

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

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2023–24

# Contents

Foreword from Professional Regulation and Standards Compliance Board (PRSC)	3
Introduction	4
Our role as AML supervisor	5
Beneficial owners, officers and managers (BOOMs)	5
How we monitor	5
Risk-based approach	6
Practice assurance review activity	7
Practice assurance resources	9
Follow-up activity	10
Enforcement action	11
Our supervisory approach	12
Trust or Company Service Providers	12
Driving best practice	13
Suspicious Activity Reporting (SARs)	14
Sector-wide risk outlook	14
Anti-money laundering helplines	14
Emerging AML risks	15
Information and intelligence sharing	16
Looking ahead	16
Any questions?	18

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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 2023/2024.

The Professional Regulations and Standards Compliance (PRSC) Board is tasked with providing oversight of AAT’s regulatory arrangements and plays an important role in safeguarding the public interest. The PRSC Board takes its responsibility in overseeing AAT’s role as an AML supervisory authority seriously and we are pleased to present AAT’s anti-money laundering (AML) supervision report for the year ended 5 April 2024.

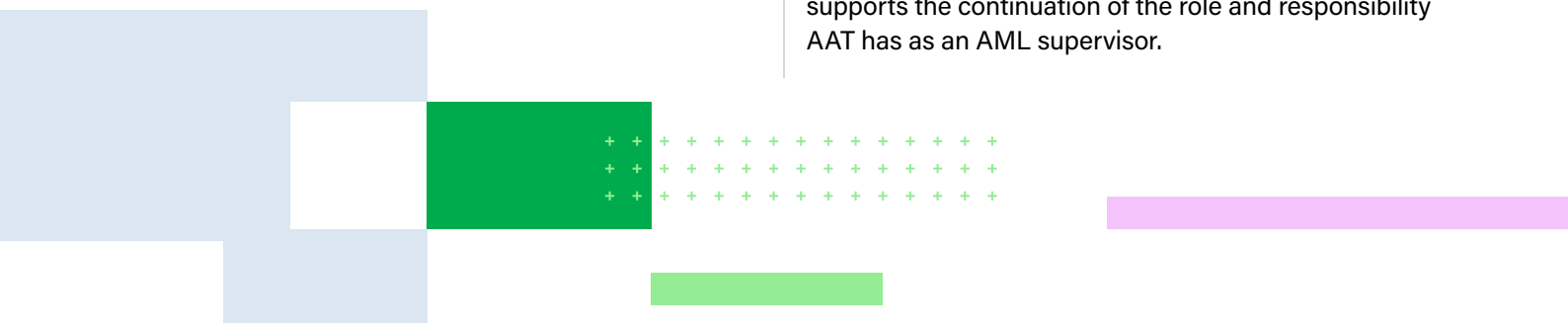
The report aims to provide transparency over AAT’s work as a supervisory authority in this period, including an overview of all AML monitoring activities and providing insight into member compliance with the *Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations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

AAT supervises firms and individuals to address and mitigate money laundering risks by adopting a risk-based approach and having a robust framework in place to help firms meet their regulatory requirements first and foremost, but also to apply proportionate enforcement action when they do not. While there are some positive signs of improvement, we must ensure there is a continued focus on improving levels of AML compliance and this remains a fundamental objective for AAT.

Highlights from our supervisory work include:

- expanding our monitoring activities to test the effectiveness of our approach to supervision
- 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.
- 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*.

HM Treasury published its consultation on reform of the anti-money laundering and counter-terrorism financing (AML/CTF) supervisory system in keeping with the commitment in the **Economic Crime Plan 2023-6** in this reporting period. AAT submitted its response to the HMT consultation: **Reforming anti-money laundering and counter-terrorism financing supervision** on 29 September 2023. The PRSC Board considers effective AML supervision to be a key factor in the fight against financial crime and as such, supports the continuation of the role and responsibility AAT has as an AML supervisor.



AAT plays a critical role in combatting money laundering by ensuring our supervised population adhere to the highest standards. To further enhance our commitment as an AML supervisor, AAT have embarked on a review of our people, processes and systems to become a more data-driven and agile regulator and supervisor, further demonstrating AAT's overall commitment to fighting economic crime and preventing the legitimisation of the proceeds of crime through money laundering. The PRSC Board remain committed to play our part 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 and take timely measures.

## Introduction

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

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## 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.

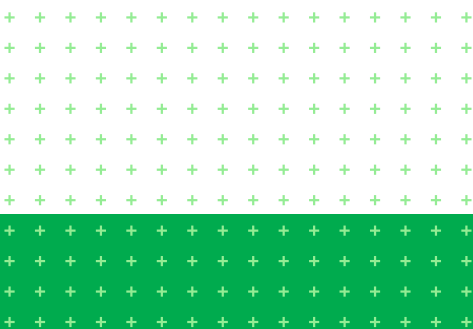
We supervise and monitor around 6,300 firms providing accountancy and bookkeeping services to the public by way of business. While our supervised firms vary in size, approximately 44% are sole practitioners with the remaining 56% of firms operating with only one or two other principals in a firm.

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## 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 1,340 BOOM applications and refused 204 applications. This includes sole practitioners.



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

## Risk-based approach

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

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

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

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

The AML firm return includes sections on:

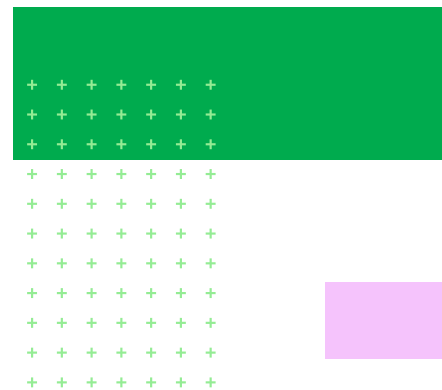
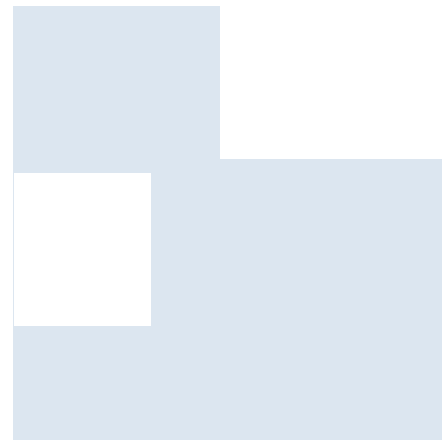
- firm profile (including number of beneficial owners, officers or managers (BOOMs), staff, size of client base)
- client risk profiles
- high risk indicators such as clients who are high net worth individuals, clients who operate in any high-risk jurisdictions or are on the financial sanctions list, 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
Low risk	Subject to random sampling for either a practice assurance review or an AAT AML desk-based review.
Medium risk	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.
High risk	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 2023 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 2023)
High risk	267 (4%)
Medium risk	2,552 (40%)
Low risk	3,518 (56%)



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

This year's firm return results show that there has been a decrease in members rated medium and high risk. This decrease is largely because of improvements in firms' understanding of their AML obligations and an increase in the number of firms applying adequate controls, policies, and procedures.



## Practice assurance review activity

In this annual period, around 500 firms were selected for a practice assurance review to be undertaken. In terms of review type, 70% of the reviews were completed as a desk-based review with the other 30% reviews being undertaken on-site.

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 Professional Standards 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:

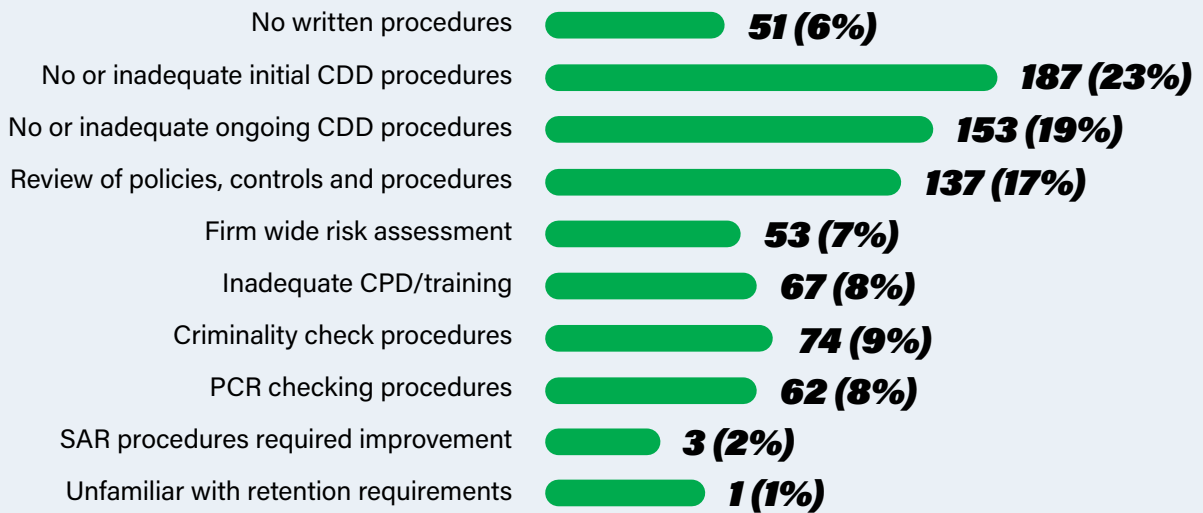
Rating	Period year ending					
	2023/2024		2022/2023		2022/2021	
Compliant	9	3%	6	2%	6	2.5%
Generally compliant	312	76%	161	61%	157	66.5%
Non-compliant	88	21%	96	37%	73	31%
<b>Total</b>	<b>409</b>		<b>263</b>		<b>236</b>	

Of the firms we completed a review for in the reporting period 2023/24, we found that in comparison with the previous year:

- the number of compliant firms has remained fairly consistent
- there was a 1% increase in the number of firms (3) that were fully compliant with no follow-up required
- 76% of our members were generally compliant compared to 61% in 2022/23
- the percentage of firms assessed as non-compliant was 21% compared to 36.5% in 2022/23.

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 (%)**



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

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

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





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## Practice assurance resources

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



### Updated checklists and templates

- **Anti-money laundering compliance review checklist** (docx)
- **AML policy statement template** (docx)
- **AML compliance - policy, controls and procedures template** (doc)
- **Client onboarding checklist** (docx)
- **Client monitoring review checklist** (docx)
- **Firm-wide risk assessment checklist** (docx)
- **SARs - Maintaining internal records** (docx)

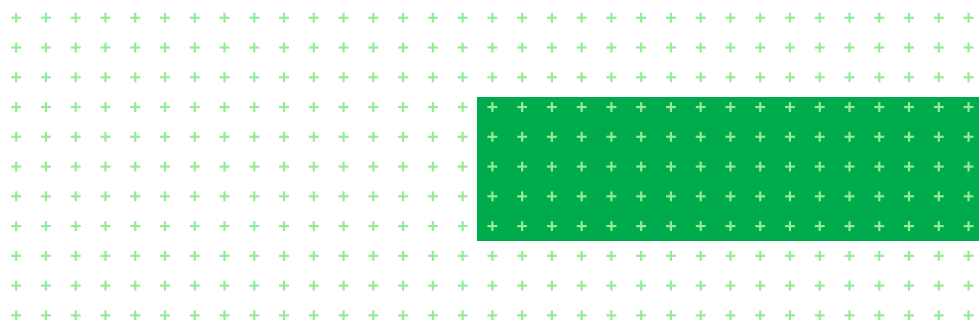


### Articles

- **AML made easy - the seven golden rules of successful compliance**
- **Updated AML checklists and templates**
- **High-Risk Third Countries and the treatment of Politically Exposed Persons (PEPs)**
- **AML update: amendments to 'high-risk third country' meaning and list**
- **Accountants break down the steps they've taken to ensure AML compliance**
- **Listen to the UKFIU's AML compliance podcast episode**

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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.

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.

12 firms received a follow-up review in this period. Eight firms passed the second review, three 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	8
Pass with action	3
Fail	1
<b>Totals</b>	<b>12</b>



## Practice assurance review case study

A firm categorised as medium-high risk was selected for an AML monitoring review. The licensed member is the sole owner, employing six members of staff and has an annual gross income of approximately £300,000. The firm provides clients with general accountancy services, although it was identified during the review that the firm was undertaking trust or company services. The member was selected for a visit as part of AAT's thematic review of sole practitioners handling clients' money.

The review identified significant weaknesses in the member's anti money laundering (AML) procedures and a lack of assessment when onboarding new clients. Non-compliance included inadequate anti-money laundering policies, procedures, and controls in place; inadequate client due diligence and ongoing risk monitoring being undertaken; failure to carry out an adequate firm-wide money laundering risk assessment; no periodic review of the firm's anti-money laundering policies; and as above, the firm was providing trust or company services without being authorised to do so.

Given the considerable number of adverse findings and corrective actions to be taken, the licensed member was issued with an outcome letter and afforded a final opportunity to demonstrate compliance, or if not, the effect being their licence and AML supervision would be terminated in accordance with AAT's *Licensing Regulations*.

While the member did remedy the firm's position, the AML breaches were nonetheless referred to Professional Standards for disciplinary action. As a result, the member was subject to a monetary fine of £6,500, severely reprimanded for a period of three years and divested 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	2023/2024	2022/2023
Expelled	6	5
Licence and AML supervision terminated	25*	16
Reprimands or severe reprimands	56	54
Number of monetary fines	58	61
Sum of monetary fines imposed	£115,424.00	£98,468.00

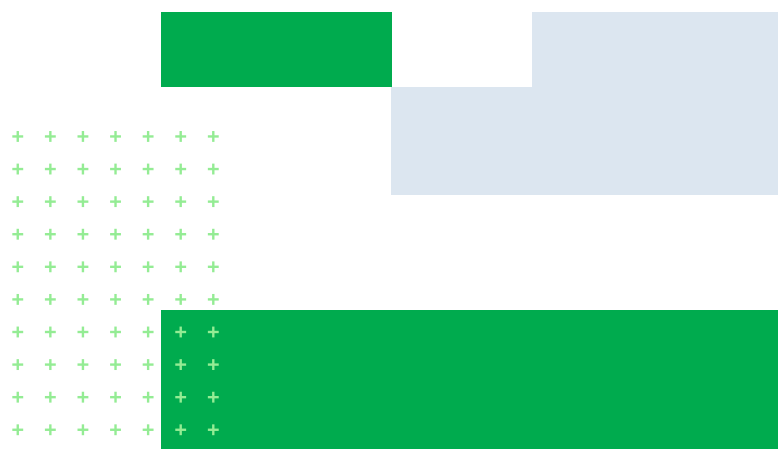
\*AML supervision was terminated for 18 firms as a result of the firm failing to respond to our 2023/24 AML survey request thus preventing AAT from meeting our own obligation under Regulation 17 of the MLR2017 to prepare and record a risk profile of our supervised population.

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

### Disciplinary action case studies

A member was severely reprimanded and fined £6,500 for not complying with their obligations under the Money Laundering Regulations. The firm failed to have adequate anti-money laundering policies or procedures in place, failed to carry out adequate risk assessments and ongoing monitoring in respect of one or more clients, had not completed an adequate firm-wide risk assessment or review of the firm's anti-money laundering controls and procedures. The member brought the firm into compliance and actively consented to the sanction imposed in accordance with AAT's Disciplinary Regulations. The fine represented 3% of the firm's annual practice income.

The member consented to the order made by the Discipline and Conduct Panel for a reprimand to be held on file for two years along with a monetary fine of £3,523 being imposed. The member had been providing trust or company services by way of business without being registered with a supervisory authority for anti money laundering purposes within the meaning of the *Money Laundering Regulations*.



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## 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.

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## Trust or Company Service Providers

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

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

In order to fulfil our own regulatory requirement within the meaning of the *Money Laundering Regulations*, we provide HM Treasury with a list of all firms who are approved 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 1,785 firms and 663 sole practitioners supervised by AAT that provide trust and company services to the public.



## 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 hosted two AML webinars this year sponsored by Xero:

- AML: empowering accountants and bookkeepers
- How to use AMLCC to support your AML compliance

They focused on the role accountants play in combating money laundering and terrorist financing activity, a firms' legal obligations under the Money Laundering Regulations, and covered best practice in respect of AML compliance.

Both AML webinars are available **on demand**.



## AAT Comment and AAT Knowledge Hub

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

- Ways professional money launderers impact the accountancy sector
- Don't get caught out as AML moves up the agenda
- AML alert – watch out for Russian entities covertly acquiring goods
- AML made easy – the seven golden rules of successful compliance
- SARs in Action magazine – TCSP sector risks and Professional Enablers
- Money Laundering and Tax Fraud and Illicit Finance in Organised Immigration Crime
- AML Alerts – Fraud, Money Mules, and Cashing Out Mechanisms
- TCSPs are at risk of exploitation – check if you're exposed
- What accountants need to know about the *Economic Crime and Corporate Transparency Act*
- AML Alerts – Baltic Displacement and Exporting High Risk Items
- High-Risk Third Countries and the treatment of Politically Exposed Persons (PEPs)
- Accountants break down the steps they've taken to ensure AML compliance
- Suspicious Activity Report (SAR) intel is proving invaluable in law enforcement investigations
- AML update: amendments to 'high-risk third country' meaning and list

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

- AAT's Anti-money laundering annual report 2022–23
- ICAEW's webinar on Bounce back loan SARs
- UKFIU's AML compliance podcast
- UKFIU's SARs in Action magazine
- UKFIU's SARs Reporter Booklet
- HMRC's TCSP and Offshore Risks webinar
- AMLP Forum's 20th Annual AML/CTF & Financial Crime Seminar

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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.

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## Suspicious Activity Reporting (SARs)

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

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

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

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## Sector-wide risk outlook

The **UK national risk assessment of money laundering and terrorist financing 2020** (NRA) concluded that there is a particularly high risk of criminals exploiting accountancy services for money laundering and determined that high-end money laundering and cash-based money laundering remain the greatest areas of risk in the UK. It also discovered that the traits or characteristics for identifying criminal activity are becoming increasingly blurred and that professional services, such as accountancy, provide a gateway for criminals to disguise the origins of their

funds. As for proliferation financing, the first **UK national risk assessment proliferation financing** found awareness of proliferation financing risk in the accountancy sector is low in most countries, and globally the focus continues to be on financial institutions. Given the important role accountants play in facilitating global finance, this could represent a particular risk to the UK, notably in relation to trust and company service providers (TCSPs) given the ease of establishing companies in the UK.

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

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

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## 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**

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** 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 from a member who had recently joined an accountancy firm as a senior partner. Due to staff absence, they were asked to oversee the accounts and returns being prepared for a reasonably new client of the firm with whom they had not had any previous dealings with.

The member immediately identified “red flags” in respect of this client, such as concerns that the client’s lifestyle and expenditure did not appear to match actual income, and also geographic concerns in that the client was not local to the firm which was uncommon practice for their business to engage clients from other areas of the UK. On making general enquiries with their colleague, there was no reasonable explanation to mitigate their suspicions.

In terms of advice, a discussion took place around risk and their professional obligation under the MLR2017 to submit a Suspicious Activity Report (SAR), regardless of whether their colleague who manages this client engagement shares the same concerns. The member was advised that given the circumstances they had set out, they should submit a SAR as soon as possible.

In respect of the member’s apprehension around “tipping off”, they were also advised to consider other individuals that could potentially be enabling criminal activity, knowingly or unwittingly, so were advised to remain professional and treat this information in the strictest confidence. A follow-up call took place with the member on the same day in which they confirmed a SAR had been submitted and supplied AAT with the submission reference.

As part of the effective intervention, the member was signposted to AAT’s resources, the CCAB guidance and the NCA’s SAR guidance, with an emphasis on making use of the glossary code and ensuring the report is to the required quality standard.

### Emerging AML risks

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. Whilst direct trade between the UK and Russia have fallen to historic lows, there is evidence of Russia attempting to circumvent the [Russia Sanctions Regulations](#) by enlisting the support of other jurisdictions in the enabling of Russia’s gold industry, and also through the exploitation of the artwork storage sector. 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. Firms should also familiarise themselves with the circumvention typologies being shared by supervisors and the National Crime Agency and report suspicious activity, including any attempts to breach sanctions.

Crypto also continues to be an emerging threat. Whilst this mechanism does not necessarily raise suspicions in itself, 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 monitoring.

Accountancy professionals should also be mindful of the risks involved in placing reliance on electronic CDD solutions. The majority of providers promote these products as being compliant with the legislation. However, there is no regulation or oversight of these products to provide such assurance to supervised firms and/or supervisory authorities. Liability for AML compliance ultimately remains with the supervised firm and therefore, scrutiny of electronic CDD and artificial intelligence solutions must be applied.

Accountancy sector firms that offer 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. Firms providing TCSP services should familiarise themselves with the risks set out in the [AASG Risk Outlook](#) and ensure their CDD

procedures are robust and regularly reviewed, taking into account emerging trends and threats.

## 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.

## Looking ahead

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

The external landscape around AML and the prevention of economic crime is a dynamic space with significant investment by the UK government, changes in legislation and related initiatives impacting AAT as a professional body supervisor and its members. AAT are fully committed to support this work and are engaging with the relevant authorities and other supervisors regarding delivery of HM Government's Economic Crime Plan 2, Improving the effectiveness of the Money Laundering Regulations consultation and 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 hope to work more proactively with law enforcement to share any trends or intelligence specific to our sector so that we can factor these into our supervisory activities.

The UK's National Risk Assessments on Money Laundering and Terrorist Financing (NRA) and Proliferation Financing (PF) is also being updated. However, trust, or company service, providers (TCSP) continue to be considered as a higher risk of being used by criminals to facilitate money laundering as per the National Risk Assessment 2020. We are committed to our ongoing work with other supervisors, OPBAS and the National Economic Crime Centre (NECC) to better understand the threats, vulnerabilities and risks posed to our supervised population that are providing such services. We are actively sharing information around our own supervised population to help inform an understanding of the risks in each sector, and the effectiveness of compliance activity.

We expect our members to continually review the resources and guidance published by AAT to ensure that they are up to date and compliant with the regulations. AML related materials are centralised on the AAT website, so they are easily accessible to all members. This allows us to proactively increase awareness around the extensive AML requirements prior to becoming being licensed; by ensuring they have access to all relevant guidance, templates, and key AML information.

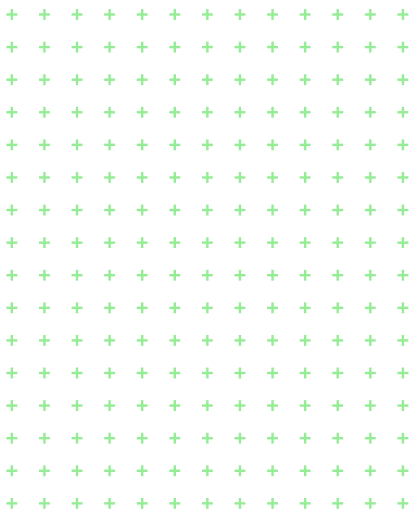




To further enhance our capability, AAT have embarked on a review of our people, processes and systems resulting in a plan to invest in resources and systems to become a more data-driven and agile regulator and supervisor. Hence, further demonstrating the AAT's overall commitment to fighting economic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

As part of this review activity, we also continue to develop our approach to effective risk-based AML supervision, including consideration around additional training and support we might offer to our supervised members to address knowledge gaps and risk areas. We will also review our supervision strategy, risk-based approach and our monitoring review cycles in the context of an enhanced understanding of threats and vulnerabilities affecting the accountancy profession. All of which will strengthen AAT's ability to help prevent economic crime and money laundering.

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



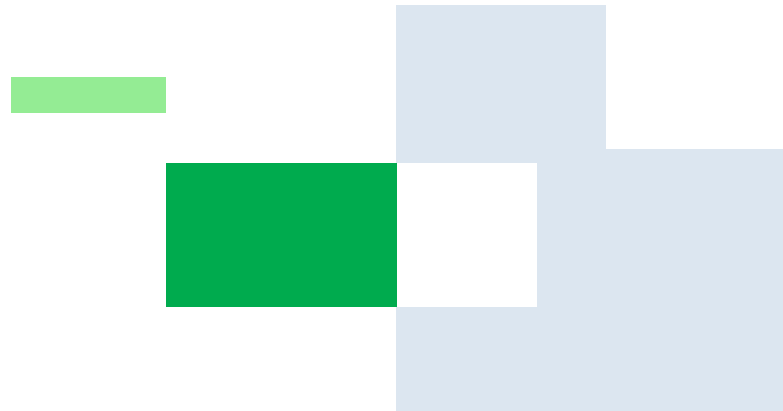
We also continue to develop our approach to effective risk-based AML supervision, including, considering what additional training and support we might offer to our supervised members to address knowledge gaps and risk areas along with continually reviewing our supervision strategy, risk-based approach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

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

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

### 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 at [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:+442073671347) or by email at [aml@aat.org.uk](mailto:aml@aat.org.uk)

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