establishment of a new department on the payroll for another food company, about which the member had limited information, and which had not been previously mentioned by the client. Following this request, the member conducted further investigations and uncovered multiple news articles related to the businesses. He also performed a more thorough search of Companies House and identified several firms that had been dissolved, along with a frequent change of directors and shareholders.

Additionally, the member discovered through a review of the live bank fees that the company for which he was providing payroll services was receiving funds from two unknown businesses: one, a food shop that had been dissolved a year earlier and recently reopened as a coffee shop, and another that appeared active on Companies House but only had dormant accounts filed. The main/holding company was established due to the dissolution of a previous company linked to the hiring of illegal workers.

Another concerning issue arose when the member requested National Insurance details for a worker and was given a random number by the client. When the member asked for the correct details, the owner stated that the worker was in the process of obtaining them and subsequently provided the correct National Insurance number shortly after their conversation, leaving the member uncertain about the accuracy of the information regarding the individual. Although the member was subject of a practice assurance review in 2023 and understood his obligations, he wanted to discuss the appropriate course of action with his supervisor to ensure compliance with his professional responsibilities in accordance with the MLR2017.

In terms of advice, the member was informed of his obligation to submit a Suspicious Activity Report (SAR) and to retain a copy in a secure location. He was advised to disengage from the client, ensuring that he did not inadvertently 'tip off' the client, and to submit a referral to the relevant law enforcement agency.

As part of the effective intervention, a follow-up email was sent to the member signposting them to the NCA's Guidance on Submitting Better Quality Suspicious Activity Reports (SARs), the CCAB guidance and AAT's resources, particularly those concerning compliance during client disengagement and Ethics and Professional Clearance. Client on-boarding procedures were also discussed with the member in respect of due diligence and using open search techniques as part of that process. The member confirmed that he had submitted a SAR, disengaged from the client, and contacted the Suspected Modern Slavery/Human Trafficking phoneline, providing a case reference number to AAT.



## Emerging AML/CTF risks in the accountancy sector

AAT licensed members must take appropriate steps to identify and assess the risks of money laundering and terrorist financing to which their business is subject and document it (also known, as firm wide risk assessment). In carrying out this assessment, they must consider various sources, one of which is the National Risk Assessment. The NRA contains extensive information and intends to equip firms with up-to-date assessment of the current and emerging risks so that they can identify, assess, understand and mitigate risks to which their firm may be exposed. We strongly encourage you to review it in full. AAT continues to monitor emerging threats within the accountancy sector. These risks are shared with our supervised population via the Joint Money Laundering Intelligence Task Force (JMLIT) and AASG alert communications.

**The Accountancy AML Supervisors' Group (AASG) risk outlook** sets out the key risks and red-flag indicators to look out for based on emerging threats and trends.

Some of the emerging risks include:

- cryptoassets. There is increasing evidence that shows criminals are using crypto to transfer value and/or assets as it is 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 ongoing monitoring
- financial and trade sanctions imposed on Russian-origin oil, gas, gold, diamonds, iron, steel, and base metals as a result of their ongoing illegal invasion of Ukraine, continue to be a risk in the provision of accountancy services. Accountancy professionals should be fully aware that criminals, including sanctioned individuals, are exploiting these services to evade sanctions and launder the proceeds of crime. We expect our supervised members to consider these risks and understand any change in a client's circumstances as part of their regular due diligence
- TCSP services, specifically provision of a registered office address or nominee directorships, remain at risk of exploitation as those services can enable the concealment of beneficial ownership

- the capabilities of Artificial Intelligence (AI) are developing at an extraordinary pace. However, in addition to offering new opportunities, AI can be abused for illicit purposes, such as identity theft, fraud, on-boarding of money mules or helping to overcome existing money laundering defences. Also, over-reliance on AI may lead to neglecting critical thinking of professional scepticism. We encourage to challenge anomalies, assess red flags and apply human judgment. Any decision made with AI assistance should be justified and appropriately documented.

Accountancy professionals should also be mindful of the risks involved in placing reliance on electronic CDD solutions. Liability for AML compliance ultimately remains with the supervised firm and therefore, scrutiny and professional judgment of electronic CDD and artificial intelligence solutions must be applied.

## 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.

During the period, we:

- disseminated intelligence to HMRC and NCA to assist investigations.
- assisted several police authorities with information about persons of interest to their investigations.
- shared intelligence with Companies House in respect of the Register of Overseas Entities (ROE).

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.

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## Looking ahead

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

We will be working with the relevant authorities and other supervisors on guidance following response to the consultation on improving the effectiveness of the Money Laundering Regulations. We have already engaged with our supervised population regarding the findings of the fourth **UK's National Risk Assessment of Money Laundering and Terrorist Financing**. We remain committed to supporting the work regarding the delivery of HM Government's Economic Crime Plan 2, including the Professional Enablers Strategy. We will continue to engage with and share information with the other accountancy supervisory bodies through forums such as the AASG and ISEWG.

We continue to work with our Markets and Products team on AML related CPD to address common findings of non-compliance. We have planned for our first AAT-lead AML webinar.

We will also review the AML content on the AAT website to ensure it stays relevant and supports members in ensuring their full compliance with the MLR. We encourage our members to actively engage with articles published on **AAT Knowledge Hub** and AAT Comment.

Recognising the importance of submitting high-quality Suspicious Activity Reports (SARs), two webinars will be delivered by the UK's Financial Intelligence Unit (UKFIU) to our supervised population.

We continuously work towards meeting the OPBAS' requirements in our role as a Professional Body Supervisor. We will use our updated risk scores and risk categorisations to inform our next selection of the Practice Assurance Reviews.

We will conduct our AML related, dip-sampling activities, using our revised risk methodology, which enables us to risk-rate firms in two ways: firstly, by considering the controls they have in place, and secondly, by assessing the risk assuming no controls exist. A proportion of our members can expect to be contacted to provide us with the evidence of their AML/CTF compliance.

We remind our members that AML/CTF compliance is not a tick box exercise and that they are gatekeepers of the UK economy – a vital frontline in the fight against AML and economic crime. Those who are not meeting the requirements, expose themselves to risks and to failing into category of negligent or unwitting professional enablers, as defined within the **Cross-system Professional Enablers Strategy**.

### Licensed member register

AAT's directory enables users to search for a licensed accountant or licensed bookkeeper. This service has recently been updated with the functionality now allowing the searcher to confirm if the firm is supervised for anti-money laundering compliance by us, and also making clearer if the firm is approved to provide trust or company services as a separate searchable service area. This mandatory register is available [here](#).

## Any questions?

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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:+44(0)2073671347)  
or by email at [aml@aat.org.uk](mailto:aml@aat.org.uk)

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