



**REGULATION
& CONDUCT**



ICAEW ANTI-MONEY LAUNDERING SUPERVISORY APPROACH

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Introduction

ABOUT ICAEW

Our role is to help ICAEW members and firms to maintain high professional standards and hold them to those standards. We act in the public interest to strengthen trust in ICAEW members and firms by raising standards through a programme of continuous improvement.

ABOUT ICAEW'S ANTI-MONEY LAUNDERING SUPERVISORY ACTIVITY

ICAEW supervises around 9,500 firms under The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (Money Laundering Regulations 2017) and is the largest professional body supervisor (PBS) in the UK.

Our strategy is to provide robust anti-money laundering 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.

On average, we perform around 2,000 monitoring reviews a year. Since the introduction of anti-money laundering (AML) supervision in 2007, we have performed over 22,000 monitoring reviews.

ABOUT ICAEW'S REPORTING REQUIREMENTS

This document sets out how ICAEW remains compliant with the relevant requirements under the Money Laundering Regulations 2017 and [OPBAS Sourcebook for professional body anti-money laundering supervisors](#) (OPBAS Sourcebook). Under regulation 46A of the Money Laundering Regulations 2017, supervisors must publish an annual report for each year ended 5 April and include the requirements set out in the OPBAS Sourcebook.

To meet these reporting requirements, ICAEW publishes two documents:

- ICAEW approach to AML Supervision (this document) which sets out how we discharge our obligations as a supervisory authority under Money Laundering Regulations 2017 and information that ICAEW is required to publish under regulation 46A, and
- [ICAEW AML Supervision Report](#), an annual report which sets out the monitoring and enforcement results for the reporting period.

This document also serves as a self-assessment of our supervisory activities. Our review and publication of this document confirms that ICAEW is compliant with the relevant Money Laundering Regulations (MLRs) and the OPBAS Sourcebook good practice areas expected of the PBSs. We have identified a limited number of areas where we can further build on our effectiveness to ensure that we continue to meet our objective of being best-in-class.

Governance

INTRODUCTION

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 Regulation & Conduct division and overseen by the ICAEW Regulation & Conduct 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.

All significant decisions relating to regulatory permissions and disciplinary matters are made by the regulatory and disciplinary committees. These committees are tasked with acting in the public interest and all have a parity of lay and chartered accountant members with lay chairs, with the exception of the Tribunals Committee and Appeal Committee where disciplinary tribunals and appeal panels have a majority of lay members with lay chairs. This maintains an important balance between the necessary technical insight from chartered accountant members and public interest insight from lay members. To maintain the important separation from ICAEW's representative functions, no ICAEW Council or ICAEW Board member can be a member of a regulatory or disciplinary committee.

We have included more detailed information about these committees below, and within the 'Enforcement' set of information requests.

We communicate our governance structure with external stakeholders via the [ICAEW Regulation & Conduct Annual Report](#)

SEPARATION OF ADVOCACY AND REGULATORY FUNCTIONS AND MITIGATING CONFLICTS

A diagram of ICAEW's governance structure can be found [here](#)

We operate an *ICAEW Regulation & Conduct Committee Members Conflict of Interest policy* and all IRCB members' declarations of interest are published on our [website](#) within each members' individual profile.

ICAEW Regulation & Conduct Board (IRCB)

The ICAEW Regulation & Conduct Board (IRCB) is responsible for ensuring ICAEW's regulatory and disciplinary work, undertaken by the Regulation & Conduct (R&C) division is carried out in the public interest. It also provides assurance to government, oversight regulators and the public that these tasks are carried out independently and objectively.

About the IRCB

The IRCB's primary objective is to ensure ICAEW's regulatory and disciplinary work is carried out in the public interest and to provide assurance to government, oversight regulators, media and members of the public that each task is carried out objectively without any bias shown either towards or against the interests of an ICAEW member or firm.

The IRCB monitors the performance of R&C against key performance indicators, reviews R&C's risk register and carries out a quality assurance programme looking at the effectiveness and efficiency of the regulatory and disciplinary committees. It receives and considers final Delegated Powers' Review reports from all of the committees and reviews and monitors any remedial work required in reports on R&C's performance authored by ICAEW's oversight regulators.

A diagram of ICAEW's regulatory oversight structure is [here](#)

IRCB members

The membership of the IRCB can be found [here](#). Note that no member of ICAEW's Council or ICAEW Board sit on IRCB.

For accountancy oversight purposes, it has an equal number of lay and non-lay members. A lay member is someone who is not, and has never been, a member, affiliate or employee of ICAEW or any accountancy body. For legal services oversight purposes, it has a lay majority where a lay member is someone who is not legally qualified.

The accountancy members of the IRCB have different backgrounds and specialisms including audit, insolvency and tax. They provide the perspective and insight not only as members in practice but also as members working in business. Many of the lay members have significant experience in other regulated sectors. The combination of technical experts and lay representatives ensures a broad range of views and insights while keeping the public interest at the centre of the IRCB's work.

The current IRCB chair is a lay member, [Parjinder Basra](#)

The appointment, performance evaluations and remuneration of chairs and members of the IRCB are dealt with by the Regulatory & Conduct Appointments Committee (RACAC). The RACAC reports to the IRCB on its activities but is independent of the IRCB.

The IRCB Terms of Reference can be found [here](#)

IRCB meeting agendas, papers and minutes in the public domain can be found [here](#)

Self-funding model

The regulatory and assurance work of ICAEW is self-financed through the registration fees and levies paid by regulated firms and individuals which cover the cost of operations, and not funded through general membership fees. The work that Regulation & Conduct self-finances includes:

- operation of the annual return, firm registration and records maintenance;
- quality assurance reviews and visits (and a wealth of associated support and materials);
- development and maintenance of regulatory policies; and
- the professional conduct (including discipline and sanctioning) of firms and insolvency practitioners.

Further information on the funding model can be found [here](#)

Regulatory and disciplinary committees

Independent regulatory and disciplinary committees oversee the ICAEW Regulation & Conduct (R&C) monitoring activity and hear disciplinary cases.

A diagram explaining the roles of each committee can be found [here](#). The decisions taken by these committees are published and can be found [here](#), or alternatively, members of the public can search for disciplinary cases on the [ICAEW Disciplinary Database](#).

A more detailed description of those committees involved in AML supervision matters is below.

The Practice Assurance Committee

The [Practice Assurance Committee](#) (PAC) has ultimate responsibility for all operational matters relating to the Practice Assurance visit process (which includes AML supervision). It considers reports from R&C's Quality Assurance Department (QAD) where reviewers have identified serious areas of concern identified through the review process, and confirms the action the firm should take.

PAC has powers to require the firm to arrange a suitable compliance review by a third party or to accept a further 'follow-up review' from QAD (which the PAC may require the firm to pay for) and to refer a firm to the Conduct Committee for investigation where there is evidence of serious breaches of laws, standards, regulations or codes. PAC can also offer regulatory penalties for less serious compliance or conduct issues identified during Practice Assurance reviews. The financial penalties are only applied with the consent of the member or firm.

PAC also considers important practical issues arising from monitoring reviews, gives guidance to quality assurance reviewers and makes policy recommendations to the IRCB. PAC should comprise at least 10 members at least half of whom must be lay.

The disciplinary committees

The following committees are responsible for disciplinary matters. Once a complaint has been referred to the committees, they decide whether an allegation has occurred and, if so, what penalties, if any, should be imposed.

The [Conduct Committee](#) (CC) considers formal allegations and applies the 'realistic prospect' test. This means it considers each case to determine whether there is a realistic prospect that, if the allegation were to be referred to the Tribunal Committee (TC) for hearing, such an allegation would be found proved. The CC can, among other things, offer a Consent Order to settle the matter or alternatively, refer the matter to the TC. The CC, with the agreement of the subject of the allegation(s), may make any one or more of the orders which the TC could make under Disciplinary Bye-Laws 11.1 and 11.3.

The [Tribunals Committee](#) (TC) hears cases referred to it by the CC. In addition, it can, amongst other powers, exclude members from membership, suspend members from membership, withdraw licences, practising certificates, registrations or authorisations, or prohibit a firm from using the description 'Chartered Accountants.'

The Fitness to Practise Committee

The Fitness to Practise Committee was introduced following changes to the Disciplinary Bye-laws. It meets as a panel with each panel comprising two lay members (one of which is the chair) and one accountant.

Its primary role is to decide if an ICAEW member is fit to participate in disciplinary proceedings. The panels also consider applications from individuals registering as provisional members (ACA students) whose applications disclose potential fitness issues, such as previous criminal convictions. The panels also consider applications for readmission to membership. Membership of the Fitness to Practise Committee is drawn from the members of the Tribunals Committee.

The Appeal Committee

The [Appeal Committee](#) (AC) hears appeals on the request of members/firms that are not prepared to accept the findings or sanctions from the Fitness to Practise Committee, the Tribunals Committee and panels of the Review Committee.

Internal and external audits

Quality review of R&C by committees

Every year PAC performs a quality review of the work of R&C. Nominated representatives from the committees assess the handling of our compliance/quality reviews and our findings (especially those reviews with less serious findings that are not referred to them under delegated powers) and the overall systems, controls and procedures operated by R&C.

Internal quality assurance review (IQAR)

In addition to a well-established programme of quality control with ‘hot’ reviews performed by more senior reviewers and case managers, QAD performs an annual IQAR of a representative sample of review workpacks to gain assurance that our work carried out on reviews consistently complies with our documented procedures and regulatory responsibilities.

ICAEW Internal Audit

ICAEW’s Internal Audit team reports to the ICAEW Board and the ICAEW Audit Committee on a wide range of subjects, mostly referenced to ICAEW’s risk register, where there are perceived higher risk issues or emerging areas of potential risk.

Governance – Remainder of ICAEW

Council

The [ICAEW Council](#) is the governing body of ICAEW under the Royal Charter and sets our strategic direction. The powers of Council are defined in the Charter and Council is ultimately responsible for ensuring that ICAEW meets the objects set out in the Charter. Council delegates many of its functions to the ICAEW Board and other committees to speed up the administration of our governance processes and ensure that there is an effective balance between the time taken to reach decisions and the depth of scrutiny of those decisions. This enables Council to work at a strategic level.

Council has up to 125 members, the majority of which are elected by ICAEW members, supplemented by co-opted and ex-officio members to ensure that Council represents the main sectors and interests of the whole membership.

ICAEW's [2020-2030 strategy](#) includes establishing ICAEW Chartered Accountants as key partners in combatting economic crime (page 2) as part of the Strategic Theme of 'Strengthen trust in ICAEW Chartered Accountants and the wider profession'.

ICAEW Board

The [ICAEW Board](#) is the principal decision-making body of ICAEW. The board comprises of senior staff, Council members and independent non-executives who have overall responsibility for ICAEW's planning and budgeting process and the development of policy. The Board is responsible to Council for planning and managing the affairs and business of ICAEW. It is also responsible for resource management and coordinates the work of divisions and committees. Note that neither Duncan Wiggetts (Chief Officer, Regulation & Conduct) nor Parjinder Basra (Chair, IRCB) sit on the ICAEW Board to maintain the separation between regulatory and representative functions.

OVERSIGHT AND ENGAGEMENT

Responsibility for managing ICAEW's AML supervisory activity and obligations under the MLRs is set out in the [IRCB Terms of Reference](#) (paragraph 12) with its specific responsibilities including:

- monitoring the effectiveness of the R&C regulatory and disciplinary committees (paragraph 13m); and
- monitoring the effective discharge by R&C staff of the regulatory and disciplinary work delegated to them by the regulatory and disciplinary committees (paragraph 13n), through a range of mechanisms including, and not limited, to Delegated Powers' Reviews prepared by the regulatory and disciplinary committees and relevant performance KPIs to identify any areas for improvement.

The IRCB Terms of Reference also set out that the IRCB's agenda shall be set by the IRCB Chair following discussions with the R&C Chief Officer and shall be focused on strategic, not operational matters, and reflect the responsibilities and objectives of the IRCB. The IRCB meets at least four times a year and no more than six times per year unless additional meetings are necessary to conduct urgent business to support the timely escalation of such information.

The IRCB has a clearly defined [strategy](#) for 2024-26, which specifically includes driving compliance with the MLRs, working closely with relevant agencies to aid the fight against economic crime and compliance with international sanctions.

R&C senior management report regularly to IRCB, either formally through written reports by the Chief Officer ("*Chief Officer Update*") or through direct presentations to the IRCB. The reports and presentations cover relevant regulatory updates and summarise key activity that has taken place during the year, as well as describing and identifying trends in AML compliance within the supervised population and how senior management plans to mitigate and address key risks. The IRCB also receives KPI packs each meeting, which set out progress against operational plans and targets.

Senior management are actively engaged with the approach to complying with AML obligations and approve and review the relevant policies and procedures, as well as regular attendance at relevant AML forums (including AMLSF, AASG, ECSB and PPSG). The AML team also meets every 6-8

weeks to discuss latest developments, progress on projects and initiatives and to set objectives for upcoming pieces of work.

SINGLE POINT OF CONTACT (SPOC)

ICAEW has appointed a SPOC – Michelle Giddings, Head of AML and Operations. Michelle has responsibility for the operational delivery of ICAEW's AML supervisory approach. Michelle is also the money laundering contact officer and receives internal reports of suspicious activity.

ADEQUATE RESOURCES

ICAEW sets targets and KPIs which are monitored regularly, and where we identify a risk that these targets or KPIs may not be met, we assess the need to increase resources. The IRCB and the R&C management team do this by setting clear and robust targets as follows:

- Number of annual visits - we perform our population-wide AML risk assessment in the autumn of each year. We review the number of firms in each risk category and determine when their next visit is due, based on the visit cycle for that risk category. Using this data, we identify the number of reviewer-days required by multiplying the number of reviews by the number of visit days allocated to each review. We then allocate resources within our reviewer population to ensure we meet our regulatory responsibilities. We perform a resource forecast in Q4 each year to confirm we have adequate resources:
- Number of visits started – we monitor our 'visit started' data to ensure that we are on track to complete the number of AML monitoring reviews we have identified are cyclically due each year. The number of actual visits started is reported monthly to R&C management, and to the IRCB and the PAC at each of their meetings.
- Time taken to complete monitoring reviews – we set key performance indicators that require us to complete our monitoring reviews within a specified period after the onsite/desk-based work is complete. These KPIs ensure that we do not manage our visits started target by starting all the reviews, with no time to complete them. We know that firms achieve better compliance outcomes when they receive prompt feedback from our reviewers and have a strong ethos that we complete visits in a timely manner.
- Number of investigations – we set key performance indicators on investigations as well as monitoring the number of cases per investigation officer, with clear timeframes set for the stages of an investigation. Performance against these KPIs is reported monthly to R&C management and to the IRCB.

A risk-based approach

INTRODUCTION

We have an important role as the largest accountancy professional body supervisor in the UK. Our strategy is to provide robust AML supervision through a risk-based regime, focussing our efforts on firms where the risk that they will be used to enable money laundering is highest.

We review firms on a risk-based approach, directing more resources towards those firms that present a higher risk of facilitating money laundering. Our risk assessment methodology is updated in line with the latest National Risk Assessment (NRA).

We have identified the key risks within our supervised population as:

- Trust and company services
- Holding significant clients' money balances
- Payroll services
- Clients based in high-risk countries
- Clients who are foreign politically exposed persons (PEPs)
- Clients with high-risk business activity
- Clients who are high net worth individuals
- Firms where we hold intelligence that the firm is connected to economic crime cases
- Firms who are authorised to perform ROE verification work by Companies House
- Poor compliance history

We use the risks set out in the [AASG Risk Outlook](#) and the National Risk Assessment to determine which countries or business activity are high-risk.

We perform our firm risk assessment twice a year (spring and autumn) using information collected via the annual return, visit-history, complaints and AML-intelligence. High-risk firms are reviewed at least every other year, high-medium firms every four years, and medium-low or low firms are reviewed every eight years, either onsite or via a desk-based method.

ASSESSING RISK AND UPDATING OUR UNDERSTANDING OF RISK

Our risk-based supervisory framework enables us to identify, assess and understand the money laundering risks within the accountancy sector, our supervised population and mitigate them on an ongoing basis.

We focus our efforts where the risks are highest and where firms are likely to non-compliant or enable money laundering. This helps us to identify situations where additional measures and controls may be appropriate, and that these measures and controls are proportionate to the identified risks.

We have a documented risk assessment methodology, which we update in line with HM Treasury's updates to the National Risk Assessment. The methodology gathers risk information from the NRA, AASG risk matrix and the AASG Risk Outlook. For each of the risks identified, we have assessed their relative weighting based on our understanding of how the risk manifests itself within our

supervised population and the rate of occurrence that the risk crystallises. We assess the risk in each firm on a line-by-line basis and do not cluster.

However, we also continuously evolve our understanding of risk, and therefore our risk-based approach. We do this by proactively engaging with the AASG to develop and build on our sectoral understanding of risk – this is evidenced by regular updates to the AASG Risk Outlook – and reflecting changes within the market – such as the introduction of ROE verification (which we include in our risk assessment process). During 2023, AASG also performed a piece of work to further understand TCSP risk alongside HMRC to ensure our understanding of the AML risk associated with trust and company services was consistent and aligned.

We also evolve our understanding of risk through:

- information obtained from the annual return – we can review the data to identify new risk factors as well as understanding whether there is an increased number of firms displaying particular risk factors, which may affect our assessment of the risk of threats and vulnerabilities;
- findings from our monitoring reviews, including empirical evidence to show compliance history, and issues raised from our other series of regulatory reviews (regarding audit etc);
- findings from our thematic reviews, where we perform a deep-dive into a specific topic;
- comparison with the findings/analysis from our benchmarking exercises, which allows us to understand what ‘good’ AML compliance looks like (eg, money laundering regulations was an ‘area of focus’ for Practice Assurance in 2023 and our thematic reviews focus on specific areas of compliance);
- themed questionnaires and discussions with member groups and MLRO groups;
- referrals from external sources and intelligence including law enforcement agencies (LEAs), the NCA/UKFIU, user-groups and the Accountancy Affinity Group of AML supervisors as well as adverse media coverage; and
- trends identified by our technical advisory helpdesk, who log calls and we can identify common themes that firms are consulting on.

We use all these inputs to shape our risk assessment of our population, which we perform twice a year.

A SUPERVISED APPROACH THAT SUPPORTS SUPERVISED POPULATIONS ADOPTION OF A RISK-BASED APPROACH

Our supervisory approach encourages our supervised population to aim for achieving positive outcomes related to reducing money laundering, rather than exclusively concentrating on compliance with prescriptive and detailed rules. During 2022, we started a project to evolve and update our monitoring methodology. As we are now on our third cycle of AML monitoring reviews (we have reviewed many of our firms twice since we started supervision in 2007), it should be a given that firms have policies and procedures to ensure their AML compliance. We therefore identified the need for us to consider the effectiveness of firms’ policies and procedures in more

depth. For example, it is not enough to have the relevant checklists in place, firms must be using them effectively to identify risks where they exist.

Under our approach, quality assurance reviewers assess a sample of customer due diligence (CDD) during monitoring reviews, and reperform the open source checks element of the firm's CDD for that client. Where CDD falls short of the required standard, the reviewer will consider the root causes for those gaps.

We accept that firms of a similar size may have different policies, controls and procedures and often find that firms have more than one 'right' answer to the same problem. For example, our thematic review in 2024 on firm-wide risk assessments encouraged firms to consider both free-form and checklist style methodologies to ensure the assessments are as effective as possible.

Supervision

DESIGNING OUR SUPERVISORY APPROACH

We draft our AML supervisory approach/strategy in Q1 each year and present it to IRCB as part of the annual reporting process. The Regulation 46A report reflects on our effectiveness of implementing the supervisory approach set at the beginning of the reporting period. This ensures ICAEW allocates the appropriate focus and intensity of supervisory activity across all the different categories of AML risk within our supervised population.

SUPERVISORY TOOLS

R&C has a range of tools available to it when monitoring how its supervised population complies with the requirements of the Money Laundering Regulations, with effective policies, controls and procedures in place.

Under the Practice Assurance Regulations, ICAEW member firms are required to supply any information requested by ICAEW under the PA scheme (whether in the annual return or otherwise) promptly (regulation 8) and make themselves available for a monitoring visit (regulations 11, 13 and 14).

ICAEW has a monitoring team comprising 30 reviewers and 9 managers, who all conduct Practice Assurance/AML monitoring reviews. Reviews are conducted either onsite or via a desk-based method, with centrally designed review-documentation software. Reviewers may use Microsoft Teams to 'meet' the practitioners for some desk-based reviews.

All monitoring reviews are proactive, with annual targets driven by cyclical requirements (using our risk-based approach). A small number of reviews are performed responding to urgent AML intelligence, poor visit history, or ongoing non-compliance and requested by the Practice Assurance Committee.

Our proactive monitoring approach ensures we regularly review all our firms on a risk-based cycle. The frequency with which we review our firms is determined by the risk profiles we prepare on our firms using annual return data, complaints information or intelligence from law enforcement. We also use size as an indicator to determine the delivery method within each risk banding, because the size of the firm directly correlates to impact (ie, through size of clients; activities of clients; geographical spread of client base; and the range and nature of services provided by the firm).

Annual return

The annual return is an integral part of ICAEW's regulatory relationship with firms. Through the annual return, we gather information on the structure, ownership and control of the firm as well as 'variable' data such as practice income (and how it breaks down between different service streams), confirmations of Professional Indemnity Insurance, amount of client money handled, the type of assurance engagements, and confirmations that the firm has performed its annual declarations and compliance reviews.

We also ask questions on AML risk, to identify the risk within the client base of our firms. Firms have to tell us the number of clients they have in particular types of risk category (eg, high risk jurisdictions).

The information in the annual return is checked during our monitoring reviews across all scopes, so we can place reliance on its accuracy, and firms face disciplinary action if they deliberately mislead us in the annual return.

The most up-to-date annual return template can be found [here](#).

Continuing Professional Development (CPD) Regulations

All ICAEW members are also subject to annual CPD requirements (unless exempt under a limited number of circumstances), with members required to complete minimum hours of verifiable and unverifiable CPD based on the type of work they perform. The requirements are in Principal Byelaw 56 and supported by the [CPD Regulations](#).

ICAEW members must make their annual CPD declaration for the preceding year before 31 January. This is a requirement of membership and failure to do so may result in disciplinary action.

Cyclical proactive monitoring reviews

Onsite

Reviewers gather information about the firm's procedures during the opening meeting discussions, from a brief review of the firm's AML procedures manual, compliance reviews and from client file reviews. They check that:

- the firm has obtained criminal record check certificates for all its BOOMs and that these are 'clean';
- the firm has performed a firm-wide risk assessment and that this risk assessment reflects the information declared in the annual return on high-risk clients and services;
- the firm is conducting client due diligence on a risk-sensitive basis;
- the firm has recognised clients and situations where enhanced due diligence is required;
- the firm is monitoring its compliance with anti-money laundering policies and procedures;
- the firm identifies 'trigger events' to update CDD on existing clients;
- there is sufficient information on file to demonstrate that the identity of the client has been verified and suitable evidence retained;
- a money laundering reporting officer (MLRO) is in post and aware of his/her responsibilities;
- internal procedures are in place for making suspicious activity reports to the MLRO; and
- all relevant employees have received appropriate training relating to money laundering.

Our standard review workpack contains a checklist that we use for examining a firm's AML procedures. We ensure the firm has understood and implemented the key aspects of the regulations and, via our review of the firm's documentation and its client work (including a risk-based sample of client files/CDD documentation), that the firm consistently applies its procedures across all business streams and that they are effective.

Desk-based

Our desk-based reviews fall into two categories:

- **Telephone** - prior to the call we ask the firm to complete an information questionnaire which includes information about its AML procedures, the firm-wide risk assessment and examples of CDD. We review this information prior to the telephone call, alongside other information we hold on the firm (such as the most recent annual return, complaints/investigations history and the firm's website or social media footprint). During the call the reviewer will discuss the information provided and the procedures followed by the firm. We may request further evidence in some cases. We estimate that our average desktop review takes 4-6 reviewer hours to complete, excluding administration time to schedule the review and collect the pre-review data.
- **AML Telephone** – we have introduced an AML-only telephone review to act as an additional review for those firms that are high or high-medium risk. The process is like a telephone review but the reviewer will only focus on AML matters, and the review lasts a day. The extra time is spent on increased sample sizes of CDD and a longer conversation with the MLRO about the effectiveness of policies and procedures within the firm and the risks identified within the firm's client base.

We discuss the same matters on our desk-based reviews as we do on our onsite reviews but vary the intensity of the work performed to reflect the risk presented in the firm – this may involve flexing the sample size of CDD or some of the work will be limited to discussions with the MLRO rather than reviewing documentation. However, desk-based reviews are designed to ensure we would achieve the same outcome as an onsite supervisory review.

Information requests

We may write to firms to ask them questions about matters identified through the annual return, or for the firm to explain their approach to handling a matter we've identified through our media reviews.

Thematic reviews

We engage with a small population of firms to perform a deeper review into a particular topic.

In October 2023, we published our [thematic review](#) on the role of the MLRO. In this thematic review we sought to understand who the money laundering reporting officer (MLRO) is and how they fulfil their responsibilities. We asked about the challenges they face, training, suspicious activity 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 anti-money laundering supervisor and includes resources MLROs may find helpful.

In October 2024, we published our [thematic review on the firm-wide risk assessment](#). We contacted the money laundering reporting officer (MLRO) at a sample of 100 high-medium accountancy firms. We asked the MLROs a series of questions and for a copy of their most recently completed firm-wide risk assessment. QAD then reviewed the information and risk assessments submitted by the MLROs.

In October 2025, we published our thematic review on suspicious activity reports. We first looked at suspicious activity reports in 2020, and will use this review to assess how processes and procedures

around SARs have changed over the past five years. OPBAS has also conducted a project on SARs, publishing phase 1 findings in April 2025. This thematic review, alongside the findings of the OPBAS project and UKFIU engagement activity, will provide help and guidance to support firms in submitting good quality SARs.

In addition to the published results, we present the findings of the thematic review via a webinar in early November each year.

GATEKEEPER ROLE

Becoming a member

To become an ICAEW member, individuals must complete a training contract with an authorised training employer. This means that by the time they qualify, prospective members will have a close relationship with the organisation that is sponsoring their membership. The training contract is between three and five years long and includes 14 professional examinations, specialised learning modules and a minimum work experience requirement (450 days). Qualified members of other professional bodies may be eligible to become a member via reciprocal arrangements, but this also includes experience and examination criteria. Their former body will also be contacted to check for any disciplinary issues.

If a member wants to be in public practice, then they must apply for a practising certificate (PC) but they aren't eligible unless they've been a member for at least two years. Application forms can be found [here](#). All PC holders must comply with ICAEW's CPD requirements, the ICAEW Code of Ethics, hold professional indemnity insurance and be 'fit and proper'. A copy of ICAEW's fit and proper helpsheet (including template) can be found [here](#).

How to become supervised by ICAEW

ICAEW doesn't supervise individuals, it only supervises its member firms as part of the Practice Assurance scheme, and so to ICAEW a 'relevant person' is an ICAEW member firm. To become an ICAEW member firm, the firm must meet the ICAEW member firm definition. The definition requires a majority of the voting rights, ownership and control to be held by ICAEW members (as set out above). AML supervision is then automatic for those firms.

A non-member firm can apply to ICAEW for supervision if one of the principals is an ICAEW member. The application forms can be found [here](#).

Regulation 26 – DBS checks

As part of our onsite monitoring reviews, we ask firms to show us the original criminal record check certificate for each of the BOOMs to demonstrate that all their BOOMs are validly approved under Regulation 26. We record the fact that we have reviewed the DBS certificate on our firm/member database.

Any new individual who wants to be a BOOM in one of our supervised firms is captured when a regulatory application is submitted or when we are notified of a change to a firm's structure. On receipt of the regulatory application or notification to records, we write to the firm to request that it sends us the new BOOM's original criminal record check certificate. More information on our Regulation 26 process can be found [here](#).

REMEDIAL ACTION

When our supervisory / monitoring activity identifies deficiencies, we have the appropriate tools in place to ensure the firm takes proper and timely action to correct them.

Where we raise 'matters requiring action', we set out a summary of the issue(s) we have identified and our expectations of the firm in a closing meeting record. The firm is required to respond to each of the matters requiring action, explaining what steps they will take to address them with a deadline for completion. We assess the firm's responses and consider:

- Is there evidence the firm can reach the required standard?
- Is there evidence the firm has the technical understanding to rectify the issue?
- How serious or prevalent was the matter – was it an isolated event, what money laundering risk did the client present and what was the risk of the firm enabling money laundering?
- How committed is the firm to addressing the matters?
- Does the firm's previous monitoring history demonstrate they have the required professional attitude and have fulfilled past assurances?

We also provide regular training to QAD staff to support consistency and understanding of what good compliance looks like, and to ensure consistent outcomes and recommendations are made to the PAC. This is done through, firstly, manager and senior manager review of workpacks and reports to PAC, and secondly, through regular reports from PAC decisions (communicated via Teams). Finally, our IQAR process ensures that judgements and conclusions are made consistently across the reviewers.

If we have concerns the firm is not sufficiently committed or able to address the matter, we will take action or ask the firm for further information to confirm they have rectified the issue. For significant concerns, we prepare a report to the PAC setting out the key issue(s) and our recommended course of follow-up action. For less significant concerns, we ask the firm to submit information to support its ongoing compliance.

The PAC has the power to impose regulatory penalties on a firm where there have been breaches of the MLRs and can require the firm to submit information to demonstrate it is now meeting the required standard. The Guidance on Sanctions for AML breaches aims to deter money laundering by ICAEW supervised firms. Sanctions relating to a firm's failure to have any AML policies and procedures have a starting point calculated at £3,000 per principal, and sanctions relating to a firm failing to implement them start at £2,000 per principal, with a capped maximum fine for the largest firms (which the IRCB keeps under review). The starting point can be increased or decreased by the relevant regulatory and disciplinary committees depending on the presence of aggravating and mitigating factors, but the PAC will regularly review the actions it has taken to ensure that they are comparable and proportionate when considered against similar cases. This is also supported by regular (annual) training to the committee members.

Firms will not be released from this ongoing monitoring until we are satisfied that they are complying with the MLRs. If we are satisfied that the firm has the commitment and ability to rectify a matter, and the matter requiring action itself wasn't serious or systematic, we will close our monitoring review with no further action. We will, however, expect the firm to put things right. We will check that the firm has dealt with any matters requiring action at the next Practice Assurance review. If there are outstanding actions when we perform our next review, we may refer the firm to the PAC

Information sharing and intelligence sharing

POLICIES AND PROCEDURES FOR INFORMATION AND INTELLIGENCE SHARING

ICAEW has designed, implemented and maintained organisation-wide policies and procedures that set out our approach to sharing both information and intelligence. These include:

- the conditions for sharing intelligence and information with internal and external stakeholders, including the use of interorganisational sharing platforms such as the Shared Information Service (SIS) and/or FINNET and the use of available gateways
- detailing how intelligence and information will be received, handled, protected and acted upon in line with existing data privacy and protection legislation as well as accepted intelligence models.

INFORMATION AND INTELLIGENCE SHARING IN PRACTICE

ICAEW are active contributors to SIS, FIN-NET and the various groups associated with the public-private partnerships to address AML issues within the accountancy sector. We share concerns, trends and specific intelligence as and when appropriate to either assist others or further our own enquires. We collate, enrich and share intelligence from information referred to us both internally and externally, and use this to inform our risk assessment of our firms and our risk-based approach to supervision. When approached we share expertise with other supervisory bodies and contribute to relevant consultations on behalf of our sector.

Gateways

ICAEW considers the appropriate gateway when obtaining and sharing information and intelligence. We predominately rely on Regulation 52, which allows for reciprocal sharing between relevant authorities (including law enforcement, Companies House and HM Treasury) and supervisory authorities (which includes statutory and professional body supervisors).

General co-operation

UK supervisors

We maintain excellent relations with all the members of the Accountancy AML Supervisors Group (AASG). We attend regular AASG meetings and work together to:

- identify areas for improvement in monitoring;
- share intelligence and experience with ML issues;
- establish internal standards for procedures and engagement;
- facilitate risk workshops, involving other regulators and NCA;
- agree definitions (eg, reporting criteria for compliance & non-compliance);
- ensure all ASPs are properly supervised (avoiding gaps & overlaps);
- develop agreed protocols (eg, charging late registrants); and
- arrange referral systems (eg, HMRC's whistle-blowing helpline for firms/members).

ICAEW has been a leading member of this group over many years and was instrumental in designing the AASG's risk-based approach (having had a significant contribution to the matrix itself and being 'pen-holder' on the list of high-risk circumstances) published by the accountancy supervisors.

Law enforcement

Engagement with the UKFIU and the NECC continues to increase. Highlights include:

- attending SARs Engagement Group
- co-ordinating webinars with UKFIU to improve SARs quality;
- ISWEG attendance;
- drafting accountancy sector typologies based on JMLIT alerts; and
- public-private threat groups.

We welcome NCA's regular attendance at the UK AML Supervisors Forum and AASG meetings as we see this as continuing to build bridges between supervisors and the NCA leadership/dialogue teams.

Law enforcement agencies (LEAs) – sharing of information and intelligence

ICAEW was a founder member of FIN-NET and we have full member status (please refer to the FIN-NET policy and procedure). We search our own systems, as well as information in the public domain, which allows us to make any connection to one of our firms. We share intelligence about active misconduct investigations, and not just completed cases, where the law does not prevent this. When sharing information, ICAEW observes the protocols and safeguards maintained by the information sharing mechanisms designed to protect sensitive information, as set out in our policies and procedures. We also make every effort to respond to all relevant enquiries in a timely manner, where we are satisfied that intelligence sharing is lawful.

Supervisor to Supervisor information sharing

The AAG has an agreed list of contacts at each of our supervised firms to share supervisory information. Wherever possible, we try to provide as much information as we can in relation to AML-related requests.

Most requests from other supervisors are to confirm if we supervise (or not) a particular firm. We perform an annual cross-supervisor check to confirm that firms have made accurate declarations about who their supervisors are. However, we also share information on a case-by-case basis where we have a shared interest/connection with a particular practitioner or firm (most commonly with HMRC).

We are also a member of the FCA's Shared Information Service (SIS) and we regularly & consistently upload information on both active and concluded AML disciplinary cases, as information or intelligence arises (please refer to the SIS policy and procedure document).

When sharing information with other supervisory bodies, ICAEW observes the protocols and safeguards maintained by the information sharing mechanisms designed to protect sensitive information, as set out in our policies and procedures. We also make every effort to respond to all relevant enquiries in a timely manner, where we are satisfied that intelligence sharing is lawful.

We also perform a SIS check in advance of all our monitoring reviews of firms, the results of which we include in the reviewer's briefing pack so that they can identify any additional risks from the intelligence available to us.

Information sharing with firms

We have several routes of sharing appropriate information with firms on AML risk including our risk bulletins. We continue to issue risk bulletins to firms on a regular basis, some of which were the Joint Money Laundering Intelligence Taskforce (JMLIT) alerts converted by the Accountancy Intelligence Sharing Expert Working Group (ISEWG), but we also identify our own risk bulletins for publication.

SUSPICIOUS ACTIVITY REPORTS AND REPORTING OBLIGATIONS

ICAEW has appointed a nominated officer – the Money Laundering Compliance Officer – as well as a deputy – the Deputy Money Laundering Compliance Officer - to report knowledge or suspicion of money laundering and/or terrorist financing to the NCA.

We have a policy that sets out the roles and responsibilities of the nominated officer and ensures that staff know who the nominated officer and deputy are.

We classify and analyse the SARs ICAEW reports to UKFIU, based on the type of service being performed by the firm that lead to the SAR or enforcement action, so that we can identify any threats and trends within our population.

SARS AND IMPROVING SARS QUALITY

ICAEW assesses the quality of the content of SARs submitted by its supervised population as part of its risk-based approach to AML supervision and in order to improve SARs' effectiveness and use for UKFIU. We review at least one SAR at each firm that submitted a SAR in the previous two years during our onsite review process.

We provide a suite of training materials, including webinars in conjunction with the UKFIU, to our supervised population on the importance of reporting obligations, their responsibilities and improvements on SAR quality. These materials can be found here: [Suspicious Activity Reporting \(SAR\) Guidance](#)

DISCLOSURES

On an annual basis, our firms are required to declare to us that they have complied with key requirements of the MLR17 through the annual return. We ask questions about performing a compliance review and performing a firm-wide risk assessment. A firm should declare if they have not complied with key aspects of the MLRs through the annual return.

All our members have a 'duty to report'. Further information on this can be found [here](#). This is a requirement on our members to report any facts of matters indicating that an ICAEW member or firm have become liable to disciplinary action.

Furthermore, anyone can make a complaint about any ICAEW supervised firm or ICAEW member through our website ([here](#)) or can raise a more specific AML concern [here](#). We regularly publicise these avenues through our regular emails to firms (eg, AML the essentials and AML Risk Bulletin).

Information and guidance for the supervised population

SUMMARY OVERVIEW OF AML MATERIAL PUBLISHED

ICAEW provides a significant volume of material to its supervised population about the money laundering risks the sector, and particular service lines, face. This is a mixture of information published by other public bodies, edited into easily digestible material for the range of firms within our population, to material that ICAEW has produced on our own judgements.

We deliver material to our firms in a range of media from interactive webinars to recorded videos on specific topics, through to written articles and guidance. We recognise that our firms, and their staff, will consume the information in different ways, and need varying degrees of detail and analysis.

We are constantly refining and curating the material on our website, and the points of delivery within our firms. R&C has its own news/communication channel called 'ICAEW Regulation & Conduct News', which is delivered via a monthly e-newsletter and through LinkedIn posts. We use this channel to target AML-related information at MLROs/MLCPs as well as those who have registered for AML content. Three times a year, we summarise this information via AML the essentials, our AML-specific e-newsletter.

As part of the data collection for the Regulation 46A report, we identify the most common weaknesses in AML compliance and consider the guidance and materials we have to address those areas. In our AML Supervision Report, we summarise the material we have published over the past 12 months.

Measuring members' feedback

We measure the effectiveness of our guidance and information through engagement statistics and feedback from the firms on how useful they have found the information we have provided.

In our AML Supervision Report, we set out the key statistics and metrics on the information and guidance we have published.

Staff competence and training

TRAINING

ICAEW has a flexible, tailored training plan to meet staff needs. Needs are identified through a range of tools including:

- Regulatory/legislative changes – either in legislation or within AML Guidance for the Accountancy Sector (AMLGAS)
- Emerging risks, threats and trends – identified through JMLIT alerts or other AML forums.
- Quality assurance reviews – results from hot file reviews (manager reviews on visits), results from IQAR processes and results of delegated powers reviews.

Staff have adequate support and time for training since this is factored into the resource forecast for reviewers, and delivered by ICAEW through team meetings and conferences. All ICAEW staff who are ICAEW members must also comply with the CPD requirements to conduct 40 hours of CPD each year, including 30 hours of verifiable CPD, and senior management tailor the CPD plan to ensure that all scopes of monitoring and regulatory work are included within the CPD provision.

The effectiveness and adequacy of the training is regularly reflected on. This is generally through subsequent hot file reviews and IQAR processes, to identify that knowledge gaps have been addressed and to ensure that staff are equipped to take decision on whether the policies, controls and procedures at a firm being reviewed are appropriate in view of the risks identified. Staff are provided feedback in twice-yearly performance reviews.

ICAEW training is delivered to staff through the following channels:

- Twice-yearly conferences for more in-depth presentations and sessions, including case studies, on AML matters. This provides the opportunity to ensure consistency in approach and judgement across reviewers and case managers.
- Hub meetings, to focus on areas of concern for the reviewers/case managers and give updates on topical issues.
- AML Bitesize – 10 minute videos, with a short test at the end, to ensure reviewers and case managers are up-to-date with technical content and requirements.

Enforcement

INTRODUCTION

ICAEW students, members, affiliates and firms are expected to demonstrate high standards of professional conduct, and our role is to hold them to those standards.

The governance arrangements detailed earlier in this document allow ICAEW to take appropriate action against relevant persons or firms where they have failed to meet their anti-money laundering obligations, with the aim of delivering enforcement action that is effective, proportionate and dissuasive, and applied in a fair and consistent manner.

The regulatory and disciplinary committees delegate their powers to R&C, overseeing their monitoring and investigation activity, as well as hearing disciplinary cases. The IRCB has general oversight of the performance of the committees but the regulatory and disciplinary committees are not answerable to the IRCB for their decisions in individual cases. To ensure the interests of the public are maintained at all times, at least half of the members of each committee are lay members (ie, they have never been accountants).

Disciplinary powers and procedures

ICAEW has clear and transparent powers and disciplinary procedures set out in its [Disciplinary Bye-Laws](#), which were last updated in October 2026.

Guidance on the disciplinary process is [here](#), with a clear and concise description of the ICAEW process and action the firm/member needs to take.

These policies and procedures are embedded within R&C's processes and systems including our case management system which uses a workflow to allocate 'to do' items to the case manager.

ICAEW's published [sanctions guidance](#) is used by the independent disciplinary committees to determine their enforcement action. The guidance sets out the starting points for fines/reprimands for a range of complaints/breaches, with mitigating and aggravating factors. AML fines are set so as to be proportionate to the underlying issue and the size of the firm.

Record keeping and quality assurance

RECORD KEEPING

ICAEW uses an electronic workpack software system to record our monitoring work. These workpacks are visible to all members of QAD. All reviews must be recorded on this software.

Our Conduct Department and Regulatory Practice Group use an electronic document management system to document case history, as well as decision notices and outcomes from Conduct Committee and Tribunals Committee meetings.

Both the electronic workpack system and the electronic management system have a set work programme/work-flow that require staff to document all aspects of the work performed and decisions taken.

QUALITY ASSURANCE

We have a clear protocol for the 'hot' review of monitoring reviews. Hot reviews are those performed before the monitoring review has concluded. This protocol is set out within the Practice Assurance visit manual, and within the system workflow steps. The quality assurance review itself is recorded within the electronic workpack.

The Conduct Department has a clear protocol for the 'hot' review of monitoring reviews. This is done via monthly case reviews and documented on the case management system.

The Conduct Committee performs an assessment of closed cases each year to ensure that the Conduct Department are following the correct procedures.