



# THE ROLE OF THE MONEY LAUNDERING REPORTING OFFICER

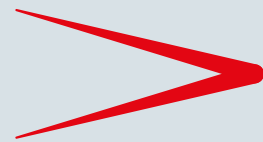
2023 THEMATIC REVIEW



PROFESSIONAL  
STANDARDS  
DEPARTMENT

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## SECTION 1: THIS REVIEW



# UNDERSTANDING THE ROLE OF THE MLRO

## WHY DID WE CONDUCT THIS REVIEW?

ICAEW has an important role as the largest accountancy professional body supervisor in the UK, supervising around 11,000 firms for anti-money laundering (AML) compliance. Our strategy is to provide robust AML supervision through a risk-based regime, focusing our efforts on firms where the risk that they will be used to enable money laundering is highest.

The Money Laundering Regulations require every relevant organisation to appoint a nominated officer, responsible for reporting suspicion of money laundering to the National Crime Agency (NCA), and a money laundering compliance officer (MLCO), responsible for the firm's compliance with the Money Laundering Regulations. Most firms combine these two appointments into one role: the money laundering reporting officer (MLRO). The importance of the role cannot be underplayed. This person(s) must ensure the firm complies with the regulations and submits the appropriate suspicious activity reports (SARs) to the NCA.

In this thematic review we sought to understand who the MLRO is and how they fulfil their responsibilities. We asked about the challenges they face, training, SAR reporting, compliance monitoring and emerging risks within their client base. This review brings together these findings, provides insight and guidance from our perspective as an AML supervisor and includes resources MLROs may find helpful.

The results of the report will also direct ICAEW's future AML training and resource provision.

We thank all the respondents for their contributions.

## METHODOLOGY FOR THIS REVIEW

For this thematic review, we contacted the MLRO at 240 accountancy firms from our supervised population of around 11,000 firms. We asked them to respond to several detailed questions about the role.

We have a risk-based approach to monitoring. Every firm we supervise is assigned a risk score. This score is based on the risk profile of the firm's clients, the services provided, the location of clients, and whether the firm handles client money. All the firms selected had a high or high-medium risk profile.

This thematic review also forms part of our supervisory monitoring program, so all firms were required to respond. We have followed up on any areas of concern with the relevant firms.

We held a focus group discussion with a team of our AML quality assurance reviewers, who visit over 1,000 firms a year. We asked them about the role of the MLRO, the qualities required and examples of good practice. We have included their observations and recommendations throughout the report.

For 87% of our firms the MLRO takes on dual responsibility for reporting suspicion to the NCA and for ensuring their firm's compliance with the Money Laundering Regulations. When we talk about the MLRO in this report, we are assuming that they are tasked with these dual responsibilities.

## HOW WE SET OUT OUR FINDINGS

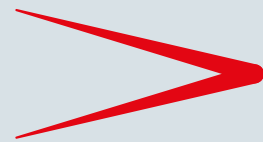
The findings are split into three sections. The first two sections address the regulatory expectations of the role. The MLRO should have the:

- appropriate level of authority and seniority within the firm; and
- the time, capacity and resources to fulfil their regulatory obligations.

The third section considers the regulatory requirements and how MLROs ensure their firms comply with the Money Laundering Regulations.

This thematic review highlights the many challenges for MLROs in our supervised firms, the most significant of which are the volume of work and the level of technical knowledge required to be effective.

In each section we have summarised our key reflections, setting out where we think firms and MLROs may be vulnerable to a weaker compliance framework. Firms should use this information to reflect on the effectiveness of their firm's procedures and the MLRO.



## SECTION 2: THE FINDINGS



## AUTHORITY AND SENIORITY

### THE MONEY LAUNDERING REPORTING OFFICER (MLRO) - ABOUT THEIR ROLE

**We asked: is there another person at the firm who is assigned the role of the money laundering compliance officer (MLCO)?**

Most firms have one person who takes on both the role of reporting to the National Crime Agency (the nominated officer) and responsibility for the firm's compliance with the Money Laundering Regulations.

**13%** of firms have one person acting as the nominated officer for reporting SARs and a second principal responsible for compliance with the regulations.

**We asked: are you a principal in the firm?**

**96%** of MLROs are a principal in their firm. Many of the sample may be sole practitioners, nevertheless this is a good indicator of the significance many firms rightly give to the role.

**We asked: how much time do you spend on your anti-money laundering role and what other responsibilities do you have?**

Most MLROs (86%) spend less than 20% of their time on the role, with only 3% spending most of their time on their MLRO responsibilities.

**88%** of our respondents hold other compliance roles in the firm.

**63%** of the MLROs are also the managing partner/director.

**1/240** Only one MLRO in our sample does not also perform client facing work.

**We asked: what qualifications do you hold?**

**56%** are professionally qualified accountants.

**2%** have a relevant financial crime qualification (ICA/ACAMS/STEP).

**2%** have a professional law/tax qualification.

 **REGULATION**

**LEGAL REQUIREMENTS**

The Money Laundering Regulations state the person responsible for the firm’s compliance with the regulations must be:

- a member of the board of directors (or if there is no board, of its equivalent management body); or
- a member of its senior management as the officer responsible for the relevant person’s compliance with these regulations.

Therefore, firms need to ensure the person assigned responsibility for money laundering compliance has this level of seniority in the firm. This is something we are particularly mindful of when we visit our firms and if we have concerns about your firm’s compliance with the regulations, we may challenge the effectiveness and seniority of the MLRO.

**QUOTES FROM OUR REVIEWERS**



It’s very important that the individual wants the role: it was not foisted on them.



Larger firms, and firms with more complex clients, need a technical expert at this level.



**ICAEW KEY REFLECTIONS**

Most MLROs are juggling this role alongside other compliance and client-facing responsibilities. However, the report indicates that MLROs are rising to the challenge. For example, we were pleased to see the effectiveness of MLROs in protecting their firms from the risk of taking on a client that could be involved in money laundering.

**COMBINED ROLE**

Most firms combine the role of nominated officer and money laundering compliance officer into one role: the MLRO. We believe for most firms this makes practical sense and works well. Larger firms often prefer to split the roles due to the volume of work involved.

**JOB SPECIFICATION**

Consider creating a job description/specification for the role of MLRO. This defines the firm’s expectations and is a great reference point for the individual taking on the role. Often this feels like a role that is assigned without due consideration. But, given the potential impact on your firm of non-compliance with the Money Laundering Regulations, your firm must ensure the MLRO is a competent individual who fully understands the extent of their responsibilities.

**QUALIFICATIONS/TRAINING**

Our review findings suggest very few MLROs have role-specific qualifications. This is understandable given that most are client facing and, as we show later in this review, they find the volume of work a challenge. However, there are organisations offering qualifications in this area.

Firms should reflect on the risk profile of their firm to make sure MLCOs and MLROs are adequately trained to spot red flags and risk.

New CPD requirements (effective 1 November 2023) require that MLCOs/MLROs, who are ICAEW members meet the wider CPD requirements for verifiable hours. We recommend that they complete some AML-related CPD each year.

**WHAT CHARACTERISTICS MAKE FOR A GOOD MLRO**

During the focus group discussions, our AML quality assurance reviewers discussed the characteristics of a good MLRO. They consider a good MLRO should be:

- Approachable
- Sceptical
- A good auditor
- Prepared to challenge
- A good communicator
- A good delegator.



# TIME, CAPACITY AND RESOURCES

## CHALLENGES FACING THE MLRO

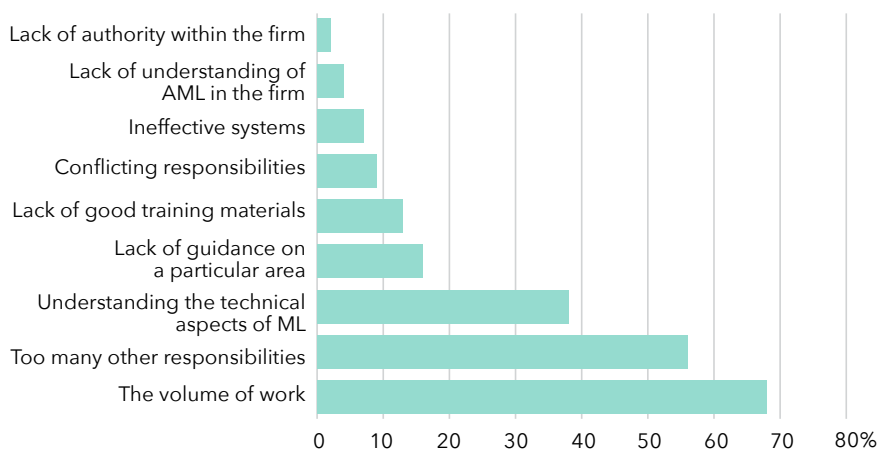
### We asked: as an MLRO, what are the top three challenges facing you?

The principal challenge reported by MLROs is a lack of time to commit to the role because of the volume of work and too many other responsibilities.

Many MLROs also find the technical aspects of the role a challenge.

We also asked whether MLROs feel they have enough support within their firm to fulfil their role. It's pleasing to see that overwhelmingly MLROs in our supervised firms feel supported (89% with a further 10% responding N/A, largely because they are sole practitioners).

### What are the challenges facing the MLRO?



## ICAEW KEY REFLECTIONS

The volume of work and responsibilities are key challenges for MLROs. And, as described above, most MLROs spend under 20% of their time on the role. All, bar one, are client facing, and most have other compliance responsibilities.

Firms MUST ensure their MLRO has the time and resources to effectively fulfil their legal obligations.

We are concerned that some MLROs don't have the time to regularly reflect on the firm's procedures and compliance.



## REGULATION

### SENIORITY AND SUPPORT

The role of the MLRO can be challenging for all the reasons identified by the MLROs that replied to the thematic review. Firms should ensure the individuals who agree to take on this role are given the support they need to comply with their own and the firm's legal responsibilities. If the role encompasses that of the MLCO then they should have the seniority to design and enforce AML policies and procedures.

In our sample, the majority of MLROs were able to submit a SAR without approval from others within the firm. Three responded negatively. It may be that they consult with others within the organisation before submitting a SAR, and that is fine, but the legal responsibility lies with the MLRO. Under section 330 of the Proceeds of Crime Act (POCA), the nominated officer may commit an offence if they do not disclose their knowledge or suspicion of money laundering to the NCA. Therefore, the MLRO should be the ultimate authority on SAR reporting.

### TECHNICAL ASPECTS OF THE ROLE

We believe this is one of the greatest challenges for an MLRO. This is not just about understanding the Money Laundering Regulations but MLROs also need to understand the money laundering risks and how to mitigate them and take responsibility for staff training. The complexity and level of understanding required is often underestimated by firms. MLROs need to be allocated time for training if they are to be effective in their role. ICAEW has a webpage dedicated to AML training resources, [icaew.com/amlresources](https://www.icaew.com/amlresources)



## SUCCESSION PLANNING AND COVER

### We asked: how long have you held the role of MLRO?

Most are very experienced.

**70%** have been an MLRO for over five years.

**46%** have been an MLRO for over 10 years.

### We asked: what arrangements are in place in the event of your absence?

**64%** of firms have cover in the event of the MLRO's absence. For a few sole practitioners, this is not practicable, however, many stated that they are contactable even when absent from work.

**44%** of firms have a deputy MLRO. Again for a few firms this is not practical, and/or the co-partner took on this role by default.



## ICAEW KEY REFLECTIONS

### USE OF CONSULTANTS/OUTSOURCING

We have been asked if a firm can outsource this role to a consultant. We do not recommend this. The MLRO, particularly if taking on the responsibility for compliance, should be an employee of the firm. Regulation 21 (3) states **an individual in the relevant person's firm must be appointed as a nominated officer.**

### PERFORMANCE METRICS

Performance metrics based solely on fees and client engagement could lead to a reluctance to turn down clients that may be higher risk. Consider building in performance metrics that reward compliance.

### DEPUTY MLROs

If it is possible to do so, we recommend firms appoint a deputy. This person should understand the firm's AML policies and procedures and be able to discuss suspicions, if any arise, with staff, in the absence of the MLRO.

### SUCCESSION PLANNING

It is important to have a succession plan. MLROs tell us that one of the challenges is understanding the technical aspects, as well as finding time for the role. Therefore, firms should ensure there is a succession plan in place, and someone, aside from the current MLRO, is prepared to take on that role, who has had some training in the technical aspects.

### HOW MLROs KEEP UP TO DATE

We asked: do you consult externally, and if so, with whom?

**67%** of MLROs in our supervised firms consult externally.

**48%** of MLROs consult ICAEW on AML queries.

**10%** of MLROs talk to other MLROs.

**23%** of MLROs talk to a training partner/provider for guidance.

### TRAINING

We asked: what training/support do you feel would be most useful to your role?

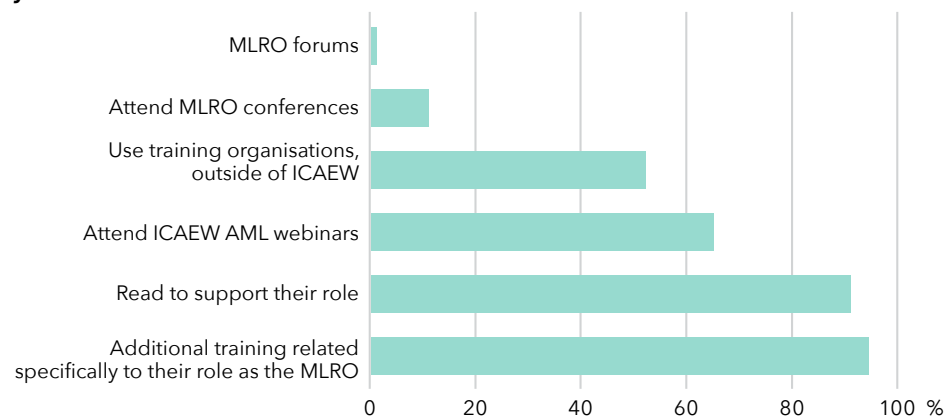
**73%** stated webinars.

**56%** stated email updates.

**39%** stated a webpage dedicated to MLROs.

Forums were the least popular choice (11%).

We asked: what training do you undertake to fulfil your role?



We asked: how do you address your firm's training needs?

**63%** provide internal AML training.

**58%** use external training.

**24%** create regular bulletins.

**50%** use ad-hoc training as required.



## ICAEW KEY REFLECTIONS

We were really pleased to see that all respondents felt they had a good understanding of the firm's service/product offerings and the AML risk attached to those services/products.

This is a fundamental aspect of the role and anyone taking on the role of the MLRO should ensure they have this level of understanding and maintain it

We highly recommend using our range of free AML resources to keep up to date:

- Our *AMLbites* video series. Topics include customer due diligence (CDD), suspicious activity reporting and risks and red flags. These are ideal for MLROs and to supplement staff training. All AML resources including articles, webinar recordings and previous thematic reviews are available from [icaew.com/AMLresources](https://icaew.com/AMLresources)

- [The role of the MLRO: beyond compliance](#)
- [AML telephone monitoring reviews: a two-way process](#)
- [The MLRO in practice: uncovering economic crime](#)

As AML webinars and emails are the favoured sources of guidance, we will continue to provide a regular series of webinars, bitesize videos, and email correspondence such as *AML - the essentials* and risk alerts. We will also ensure topics highlighted in this review, for example, the role of the MLRO and expectations on monitoring visits, are covered in our future webinars and guidance.

[On-demand webinars can be found on icaew.com/AMLresources](https://icaew.com/AMLresources)

## QUOTES FROM OUR FIRMS



We use face-to-face training with the MLRO once a year, circulate the *AML - the essentials* issues among staff, and provide ad hoc memos and video training when needed. All new staff undertake a face-to-face talk with the MLRO and an introduction course.



AML bulletins are shared with all staff. Annual reviews and updates shared with staff. Regular discussions with senior team.

## ICAEW WEBINARS AND AML BULLETINS

**We asked: do you attend ICAEW webinars and read our AML bulletins?**

**65%** of MLROs watch our series of free AML webinars. The graph highlights which webinars they watched.

**93%** read *AML - the essentials* and our risk bulletins. Past copies of *AML - the essentials* are available from [icaew.com/AMLEssentials](https://www.icaew.com/AMLEssentials)

**What ICAEW AML webinars did you watch?**



### ICAEW KEY REFLECTIONS

Many MLROs watch our AML webinars. There is no charge to attend, and we run at least two a year. Recordings are also available to view any time at [icaew.com/amlresources](https://www.icaew.com/amlresources). These webinars can count towards your verifiable CPD requirements after 1 November 2023.

We note that there was a low take up on the [Defence against money laundering \(DAMLs\) and tipping off webinar](#). We come across firms in our monitoring reviews that do not understand the purpose of a DAML. MLROs should understand the purpose of a DAML and when to make one – we recommend that all MLROs watch this webinar.

The [ICAEW technical helpline](#) is a confidential free resource for your firm. If you have a query in relation to AML procedures, then do contact them.

## CONSULTATION

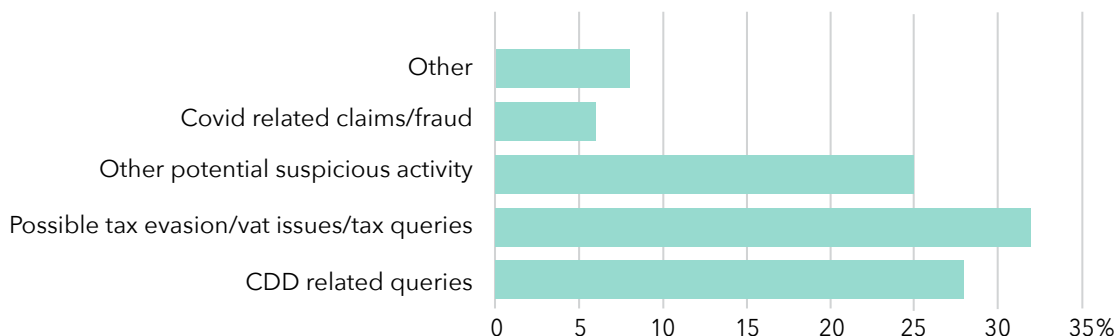
We asked: do your staff consult you on economic crime/money laundering matters?

**77%** stated yes.

We asked: what did your staff consult you on?

When staff consulted on CDD, it was often related to higher risk clients, adequacy of verification and determining beneficial owners.

We asked: what did your staff consult you on?



## QUOTES FROM OUR FIRMS

↳ Consults rarely happen. Generally, clients are trying to claim tax allowances to which they are not entitled.

↳ Whether something is reportable in terms of 'suspicious activity' and/or the level of risk.

↳ How to do CDD where overseas ultimate beneficial owners and complex groups are involved.

↳ Concerns about ineligible COVID-19 support claims.

↳ Tax evasion and accounting errors on, for example, VAT returns.



## ICAEW KEY REFLECTIONS

### CONSULT YOUR MLRO

We can see that MLROs are regularly providing useful guidance to staff at their firms.

We recommend that staff are regularly reminded and encouraged to consult their MLRO on all matters relating to money laundering. The MLRO's contact information should be easily available.

### CHANGES IN RISK

Regarding updates to CDD, ICAEW quality assurance reviewers noted many firms may pick up on certain themes such as changes in legislation on higher risk jurisdictions but will miss subtleties like art dealerships (high end) being highlighted as higher risk. It is advisable to keep abreast of the changes in the risk landscape, for example by reading, and sharing with staff, the ICAEW risk bulletins.

### HOW TO MITIGATE RISKS

Where the client is a higher risk, firms tend to seek out additional verification that the client is who they say they are, rather than mitigating the real money laundering risk. For example, if your client is resident in a high-risk third country, obtaining additional evidence that they are who they say they are does not mitigate the country risk. Think about other mitigations, perform online searches, client screening searches, get an understanding of sources of wealth and funds, and then verify them.



## REGULATORY COMPLIANCE AND REPORTING

### SUSPICIOUS ACTIVITY REPORTING

**We asked: does your firm have a login for the UK Financial Intelligence Unit (UKFIU) portal, SARs Online?**

**53%** have registered to use SARs Online.

**We asked: is the MLRO confident that staff make all the necessary reports?**

**12%** of MLROs are not confident that staff are making the necessary reports to the MLRO. If applied across the ICAEW AML-supervised population, this would equate to around 1,200 firms.

**41%** of MLROs who receive internal SARs said that it was easy to understand the cause for suspicion and the proceeds of crime. Anecdotally, MLROs told us they discuss SARs with staff before submission and this enhances the quality.

**22%** find the quality of internal SARs variable, some are well-constructed, and some are not. This suggests a need for further training for staff.

**We asked: what internal/external reporting process does your firm follow?**

**75%** of MLROs process internal reports as soon as they arrive and if an external report is required, they report to the UKFIU within a week.

**71%** document their reasons for reporting or not reporting a SAR to the UKFIU.

### REGULATION

Firms must remind staff that if they receive information that gives rise to a suspicion, or provides reasonable grounds for suspecting, that another is engaged in money laundering, an offence is committed by failing to make a report under section 330, regardless of whether it subsequently transpires that the money laundering cannot be proven, or that it did not occur.



## ICAEW KEY REFLECTIONS

### TRAINING STAFF ON SARs REPORTING

Do ensure your firm is an open environment where staff feel comfortable to discuss concerns or suspicions. The following training materials should help you train staff to spot the risks and red flags.

- *All Too Familiar* – our award-winning, anti-money laundering training film produced in collaboration with HMRC
- [Suspicious activity reporting guidance](#)
- [AMLbites](#)
  - SARs
  - Risks and red flags

### THE NEW SAR PORTAL

We were surprised that only 53% of firms have registered to use SARs Online. We expect all firms to have registered to use the online reporting tool, even if they have not yet submitted a SAR.

[SARs Online](#) is a secure, web-based system through which you can submit SARs to the UKFIU.

The SAR portal makes it easier for firms to submit structured, meaningful and comprehensive SARs. Increased data quality of submissions will provide enhanced intelligence to the UKFIU, law enforcement agencies and government departments in their fight to disrupt criminal activity.

It is aligned to Government Digital Standards, with embedded guidance to support reporters through their submission.

### ESSENTIAL READING

- The NCA has issued a number of [SAR guidance publications](#)
- We advise firms to use the NCA online reporting tool for filing SARs and we have listed some useful resources below.
  - [Register for the new SARs portal](#)
  - [Watch: how to register for the portal](#)
  - [Access guidance on the portal](#)
  - [How to submit a SAR via SARs online](#)
- We also update our [SAR webpage](#) on a regular basis.

### ENSURE YOU KEEP COPIES OF SARs

We will ask to see these when we visit your firm and it is also good practice. You may need to reference it in the future and the SAR reporting tool **does not** allow you to review submitted SARs.

### DOCUMENT YOUR REASONS FOR SUBMITTING OR NOT SUBMITTING A SAR

If you are challenged by law enforcement or your supervisory body, you must be able to explain why you did or did not submit a SAR. It may be that there were no proceeds of crime, or you considered the bar for suspicion was not met. Whatever the reason, document it. Make sure your documentation is based on the fact pattern surrounding the transaction.

### KEEP A SARs LOG

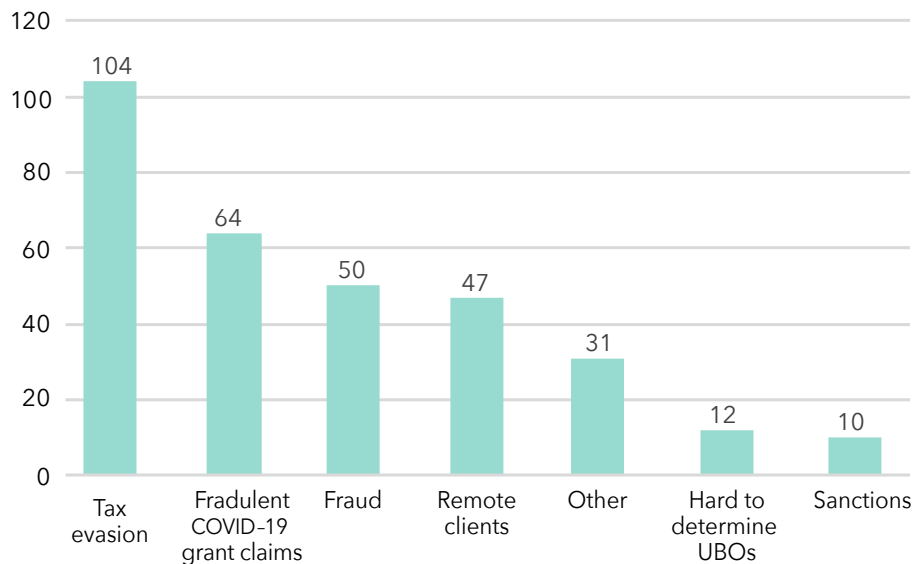
This should involve logging the initial internal report and any follow-up action taken, and recording reasons for the decisions made.

## MONEY LAUNDERING EMERGING THEMES AND THE RISKS FIRMS FACE

**We asked: what are the emerging threats and vulnerabilities facing your firm?**

The graph illustrates the number of responses in each category.

Emerging threats



### QUOTES FROM OUR FIRMS

“We have faced very few issues. Our clients approach us to assist them with being compliant. Biggest issue emerging is not necessarily having a close relationship with client, owing to a more transient/flexible ‘workforce’, so not always local. However, most clients approach us, as we are local to them.”

“Older clients who may be more vulnerable to fraud.”

“Crypto industry is starting to emerge, but clients are very small at the moment.”

“Usual trading risk eg, clients with cash transactions – but this type of client is getting less as transactions are now mostly through the bank.”



## AML COMPLIANCE REVIEW

### We asked: who is responsible for compliance reviews?

The MLRO is responsible for the AML compliance review in 92% of the firms. Remember, for sole practitioners, with no relevant staff, there is no requirement to perform a formal compliance review.

**87%** review completed customer due diligence for a sample of clients to ensure it complies with the firm's procedures. Most of the findings arising from firms' compliance reviews stem from this review.

### We asked: how does your firm follow up the findings?

**70%** follow up with staff training.

**48%** prepare an action plan to address the findings.

**31%** discuss follow up with management.

Note: many of the sample were sole practitioners for whom some of the options weren't relevant.



## ICAEW KEY REFLECTIONS

### FOLLOW UP YOUR COMPLIANCE REVIEW

Our quality assurance reviewers recommend the following.

- 1. Have a robust follow up to compliance reviews.** Reviewers recommend that firms develop an action plan and review the effectiveness of implemented changes promptly. Many firms seem to just wait for next year to find the same errors.
- 2. Review a sample of files quarterly, rather than annually.**
- 3. Plan and consider how to store CDD.** Often the information is disparate. Our reviewers recommend dedicated folders for the due diligence information.

## AML COMPLIANCE REVIEW CONTINUED

We asked for examples of findings from AML compliance reviews. We found firms are performing robust reviews with clear follow-up action to their findings. These responses alone clearly indicate the compliance review process does add value, particularly when a firm includes a sample of client file reviews.

The selection of comments shown below describe common findings and how firms addressed the issues which you may find helpful.

### ONGOING DUE DILIGENCE AND TRIGGER EVENTS

Spot-check revealed changes in ownership not picked-up at time of change. Renewed CDD undertaken and highlighted in staff discussions.

Annual client checklist questions for clients were yes/no answers which could result in inadequate thought being applied to the answer. We rephrased the questions to encourage more active thought into the answers and discussed the impact from an AML perspective in a training session with all employees.

### VERIFICATION

We identified that less face-to-face meetings were happening so needed a better way to obtain and verify ID. We now use a biometric electronic verification tool.

### INDUCTION

New staff unaware of MRLO. Reminder to all staff in the next team meeting and location of written procedure pointed out to all staff.

### RISK ASSESSMENTS

Knowledge of what constitutes a high-risk client – provided training to all relevant staff.

Understanding of assessing risk as part of the CDD process – we revisited the new client documentation to improve usability and provide better prompts to staff and ran a mandatory training session to revisit the risk assessment process/indicators of risk/documentation requirements. We find that the staff respond more positively to specific examples that reflect their daily experience, so some examples were shared that were specific to our client base.

### KNOW YOUR CLIENT

I conducted a review of a random sample of new clients (some large, some small, some limited companies/some trusts etc) that had been engaged with the firm in the previous 12 months to ensure that the correct AML/client set-up procedure had been followed. I identified two issues.

1. Appropriate KYC documentation was not held.
2. An appropriate AML risk assessment had not been carried out and saved in the appropriate folder.

In both cases, I reviewed the files, had a one-to-one chat with the staff involved to ensure they understood fully the issues involved and then also ensured that the gaps on these clients' AML files were addressed.

### SUSPICIOUS ACTIVITY REPORTING

Uncertainty of when to report and whether tipping off – contacted ICAEW helpline.



## ICAEW KEY REFLECTIONS

We have collated the most common firm findings from firms' own compliance reviews and summarised them here, along with our key reflections on what firms need to do to put them right.

### EXPIRED IDENTIFICATION DOCUMENTS

Twelve firms identified this as a compliance failure in their AML compliance review. They then asked their clients for updated documentation.

ICAEW does not expect you to go back to clients to refresh this documentation if the documents have met an expiry date.

If you have verified the client then there is no need to ask them again for current documentation, unless you have concerns that the client may have misled you at the start of the relationship and/or you have become suspicious that they are not who they claim to be.

### ONGOING DUE DILIGENCE – MOST COMMON FAILING IN FIRMS' COMPLIANCE REVIEWS

Firms are required to regularly review their CDD and assess whether there have been changes to the risk profile of the firm and/or changes to ownership that may require a reassessment of risk and additional verification.

When reviewing client files, firms found files with no evidence of ongoing due diligence. In a few cases there had been changes to the client's ownership structure which had not been recorded and no due diligence performed on new owners/directors.

Ensure you have procedures to regularly review your CDD for all clients and that the procedures include a requirement to evidence that review. Some firms choose to link their CDD updates to the planning section of an engagement file, so that when they

next perform an engagement for the client, the AML checks are automatically completed.

### VERIFICATION

Lack of evidence of verification of the client was just behind ongoing due diligence in common findings from AML compliance reviews.

A few considered a move to electronic verification an appropriate response to this finding. Under the UK's anti-money laundering regime, information from electronic databases is an acceptable form of verification for clients' identities. Electronic identification can be used either as part of a wider process or, where appropriate, as the only source of identification. The regime is not prescriptive; the onus is on businesses to adequately satisfy themselves of clients' identities on a case-by-case basis. But before using these tools, businesses should assess for themselves whether the information mined from these databases is sufficiently reliable, comprehensive and accurate.

### KNOW YOUR CLIENT (KYC)

This was third in the list of common findings, with firms stating that staff had not gathered enough information on the client to inform the risk assessment and verification procedures. It is important to ensure you can make an informed decision on risk and the KYC gathered is fundamental to this.

You should gather information such as the nature of the client's trade, the ultimate beneficial owners, location of the client and linked parties, services provided to the client, sources of funds/wealth where relevant, and if you will be handling client money. We will expect you to have enough information to inform your conclusion on the money laundering risk.

### LACK OF A ROBUST MONEY LAUNDERING RISK ASSESSMENT

This was a reasonably common finding, with firms also stating that they felt staff had failed to understand what constituted higher risk. Some firms provided additional training to staff as a result. It is important that your firm's staff training highlights the factors that elevate the risk of a client being involved in money laundering. The regulations are clear that risks are elevated where there are links to high-risk third countries and/or politically exposed persons. We do have a number of *AMLbites* videos on risks and red flags, and these explain factors that may heighten the risk of a client being involved in money laundering.

### SUSPICIOUS ACTIVITY REPORTING

There weren't too many findings here but where firms reported compliance issues, these were linked to weaknesses in process. It was comforting to see firms identify and address this issue.

Firms' response to this failing was to provide training to staff to ensure they understand the firm's procedures and when a SAR should be submitted. Staff should be aware of who to report suspicion to and how to report that suspicion.

### TRAINING FOR NEW STAFF

A few firms reported that their review revealed new staff had not had adequate training on money laundering procedures and rectified this.

Ensure your firm has prompt training for staff on its anti-money laundering procedures, and when and how to report a suspicion.

## THE MLRO'S ROLE IN CDD

**We asked: what is your firm's policy regarding CDD?**

**40%** of MLROs approve client take-on and ongoing acceptance where CDD concludes a client is higher risk.

Many firms also responded that they did not accept higher risk clients, hence no referral to the MLRO.

**We asked: does your firm follow your recommendations on high-risk clients?**

**52%** of firms have disengaged from, or turned down, a client based on the MLRO's intervention due to money laundering risks.

Two firms continued an engagement, despite recommendations from the MLRO to disengage.



## ICAEW KEY REFLECTIONS

### APPROVING CLIENT TAKE-ON AND CONTINUANCE

We believe that if the client onboarding process or a review of existing CDD suggests a client is higher risk, for example there is a politically exposed person or a link to a higher risk jurisdiction, the MLRO should have the following.

- Sight of the information that suggests the client is higher risk.
- Authority to decide whether the client is accepted and/or the business relationship continued.

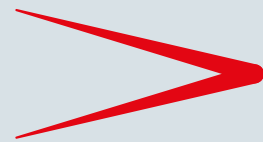
The MLRO could decide to perform additional verification checks to mitigate risks and/or consult, perhaps with ICAEW.

### CLIENT ACCEPTANCE

We were pleased to see the effectiveness of our MLROs in protecting their firms from the risk of taking on a client that could be involved in money laundering.

We commend MLROs and our supervised firms for their risk management.

If the MLRO advises against client acceptance because of risk, then document this and we would expect your firm to disengage. If not, ensure the reasons for acceptance are robust and that you are not in a position where you could be accused of facilitating or even enabling money laundering/criminal activity.



## SECTION 3: RESOURCES

## ALL RESOURCES ARE AVAILABLE AT [icaew.com/AMLresources](https://www.icaew.com/AMLresources)

**AML Risk Bulletins.** Our quarterly email to MLROs, setting out emerging AML risks as identified by the JMLIT/NCA and within the sector, including our COVID risk bulletin.



**AML - the essentials.** Our quarterly round-up of AML-relevant material published each quarter. Issues regularly include material on suspicious activity reports, risk and fraud.



**AMLbites.** A series of 10-minute videos aimed at MLROs, compliance principals and people in regulatory roles. They are also useful as training tools for staff.



**All Too Familiar.** ICAEW's first training film focusing on economic crime, produced in collaboration with HMRC.



### ARTICLES

Regular [articles](#) cover topical issues to help MLROs keep up to date. Recent topics include how firms should comply with financial sanctions and the ban on accounting and audit services to Russia.



ICAEW technical helpline



### WEBINARS

A series of live [webinars](#) presented by an expert panel where key money laundering topics are demonstrated with the help of case studies and Q&As. The recordings are available to watch again. Recent topics have included a practical guide to money laundering risks, how to spot red flags around cryptoassets, and how to verify clients.



### THEMATIC REVIEWS

This is our fifth thematic review. The previous reviews can be found at [icaew.com/amlresources](https://www.icaew.com/amlresources) and by using the links below.

- [COVID fraud – Thematic Review, guidance and information](#)
- [Sanctions – Thematic Review, guidance and information](#)
- [Suspicious Activity Reports – Thematic Review, guidance and information](#)
- [Trust and Company Service Providers – Thematic Review, guidance and information](#)



## ICAEW's regulatory and conduct roles

Our role as an improvement regulator is to strengthen confidence and trust in those regulated by ICAEW.

We do this by enabling, evaluating and enforcing the standards expected by the profession, oversight regulators and government.

ICAEW's regulation and conduct roles are separated from ICAEW's other activities through internal governance so that we can monitor, support and take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards Department and overseen by the ICAEW Regulatory Board and oversight regulators including the Financial Reporting Council, Office for Professional Body Anti-Money Laundering Supervision, the Insolvency Service and the Legal Services Board.

We:

- **authorise** firms and individuals to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- **support** professional standards in general accountancy practice through our Practice Assurance scheme;
- **provide** robust anti-money laundering supervision and monitoring;
- **monitor** registered firms and individuals to ensure they operate in accordance with laws, regulations and expected professional standards;
- **investigate** complaints and hold ICAEW Chartered Accountants and students, ICAEW-supervised firms and regulated and affiliated individuals to account where they fall short of the required standards;
- **respond** and comment on proposed changes to the law and regulation; and
- **educate** through guidance and advice to help ICAEW's regulated community comply with laws, regulations and expected professional standards.

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 202,450 members and students around the world. All of the top 100 global brands employ chartered accountants.\*

Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor over 12,000 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

We promote inclusivity, diversity and fairness and we give talented professionals the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

ICAEW is the first major professional body to be carbon neutral, demonstrating our commitment to tackle climate change and supporting UN Sustainable Development Goal 13.

We are proud to be a founding member of Chartered Accountants Worldwide, a network of 750,000 members across 190 countries which promotes the expertise and skills of chartered accountants around the world.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create sustainable economies and a better future for all.

[www.charteredaccountantsworldwide.com](http://www.charteredaccountantsworldwide.com)  
[www.globalaccountingalliance.com](http://www.globalaccountingalliance.com)

\* Includes parent companies. Source: ICAEW member data March 2023, Interbrand, Best Global Brands 2022

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