



16 November 2022

Angela Richardson MP
Chair, Economic Crime and Corporate Transparency Bill Public Bill Committee
C/O House of Commons Scrutiny Unit
House of Commons
London
SW1A 0AA

Dear Angela Richardson MP

ICAEW RESPONSE TO ECONOMIC CRIME AND CORPORATE TRANSPARENCY BILL COMMITTEE

I am writing in response to the questions asked by members of the Economic Crime and Corporate Transparency Bill Public Bill Committee regarding ICAEW's work as an anti-money laundering (AML) regulator during the evidence session of 27 October.

ICAEW is the largest accountancy professional body supervisor (PBS) for AML in the UK, supervising around 11,000 accountancy firms. Our strategy is to provide robust AML supervision through a risk-based regime. We focus our efforts on firms where the risk that they will be used to enable money laundering is highest. At the same time, we offer help and support to our firms where appropriate.

Monitoring and Enforcement

Underpinning the effectiveness of ICAEW's AML supervision is the strength of our governance arrangements. In 2016, the ICAEW Regulatory Board (IRB) was established to provide independent oversight of ICAEW's regulatory and disciplinary functions which are undertaken by the Professional Standards Department (PSD). PSD's regulatory function is self-financing and separate from ICAEW's membership activity, and its AML supervisory work is overseen by the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), who undertake a bi-annual inspection of PSD and publish reports of its findings. These structures and financial arrangements ensure that PSD delivers strong, effective and independent AML regulation within the accountancy sector.

ICAEW member firms are automatically subject to Practice Assurance and money laundering supervision by ICAEW. ICAEW supervises around 11,000 firms. All firms have a duty to check that they know who their supervisor is and, if they believe it is ICAEW, they should check the ICAEW member firm definition. In addition to ICAEW, other accounting bodies are listed as supervisory authorities for accounting firms (see Schedule 1 of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017).

ICAEW

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Since the introduction of anti-money laundering supervision in 2007, we have performed in excess of 20,000 monitoring reviews. Figures for 2022 and an explanatory note are included in Annex A.

In respect of accounting firms more generally, where an accounting firm is not supervised by a professional body, HMRC is the money laundering supervisory body, and such businesses need to register with HMRC. HMRC does periodically ask businesses providing accountancy services to confirm who supervises them for money laundering if they are not registered with HMRC. HMRC asks the public to report those businesses that they believe should be AML-supervised but aren't. Businesses can check HMRC's supervised business register but HMRC's register will not include firms supervised by a professional body.

Education and Support

ICAEW works very proactively to educate its members, the profession and public more generally about financial risks and economic crime. Since the Russian invasion of Ukraine, we have released extensive guidance and other material to ensure that members are fully aware of their responsibilities under the sanctions regime. In 2022, ICAEW also released a training film, *All Too Familiar*, which was created in collaboration with HMRC as part of a public interest initiative. The film has been designed to raise awareness among ICAEW members and firms of the importance of compliance with the AML Regulations and the key role ICAEW Chartered Accountants can play in the fight against economic crime.

We continue to interact regularly with members and through the media to reinforce our dedication to adhering to sanctions and ensuring that the UK is not misused as a centre for money-laundering and other financial crime. ICAEW works extensively through our regulatory responsibilities, training and policy and media work to ensure that the accounting profession, servicing one of the world's largest financial centres, adheres to strict legal and ethical requirements.

Strengthening reform

ICAEW welcomes the Government's current focus and series of legislative measures to strengthen their ability to tackle financial crime. We have worked closely with Government and Parliament, and will continue to do so, to ensure that new legislation is thorough and able to be implemented successfully. Chartered accountants are effective gatekeepers to the UK's financial systems, and so we have suggested several areas in which new measures can be strengthened and we can ensure they are able to play their part in the fight against economic crime

We are pleased to see that the Government has recognised that accountancy firms should be brought into the scope of the indirect information sharing provisions contained within Clause 149 of the Economic Crime and Corporate Transparency Bill, tabling Amendments 142 and 152. This will help ensure that accountancy firms can more quickly identify, and therefore reduce the likelihood of, bad transactions taking place.

However, there remain opportunities to further strengthen and clarify the Bill. In particular, the primary concern members have is around the strict liability of providing verification services for any entity registering on the Register of Overseas Entities. As it currently stands, a firm could be liable to prosecution if they verify documents that turn out to be false, even though there is no malicious

intent. To this end we have encouraged aligning the legislation with the requirements of the money-laundering regulations, or to make the BEIS guidance statutory.

We have also proposed that auditor notification is strengthened, in order to gain visibility of company auditors, to ensure auditors filed are accurate and not being used for the purposes of fraud; also to notify change to auditors to allow regulatory oversight of capacity of audit firms to capably audit a company.

We are aware that HM Treasury is considering measures for reform of the OPBAS, and that other witnesses have raised this as an area for ministers to prioritise. ICAEW agrees with this call for urgency, and we will actively engage with colleagues in other professional bodies and with HMT officials and ministers to respond constructively to their consultation when published.

I hope members of the Economic Crime and Corporate Transparency Bill Public Bill Committee finds this response helpful, and thank you again for the opportunity to give evidence.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mike Miller', with a stylized flourish at the end.

Mike Miller
Economic Crime Manager, ICAEW

ANNEX A

During 2021/22, ICAEW continued to implement our core AML strategy of providing robust anti-money laundering supervision through a risk-based approach. We focused our efforts on firms where the risk that they will be used to enable money laundering is highest and have implemented targeted AML quality assurance reviews at our highest risk firms as well as placing more focus on firms' reporting of suspicious activities by their clients.

We delivered 1,001 quality assurance reviews during the period, with 25% of these being to our high and high-medium risk firms (we review all firms a minimum of once every eight years and our highest risk firms, every two years). The percentage of firms assessed as non-compliant for 2021/22 was 14.4% compared to 7.9% in 2020/21 and 16.1% in 2019*. While it is positive that there has been a small increase in the number of firms that we have concluded to be compliant, it is disappointing that the number of not compliant firms has increased compared to 2020/21. The overall trend has slightly decreased, as the not compliant figure for 2019 was 16.1%. Understanding trends can be difficult, particularly because the sample of firms reviewed each year is different and the change in mix of risk and/or complexity of firm can have an impact on outcomes. For example, in 2021/22 we had an increased focus on onsite reviews that are normally conducted at higher risk firms and more complex clients and service offerings.

We have also taken a range of enforcement actions, with our PAC requiring 122 firms to undertake follow-up action to improve their processes, after an AML quality assurance review. Our Investigation Committee and Disciplinary Tribunals sanctioned 53 firms in relation to AML weaknesses and excluded 7 ICAEW members for complaints relating to economic crime. Our enforcement action is nearly always linked to poor AML compliance (ie, weaknesses in policies and procedures, or the effective use of customer due diligence), rather than actual instances of money laundering or enabling. Our Guidance on Sanctions links our fines to the size of the accountancy practice so that fines are proportionate.

We have set out further information on our monitoring reviews overleaf. This information is extracted from our annual supervision report, which can be found [here](#).

OUTCOMES OF MONITORING REVIEWS

	Onsite/remote reviews		Desk-based reviews	
	Total reviews FY20/21	Total reviews FY21/22	Total reviews FY20/21	Total reviews FY21/22
Compliant	63	38	126	114
Generally compliant	262	301	808	396
Not compliant	61	85	46	58
Informal actions following desk-based review (follow-up only)	43	56	35	48
Formal actions following desk-based review (reprimand/sanction)	18	29	11	10
TOTAL	386	424	980	568

	April – Sept 2022
Reviews completed	573
Not compliant firms	82

ENFORCEMENT ACTION

	Year ended 5 April 2021	Year ended 5 April 2022	6 April – 30 Sept 2022
Members expelled	7	7	
Number of severe reprimands	55	53	16
Sum of fines on relevant persons and firms	£179,577	£267,002	60,970
Range of fines on relevant persons and firms	£630 - £12,000	£350 - £24,500	£525 - £20,400