IFA REPRESENTATION 11/23

Reforming anti-money laundering and counter-terrorism financing supervision Consultation

The IFA welcomes the opportunity to comment on the Consultation Paper published on 30 June 2023.

We would be happy to discuss any aspect of our response and to take part in any further consultations in this area.

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Established in 1916, the Institute of Financial Accountants (IFA) is an internationally recognised professional accountancy membership body. Our members work within micro and small to medium-sized enterprises or in micro and small to medium-sized accounting practices advising micro and SME clients. We are part of the Institute of Public Accountants (IPA) of Australia Group, the world's largest SME focused accountancy group, with more than 49,000 members and students in 100 countries.

The IFA is a full member of the International Federation of Accountants (IFAC), the global accounting standard-setter. We are recognised by HM Treasury to supervise our members for the purposes of compliance with the Money Laundering Regulations, and by the Financial Services Authority in the Isle of Man.

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General comments

1. The IFA shares the government's ambition to reform the regime in a way that better tackles economic crime and welcomes the opportunity to contribute to this consultation.

2. We do not support continuing the status quo and recognise the need for reform, however we feel the regime has been greatly enhanced since the introduction of OPBAS in January 2018. The findings of OPBAS' fourth report, published in April 2023 concluded that while compliance with the technical requirements of the MLRs has significantly improved since OPBAS was established in 2018, and while the effectiveness of supervisory interventions across PBSs remained inconsistent, we believe that five years provides insufficient time to conclude that the regime requires a major overhaul.

3. Whilst we appreciate the urgency of a decision and the ambition of HMT to have implemented change soon as possible, we are concerned that this is a very short time period for such an important decision. Indeed, the original call for evidence concluded in October 2021 and the findings weren't published until June 2022.

Responses to consultation questions

Chapter 2 (Objectives)

Q1: Do you agree that increased supervisory effectiveness, improved system coordination, and feasibility are the correct objectives for this project? Do you agree with their relative priority? Should we amend or add to them?

4. We agree with the three objectives outlined in the consultation and increased supervisory effectiveness should be the primary objective.

5. Throughout the consultation, the lack of an impact assessment of this consultation is very regrettable as it could help evaluate risks associated with each model which will be covered in our responses below.

Chapter 3 (OPBAS+)

6. To be deleted if nothing more to add.

Q2: What would the impact be of OPBAS having the FCA's rulemaking power? What rules might OPBAS create with a new rulemaking power that would support its aim to improve PBS supervision?

7. We agree with the statement that OPBAS has made significant progress against its objectives, which prompts the question of why OPBAS has indicated that it requires additional rule-making powers over and above its existing remit.

8. We believe that any additional rule-making powers must be transparent and applied consistently in order to achieve its objectives.

9. The current OPBAS Sourcebook is subject to interpretation and we believe that OPBAS should be more proactive in demonstrating its understanding of each of the elements, especially if this is to be underpinned by additional rules and requirements.

10. The model introduces rule-making powers similar to the FCA, and we believe this will help promote better compliance and consistent standards.

11. Additional enforcement powers, such as graduated sanctions, deter non-compliance and ensure proportional penalties. OPBAS+ increases accountability, builds public confidence, and safeguards against financial crime in the sector.

Q3: Which, if any, of these powers should OPBAS be granted under this model? Are there any other powers that OPBAS could be granted under this model to aid OPBAS in increasing the effectiveness and consistency of PBS supervision?

12. It is interesting to note that, according to the consultation document, OPBAS have not utilised its existing powers and it would be helpful to fully understand why this is the case.

13. When considering additional powers to OPBAS, we believe it is important to focus on the aim of granting additional powers. The aim, as we see it, is to be effective in all categories of the OPBAS Sourcebook, however, the current regime appears to accept a mixture of effective and largely effective as being acceptable and we feel this needs to be clearly defined before powers are allocated to OPBAS.

14. We believe the publication of supervisory interventions would be a positive step and in line with other regulators such as the FCA, however this must be after an appropriate and transparent appeals process that allows due process and the right to reply or respond publicly.

15. The publication of such interventions would promote discussion and improvements across the sector as it would provide evidential-based narratives for professional bodies to consider and act upon.

16. Graduation of sanctions would be an appropriate measure provided clear guidance to sanctions is provided. This is in line with the IFA Guide to sanctions which sets out a clear structure that allows for mitigation or aggravation, including graduation of enforcement action.

17. We believe it is imperative that OPBAS would only have the power to recommend the removal of a professional body from the regulations to HM Treasury, as one of its powers, and that such an action should follow a transparent process with appropriate right of appeal.

18. The power to restrict or reduce a supervisors population requires more thought as although we agree with the concept of restricting supervisory activities pending published improvements, the requirement to reduce a supervised population would potentially breach professional body regulations, reduce income flows and inhibit the professional body from remedying areas considered ineffective.

19. The reputational risks associated with a professional body receiving a fine, if OPBAS is provided with the power to fine professional bodies for supervisory failings would be impactful, however may well have a commercial impact that could, over time, reduce the resources required to remedy the supervisory failings.

20. We do not envisage any such fines being passed onto the supervised population as described in the consultation document as these would have to be absorbed by the professional body. As outlined above, we believe the reputational impact of being fined would be significant and potentially damaging to professional bodies.

Q4: What new accountability mechanisms would be appropriate in order to ensure proportionate and effective use by OPBAS of any new powers?

21. We believe the publication of the rationale for supervisory interventions should be made contemporaneously to allow wider discussions and improvements.

22. Although this model does not include the oversight of statutory supervisors, we believe there should be consistency throughout the regime and OPBAS should be accountable, in the same way as statutory supervisors, to HM Treasury.

23. We believe there is scope for OPBAS to submit an annual report on its activities that feeds into the HM Treasury annual supervision report which details interventions and associated rational.

Q5: Do you have evidence of any specific types of regulated activity which are at high risk of being illegally carried out without supervision?

24. We do not have any evidence of any specific types of regulated activity which are at high risk of avoiding supervisory oversight within the accountancy sector. It is worth re-iterating that the regulated sector does not include accountants working in industry and these businesses fall outside the scope of regulation and therefore still pose a significant risk.

25. We do not consider that there is a weakness in the accountancy sector in relation to gatekeeping and policing the perimeter within the IFA or any other professional bodies within the accountancy sector. The IFA has stringent entry requirements that require all members engaged in public practice to be supervised for AML and regularly engages with HMRC to inform of members who have been removed from the IFA register of members and/or AML supervision. We also engage with other professional bodies to confirm supervision and require all members to complete annual declarations to declare if they engage in public practice or not. Any member found to have wrongly declared they are not engaged in public practice is subject to robust disciplinary and enforcement measures.

Q6: Do you think a 'default' legal sector supervisor is necessary? If so, do you think a PBS could be designated as a default legal sector supervisor under the OPBAS+ option?

26. We do not feel able to respond to this question as the IFA is not active in this sector.

Q7: Overall, what impact do you think the OPBAS+ model would have on supervisory effectiveness? Please explain your reasoning.

27. While we accept that the OPBAS+ model would have no structural change to the regime, we believe any new powers given to OPBAS may support it to address any issues requiring remedial action and build upon the successes achieved to date.

Q8: Overall, what impact do you think the OPBAS+ model would have on system coordination? Please explain your reasoning

28. We believe the OPBAS+ model would have a positive impact on system coordination as it would build on the advances in information sharing and develop this further.

29. OPBAS have been influential in helping professional bodies to develop information sharing processes such as the production of Accountancy Anti-Money Laundering Supervisors Group (AASG) AML alerts through its involvement the accountancy Information Sharing Expert Working Group (ISEWG). OPBAS has also brought other stakeholders together such as Companies House to share information with professional bodies on issues such as firms registering to provide Registration of Overseas Entity services which has provided additional information for supervisors to apply appropriate risks to supervised firms.

30. We believe OPBAS are in an ideal place to build on these successes with law enforcement and Regional Organised Crime Units to provide a better understanding of money laundering typologies and provide an environment that allows all parties to share appropriate information and intelligence using appropriate gateways as defined in regulation 52 of the money laundering regulations, and support wider economic crime legislation.

Q9: Overall, how significant do you think feasibility constraints would be for the OPBAS+ model? Please explain your reasoning.

31. We agree that the OPBAS+ model would not require any structural change to the current regime or present transitional risks associated with other proposed options.

32. We are concerned, however, of the notion that OPBAS would require additional funding and staffing to finance its use of the additional powers granted.

33. This needs to be properly costed and presented with full transparency in order to understand and assess this requirement as it is not clear why OPBAS would need more resources to implement additional powers. This needs to be explained more fully.

34. In addition, it is worth noting that, as we understand it, currently the two largest professional bodies effectively fund OPBAS (eg, ICAEW pays 48% of the OPBAS levy and we believe the SRA pays the majority of the rest).

35. The IFA currently pay the basic levy rate which is passed onto supervised IFA firms therefore, any increase would need to be justified and explained to firms.

36. We believe that this option is by far the easiest, quickest, most streamlined and least disruptive to implement. This option best meets the objective that 'structural reform be implemented swiftly' with less disruption to the regime that would occur with the other proposed models.

37. This option will also maintain supervisory effectiveness throughout the transition/change period which IFA believes is another key advantage of this option and the only one to offer the certainty that supervisory effectiveness will not decrease.

38. We would challenge the sentence in section 3.17 'the reforms under this model may have less potential to deliver fundamental changes to supervisory effectiveness and systems coordination in the middle-to-long term due to their more limited nature'. In our opinion this sentence makes a value judgement that improvements will be smaller under this option and we would therefore question on what evidence this statement is based.

Chapter 4 (PBS Consolidation)

Q10: Were we to proceed with the PBS consolidation model, what would the relative advantages be of (a) a UK-wide model, (b) retaining separate PBSs in the Devolved Administrations. Which would best achieve the consultation objectives? Please answer with explicit reference to either the legal sector, the accountancy sector, or both.

39. The IFA supervises Accountancy Service Providers (ASPs) and Trust and Company Service Provider (TCSP), work when undertaken by the ASP and provided it is incidental to the accountancy services provided, therefore the responses below relate to the accountancy sector.

40. We are not convinced of any relative advantages in either of the UK-wide model or retaining separate PBSs in the devolved administrations.

41. The consultation document suggests consolidating PBSs into a UK-wide remit would expect to see improvements in supervisory effectiveness and facilitate risk-based resource prioritisation. As previously detailed, the majority of IFA supervised firms are sole practitioners with few employees, and it is not clear how a UK-wide supervisor would have and maintain a consistent approach across the range of size of firms and the different services provided in such a way as to be able to demonstrate improvements.

42. The current regime is underpinned by knowledge and expertise gained from each professional body supervisor understanding the risks associated with its supervised population and applying a risk-based approach to its supervisory activities.

43. We agree that there would be a risk with both models that low-risk firms do not receive adequate supervision.

44. We feel having separate PBSs in devolved administrations would provide little, if any, additional improvements other than potential improvements to information sharing processes e.g., Police

Scotland would potentially have a clearer pathway to share information with a PBS based in Scotland, however we would argue that this already happens.

45. It would appear obvious to suggest that larger organisations can realise efficiencies, however as there are no costs or estimates provided in the consultation it is difficult to understand how this will occur, given there will still be the same number of firms to supervise and therefore it follows that there will be the same number of staff needed to supervise.

46. Linked to the above point, the costs to recruit and train appropriate personnel should be taken into account and is a major concern in relation to the feasibility of both options, although possibly reduced in the devolved administration model as it could be argued that the PBSs based in Scotland and Northern Ireland will already be well placed.

47. Consideration should also be made for the potentially significant one-off cost associated with data transfer from current PBSs to the new consolidated models, as well as the physical risks associated with such a transfer in terms of personal data breeches.

48. If this model is chosen, then the IFA feel the accountancy sector would be better served from a UK-wide PBS as this model would be well placed to understand the risk of the whole sector, provided it is appropriately resourced.

Q11: How could HM Treasury and/or OPBAS ensure effective oversight of consolidated PBSs under this model? Would it be appropriate to provide OPBAS with enhanced powers, such as those described in the OPBAS+ model description?

49. We would expect that any PBS or devolved administration PBSs selected to provide supervision of firms will have been subject to appropriate scrutiny and already be able to demonstrate to OPBAS and HM Treasury that they have effective models of supervision in accordance with the OPBAS sourcebook, and as such we do not agree that OPBAS would require additional powers such as those described in the OPBAS+ model.

Q12: Under the PBS consolidation model, do you think that HMRC should retain supervision of ASPs and TCSPs which are not currently supervised by PBSs? Why/why not?

50. We believe that one of the most effective gateway controls is HMRC's policing the perimeter exercise combined with PBSs annual monitoring of membership activities to identify members/firms that are operating outside the Money Laundering and public practice regulations.

51. The IFA often receives applications for membership, practising licenses and AML supervision which coincide with requests for agent codes. The IFA also regularly updates HMRC on relinquished supervision due to retirement, moving out of practice or exclusion.

52. This mechanism, as we understand, is practiced by all accountancy PBSs with great success and it is for this reason that we believe that HMRC should retain the supervision of firms with no representation with a professional body.

Q13: What would the impact be of consolidated PBSs having a more formal role in identifying firms carrying out unsupervised activity in scope of the MLRs? What powers would they need to do this?

53. As detailed above, we believe the existing regime in the accountancy sector provides an effective gateway and PBSs already undertake appropriate oversight to identify firms that are not supervised.

54. We have nothing to add in relation to the legal sector's processes to identify individuals or firms carrying out legal activity in scope of the ML Regulations without supervision.

Q14: Under the PBS consolidation model, what would be the advantages and disadvantages of a consolidated accountancy or legal sector body supervising a range of different specialisms/professions for AML/CTF purposes?

55. For the reasons referred to earlier, we are not convinced that either of these models would lead to the economies of scale referred to in the consultation in the short to medium term, without appropriate costing models. We would agree that over a longer period of time this may well prove to be the case.

56. We also feel that the reference to a consolidated PBS expected to lead to improvements in the risk-based approach of supervisors does not reflect work already undertaken by existing PBSs, which reflects the size and services of supervised populations. The biggest disadvantage, as we see it, will be the loss of knowledge and experience gained by PBSs over a number of years that relates to its supervised population. We do not accept expertise in understanding the sectors' practices, products and services would be retained.

57. We do not agree that this could be mitigated by hiring experts in relevant sub-sectors as we feel we are the experts in these sub-sectors, as detailed above.

58. If AML supervision is removed from the IFA, then our regulatory model and priorities would change focus with resources currently used to supervise our firms being re-trained and deployed in other disciplines such as practice assurance.

59. There will be increased complexity in information sharing between the PBS and the remaining professional bodies which may gather information from their firms in other regulatory monitoring activity. This information may also have an impact on AML compliance, such as letters of engagement/terms of business requiring clear data protection obligations relating to AML compliance. This would be a complex area to control as it will not be obvious which organisations would have enforcement jurisdiction.

60. Some challenges around complex information sharing, particularly from law enforcement to PBS could be addressed by creating a single register of firms supervised by sector.

Q15: What steps, if any, could HM Treasury take under this model to address any inconsistencies in the enforcement powers available to supervisors?

61. In order to be able to demonstrate consistent approaches to supervision across all sectors, the IFA believe that all AML supervisors, under this option, should have the same civil powers available to the FCA and HMRC, however if appropriate rules are overseen by OPBAS or HM Treasury then these powers should be considered as the last report.

Q16: Which option, to the extent they are different, would be preferable for providing for supervision of non-members under the PBS consolidation model? Are there alternatives we should consider?

62. We consider the highest risk in the sector of firms having inadequate controls and therefore most at risk of committing money laundering offences, wittingly or unwittingly, are unqualified accountants.

63. The IFA Bye-laws prescribe routes of entry into membership with minimum education standards being part of the requirements. Any unqualified applicant will be presented with an educational pathway into membership.

64. We believe it is imperative that the adopted model provides for the supervision of non-members as well as unqualified accountants. We agree that the consolidated PBSs must be provided with the responsibilities and powers to supervise firms according to type of firm or services provided and compel firms to register with the relevant remaining PBS for AML supervision.

Q17: What powers, if any, might be required to minimise disruption to ongoing enforcement action and to support cooperation between the PBSs retaining their AML/CTF supervisory role and the PBSs which are not?

65. IFA enforcement action in relation to alleged AML breeches of the money laundering regulations are generally not limited to AML breeches only. They may also include alleged breeches of the IFA Code of Ethics , IFA Public Practice regulations or Continued Professional Development regulations which may have been identified as part of an AML review. In such instances it would not be appropriate to transfer part of the case to the new PBS and subject the member to dual disciplinary proceedings.

66. For this reason, the IFA believe giving professional bodies losing their supervision status time-limited powers, where necessary, to continue material enforcement cases against current members beyond the point at which they are removed from Schedule 1 to the MLRs would be the most appropriate option.

Q18: Overall, what impact do you think the PBS consolidation model would have on supervisory effectiveness? Please explain your reasoning

67. AML/CTF supervision in the accountancy sector is not suited to a one-size-fits-all approach. The reason there are multiple PBSs is because of the sheer scale and variety of supervision that is needed. It spans different sectors, professions, and sizes of businesses. This requires the PBS to have a detailed level of knowledge and expertise to supervise firms to a high standard and understand the unique characteristics of the profession they oversee.

68. It cannot be assumed that staff at PBSs can simply transfer over to a new single regulator as they will often have responsibilities outside of AML, including assessing members' compliance with the professional body's standards. These models would not only require extensive recruitment, training and investment (adding further costs to businesses), but also put at risk the broader standards of the accountancy profession. Supervisory expertise is therefore a critical element to the consultation's objective on effectiveness and for these reasons we believe this option will have limited impact on supervisory effectiveness.

Q19: Overall, what impact do you think the PBS consolidation model would have on system coordination? Please explain your reasoning.

69. We consider this model moves the challenge from information sharing between law enforcement and PBSs to between the consolidator PBS and the other professional bodies and potentially adds additional levels of bureaucracy as arrangements would need to be put in place as memorandums of understanding with up to 12 professional bodies in the accountancy sector could be required.

Q20: What additional powers or tools, if any, could enable OPBAS to ensure the transition to a new model is smooth and that supervision standards do not fall in the interim?

70. The risks identified in the consultation relating to the transfer of tens of thousands of firms to a new supervisor are extensive. We agree there is a risk that de-selected supervisors' effectiveness declines during the transition period, however we are not sure what additional powers or tools OPBAS could provide to mitigate this.

71. We also feel strongly that supervised firms should be consulted on potential system changes as some use software and templates that reference supervisory oversight, and it may not be as simple as changing the name of its AML supervisor.

Q21: How do you believe fees should be collected under the PBS consolidation model?

72. The IFA currently charge firm AML supervision fees based upon the size of the firm in terms of number of offices and number of BOOMs. These fees are charged on an annual basis and include

OPBAS levy payments, in addition, membership and practising certificate fees are also charged annually.

73. If de-selected as a supervisor, the IFA would remove firm supervision fees from its annual charges and would not have the ability to collect fees on behalf of the newly appointed PBS.

74. The preferred option would be for the PBS to collect supervision fees directly from firms registering for supervision as a third-party fee collector would add an additional administrative process that would be a burden to the firms.

Q22: Overall, how significant do you think feasibility constraints would be for the PBS consolidation model? Please explain your reasoning.

75. As referred to earlier, AML/CTF supervision in the accountancy sector is not suited to a one-size-fits-all approach. The reason there are multiple PBSs is because of the sheer scale and variety of supervision that is needed. It spans different sectors, professions, and sizes of businesses. This requires the PBS to have a detailed level of knowledge and expertise to supervise firms to a high standard and understand the unique characteristics of the profession they oversee.

76. Feasibility is one of the three main objectives of this consultation. Under this model we believe fees would likely be significantly higher given the challenges a consolidated PBS would face, such as the recruitment and transition challenges outlined above. Firms would face the prospect of paying both for AML supervision and their professional body membership fees as well as a substantial administrative burden that will impact their productivity.

Chapter 5 (Single Professional Services Supervisor)

Q23: Do you agree that these would be the key structural design features to consider if creating a new public body (whether it was an SPSS or an SAS)? Should anything be added or amended?

77. We agree with the key considerations are appropriate when considering the creation of an SPSS and have no other suggestions to add.

Q24: If an SPSS were to be created, which sectors do you think it should supervise?

78. We agree with option ‘a’ as this would provide a consistent approach across different sectors and afford the potential benefits such as economies of scale and cross sector risk awareness.

79. As detailed earlier in our response we would question the achievable economies of scale due to the costs associated with transferring supervision from other sectors as well as recruitment and training.

Q25: Were an SPSS to be created, what powers should it have?

80. The SPSS would require similar powers as those held by the FCA under FSMA, including the power to make rules and issue directors.

81. It should be noted that current PBSs have a wide range of powers at their disposable it could be argued they have a greater range of powers as they have a civil not criminal bar.

Q26: How should enforcement responsibility be transferred should an SPSS be created?

82. As explained in our answers to question 17, IFA enforcement action in relation to alleged AML breeches of the money laundering regulations are generally not limited to AML breeches and therefore we feel it would be appropriate to allow PBSs to complete ongoing cases in a phased approach to transfer enforcement responsibilities.

Q27: What powers should HM Treasury have to oversee an SPSS?

83. We agree that it would be appropriate for the SPSS to be subject to similar levels of scrutiny as the existing statutory supervisors, and to be responsible to HM Treasury and to Parliament for meeting its obligations.

Q28: Overall, what impact do you think the SPSS model would have on supervisory effectiveness? Please explain your reasoning.

84. We are not convinced that this model would have any impact on supervisory effectiveness and feel it could well result in a decline.

85. The sheer size of the SPSS (77,000 entities from the table provided) would require huge investment to ensure appropriate skills and experience exist to cater for the different sectors and it is not clear where this expertise will be derived from. It cannot be assumed that staff at PBSs can simply transfer over to the SPSS as they will often have responsibilities outside of AML, including assessing members' compliance with the professional body's regulations and professional standards.

Q29: How significant would the impact be on firms of splitting AML/CTF supervision from wider regulatory supervision in the sectors to be supervised by the SPSS?

86. In a recent member survey, IFA members expressed concerns at increasing compliance and bureaucratic burdens. We have engaged with firms on all aspects of professional practice and are seen as approachable, providing support and advice often on an individual bespoke basis.

87. We believe firms will struggle with the lack of support that such a large organisation is able to provide and compare with support channels provided by other public bodies such as HMRC.

88. Dual regulation would not be welcomed by most firms, especially the smaller practitioners who may well feel exposed and not viewed in the same way as larger firms.

Q30: Overall, what impact do you think the SPSS model would have on supervisory effectiveness? Please explain your reasoning.

89. This question is a repeat of an earlier question, therefore refer to our answers in question 28.

Q31: Overall, how significant do you think feasibility constraints would be for the SPSS? Please explain your reasoning

90. We believe the constraints of this model out way any perceived improvements to the regime.

91. The size of the new public body and the length of time it would take to set up and fully resource would pose a risk to the UK economy as transitional risk associated with the model could see a decline in effectiveness over a number of years until the SPSS is fully operational.

92. Firms would face the prospect of paying both for AML supervision and their professional body membership fees as well as a substantial administrative burden that will impact their productivity.

93. In addition, the cost of setting up and running this model would also be very costly to the taxpayer and not proportionate to the problems the consultation seeks to solve. In this difficult economic climate, these costs and bureaucratic burdens to businesses and the taxpayer would be difficult to justify.

Chapter 6 (Single Anti-Money Laundering Supervisor)

Q32: Do you foresee any major challenges for effective gatekeeping, under either the SPSS or SAS model? If so, please explain what they are, and how you propose we could mitigate them?

94. We are concerned that the creation of a SAS or SPSS goes against the Hampton principles that businesses should not have to give unnecessary information, nor give the same piece of information twice (which it would have to do to its professional body and its AML supervisor) and that regulators should be of the right size and scope, and no new one should be created where an existing one can do the work.

95. Both models will rely on the sharing of information from professional bodies to identify those engaged in a relevant activity that is covered under the scope of the regulations.

96. Many accountants have multiple professional body memberships and therefore establishing gatekeeping processes that are not administratively burdensome to firms and the SAS/SPSS will be a challenge.

Q33: Overall, what impact do you think the SAS model would have on supervisory effectiveness? Please explain your reasoning

97. As detailed in our response to question 28 we feel there would be an inherent risk that effectiveness would decline due to the time taken to set up the new public body.

98. We are also concerned that this would put the UK in a vulnerable position ahead of FATF's 2026 Mutual Evaluation Review as this is a key driver in this consultation.

Q34: Does the separation of AML/CTF supervision from general regulatory activity present a major issue for those firms currently supervised by the statutory supervisors? Please explain your reasoning.

99. We agree that it will be essential to agree protocols to share information relating to other regulatory or professional standards breeches and enforcement action. The IFA, as well as other PBSs often carry forward enforcement activity based on breaches of the MLRs in conjunction with breaches of other regulations and it would be important to ensure active cooperation to avoid duplication of efforts.

100. The ability to coordinate and supervise such large volumes across multiple sectors will be a challenge that cannot be underestimated.

Q35: Overall, what impact do you think the SAS model would have on system coordination? Please explain your reasoning.

101. Once operational we believe there could be improvements in law enforcement and its confidence to share information, however this would be with the SAS or SPSS body and not necessarily afforded to professional bodies.

102. We agree that consideration would need to be given as to how the SAS could cooperate and share intelligence with professional bodies that will regulate firms for other activities such as professional standards as enforcement action taken by the SAS could lead to additional enforcement actions for breaches in code of ethics or professional standards.

Q36: Overall, how significant do you think feasibility constraints would be for the SAS? Please explain your reasoning.

103. We believe the constraints of this model outweigh any perceived improvements to the regime.

104. The size of the new public body and the length of time it would take to set up and fully resource would pose a risk to the UK economy as transitional risk associated with the model could see a decline in effectiveness over a number of years until the SAS is fully operational.

105. Firms would face the prospect of paying for both AML supervision and their professional body membership fees as well as a substantial administrative burden that will impact their productivity.

106. In addition, the cost of setting up and running this model would also be very costly to the taxpayer and not proportionate to the problems the consultation seeks to solve. In this difficult economic climate, these costs and bureaucratic burdens to businesses and the taxpayer would be difficult to justify.

Chapter 7 (Sanctions Supervision)

Q37: Given the change in the sanctions context in the UK since Russia's invasion of Ukraine, have supervisors changed their approach to oversight of sanctions systems and controls amongst regulated populations? If so, what activity has this entailed?

107. The IFA have developed a risk model that captures firms' engagement with clients in overseas jurisdictions. The model applies risk scores based on specific jurisdictions using the FATF list of high-risk jurisdictions. This information is then used as part of reviews to explore issues such as supply chain risk, how firms utilise sanctions listings and what steps they take to understand and mitigate any associated risks.

108. The majority of IFA supervised firms engage with local low-risk clients with simple supply chains that pose little money laundering risk. Data gathered from firm returns and AML reviews allows the IFA to analyse and identify any higher risk jurisdictions and provide guidance and support via the IFA website, in guidance provided during AML reviews, and through helplines, webinars and workshops.

Q38: Do supervisors need additional powers to monitor sanctions systems and controls effectively, or can this be done under existing powers? What would any new powers need to consist of?

109. Although we have not experienced any issues in relation to sanctions monitoring, we feel that should a potential breach of sanctions be identified then currently we would not be able to recommend enforcement action to our conduct committees that relate to a specific breach of AML regulations. Instead, we would need to use OFSI guidance to support referrals using other means such as potential breach of code of conduct.

110. It would be helpful to have provisions within the scope of the money laundering regulations that identify such breeches that empowers conduct committees to enforce compliance.

Q39: Aside from legislative powers, do you foresee any other barriers to supervisors effectively monitoring sanctions systems and controls?

111. We do not foresee any other barriers.

Q40: Should any new potential supervisory powers relating to sanctions broadly cover all types of UK sanctions?

112. We believe it would be appropriate to cover all types of UK sanctions to avoid any potential 'grey areas' and provide a consistent approach that can easily be reflected in associated guidance.

Chapter 8 (Options Comparison)

Q41: How would you expect losing AML/CTF supervision to affect PBS' financial models, and the fees charged to supervised populations?

113. The IFA currently charge firm AML supervision fees based upon the size of the firm in terms of number of offices and number of BOOMs. These fees are charged on an annual basis and include OPBAS levy payments, in addition, membership and practising certificate fees are also charged annually.

114. If de-selected as a supervisor, the IFA would remove firm supervision fees from its annual charges. This would have the potential to create a material change in the shoterm financial feasibility of the IFA and require substantial changes to our financial models.

Q42: Based on your experience and the considerations set out in this document, what is your analysis of the relative extent to which each of the four reform options would lead to (a) improved supervisory effectiveness, (b) improved system coordination?

115. The effectiveness of the UK's AML supervision in the accountancy sector has continually improved since OPBAS was established. In order to deliver the change that the government wants, it should build on this progress to ensure PBSs are held accountable, expertise is retained in the sector, failure risk is managed, and disruption and costs are kept to a minimum. We would therefore consider the only feasible option is Model 1 (OPBAS+).

Q43: Are you able to provide evidence as to how the options set out in this document would help or harm individuals or households with protected characteristics?

116. We are not aware of any evidence as to how the options set out in this document would help or harm individuals or households with protected characteristics.

Contact details

Should you wish to discuss this response further, please contact Tim Pinkney, Acting Director of Professional Standards, by email at timp@ifa.org.uk