



SUPERVISORY REFORM CONSULTATION RESPONSE

Issued 23 December 2025

We are pleased to have the opportunity to respond to HM Treasury's (HMT) consultation on [Anti-Money Laundering/Counter-Terrorist Financing \(AML/CTF\) Supervision Reform: Duties, Powers and Accountability](#) (the Consultation Document) issued by HMT on 6 November 2025.

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KEY POINTS

1. We acknowledge HM Treasury's decision that the Financial Conduct Authority (FCA) should take over the money laundering supervision of the accountancy, legal and trust and company service sectors, meaning that the 22 professional body supervisors (PBSs) and HMRC will no longer have a supervisory role for these sectors.
2. While ICAEW would prefer to have remained a PBS, we are keen to engage constructively with the FCA and explore ways in which we can support the smooth transition of supervision, for the benefit of our members, their clients and the FCA. We have set out a variety of suggestions and proposals in this consultation response, setting out our key areas of concern and how any transition risks could be mitigated. We could support the FCA in a variety of ways, building on our good track record of providing assurance support to other regulators and professional bodies.

Transition risks

3. Transitioning to a new supervisory model presents significant risks. We are particularly concerned about the risk of dual regulation when the FCA takes over AML supervision but ICAEW retains its monitoring of professional standards. Our firms have highlighted that there is the potential for administrative duplication from firms being on both FCA and professional body registers, and are worried about the associated cost. Other transition risks include data transfer complexities and information provision. Clear legal gateways, adequate funding, and robust planning are essential to mitigate these risks. We agree with the proposals contained in the consultation document for the powers the FCA requires to deliver supervisory effectiveness, and have given more detailed examples of where existing gateways could be strengthened.

Clarity over support and guidance

4. Firm feedback indicates that they will require the same level of guidance and support that they currently obtain from the professional bodies. Clear, informative guidance is crucial for ICAEW firms who currently rely heavily on the help, support and guidance given by ICAEW in its role as professional body supervisor to comply with the MLRs. It is important that this information and guidance continues and that a range of resources and support are available to firms, as part of the fee paid for AML supervision. It is also important that any such resources deal with the varied sizes of practice and the practicalities that each of those practice sizes face and the resources they can be expected to have / apply. We would like to work with the FCA to ensure that the ICAEW remains the first port of call for high-quality information and guidance for our firms, to supplement the sector guidance that the FCA will now have responsibility for, and approve.

Question 1: Do you agree with our proposal to amend the MLRs to require the FCA to maintain registers of the professional services firms (legal, accountancy and TCSPs) it supervises? Are there any practical challenges or unintended consequences we should consider?

5. We agree with the proposal to amend the Money Laundering Regulations (MLRs) to require the FCA to maintain registers of professional services firms under its supervision. A

centralised register would enhance transparency and facilitate better information sharing with law enforcement agencies. Including accountants within the remit of regulation 54 and regulation 56 will also create the explicit requirement that accountants must be supervised, which is not the case for the accountancy sector now (something we have raised in previous consultations on the MLRs).

6. However, the prospect of administrative duplication from firms being on both FCA and professional body registers, and the associated cost, is a significant concern. We have spoken to ICAEW advisory groups and committees, which comprise representatives from a broad range of size of firm, who have highlighted the time-cost, and overall friction to doing business, of liaising with two different regulators. At the point of starting up in practice, accountancy firms will have to apply to both their professional body to meet the requirements for operating in public practice and the FCA to be included on the register, providing largely the same information to both organisations (the professional body will already have some details about the accountant, through their student journey and member status, whereas each new firm will be entirely new to the FCA). Then, as the accountancy firm matures, the firm will have to notify both their professional body and the FCA of changes to their structure. Accountancy firms often undergo structural changes such as mergers, acquisitions, or changes in ownership, which have become increasingly prevalent with private equity investment in recent years. Finally, at the point that the accountancy practice ceases, the firm will have to notify both the FCA and the professional body.
7. The largest accountancy firms have a considerable number of principals, who would meet the definitions within the senior manager regime, and the FCA will need to have systems in place to deal with over 1,000 individuals registered at such firms.
8. We urge the FCA and HM Treasury to collaborate closely with professional bodies and the firms to design a registration and information exchange system that is efficient and proportionate for firms, and that recognises that professional bodies will have only limited funding to support AML supervisory data collection once supervision moves over to the FCA.
9. HMT may need to make legislative changes to define terms such as accountancy services and tax adviser more clearly. The AML Guidance for the Accountancy Sector (AMLGAS) includes a definition of accountancy services but most professional bodies rely on their own definitions of being in public practice to identify which firms should be AML supervised and which should not. One of the most effective ways to achieve this would be to make 'accountant' a protected term. HMT should also take this opportunity to consider including the new requirements for director/PSC ID verification at Companies House and the Authorised Corporate Service Provider regime within the remit of the MLRs, so that the requirement to have AML supervision is backed up by jurisdiction and supervision by the FCA.
10. It would also make sense for HM Government to time the introduction of firm regulation in the insolvency sector to coincide with AML supervision moving to the FCA. Currently, the MLRs list individual insolvency practitioners (IPs) as being a 'relevant person', rather than a firm of IPs, yet many of the provisions of the MLRs are aimed at the firm level (eg, firm-wide risk assessments and policies/procedures). Under the current insolvency regulatory framework, the FCA would likely list individual IPs as being AML supervised when the most effective form of supervision will be at the firm level.

Question 2: Do you agree with our proposal to grant supervisors the explicit ability to cancel a business' registration when it no longer carries out regulated activities? How might these changes affect firms of different sizes or structures?

11. Yes, this is a sensible measure to maintain integrity of the supervisory population. However, safeguards should be in place to prevent unintended deregistration due to administrative errors or temporary inactivity. These safeguards may include measures such as collecting accurate information about the type of services provided, or the practice income of the firm, or clear communication with sensible notice periods that the FCA will cancel a registration. Accountancy firms can have complex corporate structures, with some dormant subsidiaries. The FCA will need to consider how it registers and records beneficial ownership in these scenarios to ensure that all active businesses within a structure register.

Question 3: Do you support the application of regulation 58 "fit and proper" tests to legal, accountancy, and trust & company service providers? Please explain your reasoning.

12. As a principle, we agree that accountancy firms should be subject to 'fit and proper' tests. Indeed, all ICAEW members and ICAEW member firms are subject to such tests under our bye-laws and Code of Ethics, and so it would reduce supervisory effectiveness if these stopped.
13. The consultation document seems to suggest that regulation 26 checks are the only checks completed by professional body supervisors. This is incorrect - regulation 26 addressed the EU Fourth Directive requirement that all beneficial owners, officers and managers (BOOMs) should be subject to certain fit and proper checks. During the consultation processes, HM Treasury accepted that professional bodies already conducted extensive fit and proper checks but identified that professional body supervisors didn't check criminal status, and instead relied on self-declaration. HMT introduced Regulation 26 as a top-up to the existing fit and proper checks to ensure that no beneficial owner, officer or owner had a criminal conviction relating to a Schedule 3 offence.
14. We would, therefore, encourage the FCA to consider carefully how it can use or rely on existing fit and proper checks, and reduce duplication. We have spoken to members of ICAEW advisory groups and committees, which comprise representatives from a broad range of size of firm, who are currently regulated by the FCA for other purposes, who have told us that the fit and proper forms that they complete for the FCA and for ICAEW are almost identical, so there is a good opportunity to reduce duplication. Indeed, it may be possible for the FCA to draw on the current arrangement between HMRC and the professional body supervisors for the TCSP register under Regulation 54, where HMRC relies on the fit and proper procedures conducted by the professional body.

Question 4: What are your views on the proposed changes to regulation 58, including the requirement for BOOMs to pass the fit and proper test before acting, mandatory disclosure of relevant convictions, and the introduction of an enforcement power similar to those under regulation 26?

15. We agree with these changes since they align the requirements of more general 'fit and proper' checks with the requirements under Regulation 26 that are already in place. They also replicate and continue the existing requirements that ICAEW has for its members and members firms and are, therefore, necessary to maintain the current levels of supervisory effectiveness. ICAEW regulated firms must seek ICAEW approval before they appoint individuals to a number of key roles within the firm (such as responsible individual under the

audit regulations) or for affiliate status/eligibility criteria for other regulated areas, and so will be familiar with such an approvals process.

Question 5: Should the FCA be granted any extra powers or responsibilities with regards to “policing the perimeter” beyond those currently in the MLRs?

16. It is important that there is a body responsible for policing the perimeter. At present, that responsibility lies with HMRC, which has powers to bring firms into supervision and with whom the professional body supervisors proactively engaged and shared information to seek to ensure all firms had an AML supervisor. However, it makes sense for HMT to transfer this role to the FCA.
17. Establishing clear information-sharing channels between the FCA and professional bodies is essential to ensure that both parties have clarity over the supervisory status of a firm, as is providing accessible guidance and instructions for accountants seeking to start in practice. ICAEW members who intend to set up in practice typically inform ICAEW by applying for a practicing certificate. Accordingly, the FCA and ICAEW should collaborate proactively to facilitate the sharing of relevant information, ensuring that any ICAEW member establishing a practice secures FCA AML supervision. Equally, it is vital that the FCA communicates effectively with ICAEW when ICAEW members apply for supervision, enabling ICAEW to include those individuals within its professional standards monitoring framework and continue safeguarding the public interest.
18. As set out in the response to Q1, HMT may need to make legislative changes to define terms such as accountancy services and tax adviser more clearly. The AML Guidance for Accountancy Sector (AMLGAS) includes a definition of accountancy services but most professional bodies rely on their own definitions of being in public practice to identify which firms should be AML supervised and which should not. One of the most effective ways to achieve this would be to make ‘accountant’ a protected term.

Question 6: Do you foresee any issues or risks with the extension of regulations 17 and 46 to the FCA in carrying out its extended remit, particularly in relation to how these powers will interact with the FCA’s proposed enforcement toolkit (as outlined in Chapter 6)?

19. Given that regulations 17 and 46 currently apply to professional body supervisors, it is essential that HMT extends these to the FCA in its remit over the accountancy sector to maintain the current levels of supervisory effectiveness.
20. The consultation document sets out that the FCA follows a data-led supervisory approach and we are concerned that the FCA is overestimating the amount of data available about the accountancy sector and its client base. Recent assessments by the NECC have generated limited data on which to identify AML risk accurately, and there is limited information shared by law enforcement to the accountancy professional body supervisors. Many smaller accountancy firms still rely on paper files, or simple client management systems and may not be able to provide detailed information / data for the FCA to analyse about their client base. We encourage the FCA to consult the professional bodies and firms as soon as possible to identify what data is already available that could satisfy its needs.

Question 7: What are your views on introducing new supervisory powers to make directions and appoint a skilled person? If this power is introduced for the FCA, should it also be available to HMRC and the Gambling Commission?

21. We agree that the FCA should be able to issue directions to ensure that firms make the necessary changes and improvements to comply with the MLRs – ICAEW has an equivalent power, where we can compel firms to take certain actions we set out within a specific timeframe – and so it would be appropriate for the FCA to have this power to maintain the current levels of supervisory effectiveness.
22. Although we agree that there is benefit of having a tool such as a skilled person report (ICAEW has such a tool / power), we are cautious about applying the same system of skilled persons regime for the financial sector to the accountancy sector. Currently, ICAEW can require its firms to obtain an external, independent compliance review to assess the firm's compliance against the MLRs (and did so in five cases in FY24/25). The firm must then submit this review to ICAEW to provide evidence that the firm has met, or is continuing to meet, the required standards. AML compliance specialists who have accountancy sector experience, such as Mercia, conduct these external compliance reviews. The FCA will need to approve a similar cohort of skilled persons to ensure that the both the cost of the review, and the resulting recommendations and findings, are proportionate and relevant to the size of the firm, and the nature of the business. This is something that ICAEW will be able to support the FCA with, building on our good track record of providing assurance support to other regulators and professional bodies.

Question 8: Do you agree with our proposal to extend the information gathering and inspection powers in the MLRs to the new sectors within FCA supervision?

23. We agree that HMT should extend the information gathering and inspection powers to the new sectors in FCA remit. ICAEW has equivalent powers and so it would be appropriate for the FCA to have this power to maintain the current levels of supervisory effectiveness.
24. The cost of duplication of information provision is a significant concern for firms. We expect that firms will have to provide both ICAEW and the FCA with annual returns, as well as providing information in relation to any monitoring or investigation activity. For example, the ICAEW Code of Ethics and Practice Assurance standards around client acceptance and take-on overlap with AML compliance documentation and, over time, firms have integrated their wider client acceptance procedures with CDD requirements. It is highly likely that the firms will have to provide the same client acceptance documentation to both the FCA and ICAEW to satisfy AML supervisory matters and Practice Assurance compliance matters.
25. Our current understanding of the FCA's risk-based approach is that it routinely monitors compliance at its highest risk firms but dip-samples its lowest risk firms. We have explained this approach to relevant ICAEW advisory groups and committees, which comprise representatives from a broad range of size of firm, who have explained that they see real benefit in regular, cyclical monitoring via the ICAEW AML supervisory approach and the regular nature of these visits supports continued compliance with the MLRs. We encourage the FCA to consider this sector-specific nuance when developing its own inspection programme. Indeed, the FCA approach of writing to 'the board' of a firm, to set regulatory expectations, does not have the same impact when the firm is a sole practitioner since the decision-making and operational delivery rests with the same individual and does not generate the collective responsibility for effecting change. We find that direct engagement, or tailored guidance for sole practitioners, is more effective.

Question 9: Do you believe any changes are needed to the information gathering and inspection powers in the MLRs beyond extending them to the FCA in supervising accountancy, legal and trust and company service providers for AML/CTF matters?

26. We are not currently aware of any.

Question 10: Do you agree that responsibility for issuing AML/CTF guidance for the legal, accountancy and trust and company service provider sectors should be transferred to the FCA?

27. Currently, the AML Guidance for the Accountancy Sector (AMLGAS) is the accountancy sector guidance approved by HM Treasury and we assume that it is this guidance that Q10 relates to. AMLGAS is produced by a committee of AML and sector experts from the CCAB in the same way as the JMLSG model, with the accountancy professional body supervisors having a veto over the content (as the FCA does for the JMLSG guidance). It would make sense for the FCA to leverage from the current model to produce the guidance, with CCAB holding the pen on AMLGAS and FCA having the approval responsibility, to ensure that the guidance benefits from sector-specific expertise and practical experience. To this end, we recommend that the CCAB continues to be responsible for issuing the AML/CTF guidance for the accountancy sector. We also recommend that the FCA adopts the existing CCAB guidance as the guidance for the accountancy sector, rather than starting from nothing when it takes on this new role.
28. Clear, informative guidance is crucial for the accountancy sector and ICAEW firms rely heavily on the help, support and guidance given by ICAEW in its role as professional body supervisor to comply with the MLRs (ie, in addition to AMLGAS). It is important that firms continue to receive the breadth and depth of information, guidance and resources, and that such guidance and resources deal with the different sizes of practice and the practicalities that each of those practice sizes face and the resources they can reasonably be expected to have / apply.
29. We do not have visibility over the volume of resources that the FCA generates for its current regulated sectors, but we suggest that the range of resources produced by the professional body supervisors will still be necessary to support the ongoing compliance of the accountancy sector. We suggest that the FCA is given the power to share information with the professional bodies to allow the professional bodies to support the FCA in this regard, and to produce insightful and relevant guidance material. This could be done through regular communication between the professional bodies and the FCA, sharing of common compliance breaches and up-to-date assessments of AML risk for the sector. This would also mean that firms do not incur additional costs, on top of FCA supervision and professional body membership, for third party AML compliance services, which would be passed on to clients.

Question 11: Do you agree that the MLRs should be amended to transfer responsibility for approving AML/CTF guidance to the relevant public sector supervisor, with HM Treasury retaining a 'right of veto' but not having responsibility for approving entire guidance documents?

30. Yes, we agree that HMT should transfer responsibility for approving the sector guidance to the FCA as this will speed up guidance approval processes. By approving guidance for the accountancy sector, the FCA will be able to ensure that there is consistency in guidance for the accountancy sector and the other regulated sectors in its supervisory remit.

Question 12: Do you agree to the extension of requirements under regulation 47 to the FCA in relation to accountancy, legal and trust and company service providers?

31. Yes, FCA will need these same obligations under regulation 47 across all sectors if supervisory effectiveness is to be maintained. In addition, it will be necessary for the FCA to consider replicating the existing methods through which the Accountancy AML Supervisors Group (AASG) communicates risk information via the AASG Risk Alerts, which tailors JMLIT alerts to the accountancy sector, and the AASG Risk Outlook, which distils AML risk information into a document setting out the risks and red flags for the sector to ensure that clear, sector-specific information is currently shared with accountancy firms.

Question 13: Do you see any issues with the FCA's information sharing duties and powers in regulations 46, 50 and 52 applying to the professional services firms it supervises for AML/CTF purposes?

32. Extending the information sharing duties in regulation 46 (5) to the FCA appears to duplicate the requirements already set out in regulation 103, but since the FCA will extend its supervisory powers in regulation 46 to the accountancy sector, this duplication is unavoidable. We also agree that HMT should extend regulation 50 to the FCA's remit over accountancy firms.
33. HMT should also consider how it will create the legal gateway between the professional bodies and the FCA to share information about firms, without breaching confidentiality. Professional bodies will continue to identify circumstances where they know or suspect a firm is, or has, engaged in money laundering or terrorist financing, and they should share this information and intelligence with the FCA. Currently, most knowledge or suspicion is generated through ICAEW's other, non-AML, regulatory and disciplinary processes. This would be best achieved by replicating the duties placed on supervisory authorities in Regulation 56 (5) and placing the same duties on the professional bodies to report such knowledge or suspicion to both the FCA and the NCA. However, it is important that the requirement on professional bodies to share information is not drawn too widely as this could discourage firms from undertaking informal compliance reviews conducted by the professional bodies as part of their continuing practice assurance schemes. It would not be in the public interest for firms to have a disincentive to share information or open up files for review for fear of information regarding degrees of compliance being passed to the FCA.
34. Equally, the FCA must be required to share relevant information generated from its AML supervisory activity with the relevant professional body if the professional body has a wider interest in the matter to uphold professional standards. This could be achieved by including the professional bodies as one of the 'relevant authorities' in Regulation 52 (5).

Question 14: Do you agree that the MLRs should be amended to require the NCA to share SARs with the FCA and other public sector supervisors, where these have been submitted by or relate to firms within their supervisory population?

35. Yes, we agree that this would be a useful improvement to the regime, to enhance system co-ordination and ensure that all information and intelligence is made available to the FCA about its supervised population.

Question 15: Do you agree that these existing whistleblowing protections are sufficient and appropriate?

36. Yes, we agree that the existing protections are sufficient and appropriate.

Question 16: Do you foresee any issues with our proposal for the FCA to exercise the same enforcement powers already exercised by it in relation to the financial services firms for professional services firms too?

37. We anticipate that there could be complexities where there is a breach by a firm and the matter has both AML elements and other professional standards/conduct issues. In such situations, the professional body would be obliged to investigate the professional standards/conduct aspects, in addition to the FCA investigating the AML issue, which could lead to duplication of enforcement action. To mitigate the impact of this risk, an appropriate memorandum of understanding would need to be established between the FCA and the professional bodies.
38. We agree the FCA should have the full range of enforcement powers available to it but stress that the exercise of enforcement powers needs to be proportionate given size of firms within the accountancy sector.

Question 17: Are there any additional enforcement powers that you feel the FCA should be equipped with to ensure non-compliance is disincentivised effectively?

39. We have not identified any such powers.

Question 18: Do you think any amendments to regulations 81 and 82 would help the FCA issue minor fines for more routine instances of non-compliance such as failure to register?

40. We agree that the FCA should have the mechanisms to issue minor fines for more routine instances to address such breaches in a proportionate way. This is something currently available to ICAEW ('fixed penalties') that have a low administrative burden to allow prompt financial sanction. We agree that FCA could follow a similar process to HMRC in issuing such low value fines.

Question 19: Do you have any issues with our intention that decisions made by the FCA in relation to their AML/CTF supervision of professional services firms be appealable to public tribunals, in line with the existing system?

41. We agree that FCA decision should be subject to an appeals process, which allows firms to challenge decisions that they believe are unjust.

Question 20: Do you have any comments regarding the FCA charging fees, under regulation 102, noting the possible proposed amendments?

42. We agree that the FCA should be able to recover its day-to-day costs of AML/CTF supervision of accountancy firms through fees charged to the firms it supervises. These fees should be scalable reflecting the size and risk of the firm. At the point of transition, HM Treasury should reflect on the Economic Crime Levy to ensure that any AML supervisory reform elements are removed from the levy, so that the largest firms are not paying twice for AML supervision by the FCA.
43. We recommend that the FCA works closely with the professional body supervisors to understand the size and nature of the accountancy sector, to ensure that its proposed costs are proportionate and absorbable by those firms, as any costs will be passed on to the clients of the accountancy firms. Furthermore, the FCA should pay close attention to the fees currently charged by HMRC for AML supervision, ensuring that firms currently supervised by

one statutory supervisor are not required to pay significantly more for supervision by another statutory supervisor.

44. Overall, we are concerned about the cost of dual-regulation, with firms having to pay fees to both the FCA and their professional body, who will continue to be responsible for maintaining professional and regulatory standards for qualified accountants within the accountancy sector, as set out in paragraph 2.19 of the consultation document, and protecting the public interest.

Question 21: Are there any specific powers or transitional arrangements that you believe would help the FCA, current supervisors, or HM Treasury support a smooth and low-burden transition for firms already supervised under the MLRs?

45. We are at an early stage of our thinking of what the transition process might look like and where the key risks to a smooth and low-burden transition for firms lies. Our initial thoughts are as follows:

- a. **Data sharing** – the transition of existing firms relies on the accurate transfer of significant amounts of data between the professional bodies and the FCA. Clear legal gateways should be included for the transfer of personal data as well as information about disciplinary, enforcement and monitoring history. This will be necessary at the point of transfer, as well as ongoing information sharing about supervisory/membership populations.

We are concerned about the suggestion that there might be the creation of a single registration gateway, managed by an appropriate body, through which data could be shared. It is not clear how this would be created, set-up, managed or paid-for. Structured information sharing agreements should be sufficient.

- b. **Utilising data that may already exist** – professional bodies already collect a significant amount of information from firms in relation to their practice, as well as information relating to fit and proper status. The FCA should be required to use this information that has already been provided to the professional bodies rather than asking for it again.
- c. **Funding** – the FCA should provide funding to the professional bodies if the bodies are expected to resource and/or provide data for sharing to the FCA, so that firms are not paying FCA for AML supervision, and then paying their professional bodies fees to support data-sharing provisions (i.e preventing the firms from paying twice for the same service).
- d. **Intellectual property protection** – OPBAS currently has access to the intellectual property of the professional body supervisors, and provisions should be put in place to ensure that the FCA handles carefully this information which was provided for OPBAS' oversight of professional bodies, in its role of supervisor to the accountancy sector. This would include risk assessment methodology, monitoring review documentation and guidance documents for firms.
- e. **Knowledge of sector** – HMT will need to ensure that the FCA has the appropriate sector knowledge and expertise to succeed, with staff having direct experience of having worked in an accountancy firm at a senior level and/or professional standards at the professional bodies. This is essential to ensuring that supervisory effectiveness is maintained.

Question 22: Do you agree that a requirement should be placed on the FCA and existing professional bodies and regulators to create an information-sharing regime that minimises burdens on firms?

46. We agree that it is necessary for clear information sharing gateways and mechanisms to exist and that all parties should work together to reduce the burden on firms. In our response to Question 10, we suggested that the FCA is given the power to share information with the professional bodies to allow professional bodies to support the FCA in producing guidance and resources. In Question 13, we proposed assigning professional bodies the responsibility to report knowledge or suspicions of money laundering or terrorist financing, similar to the current duty placed on supervisory authorities by Regulation 46 (5). However, we also recommended that any requirement for professional bodies to share information should not be too broad, to avoid discouraging firms from sharing information or allowing file reviews out of concern that details about possible non-compliance might be reported to the FCA.

Question 23: Are there other legislative measures that would prevent additional regulatory burdens arising?

47. We are not aware of any such matters.

Question 24: Are there any additional powers that would support OPBAS to provide effective oversight of the PBSs during the transition? If so, please provide an overview.

48. We do not believe there is any need to give OPBAS additional powers during transition. ICAEW is committed to ensuring a smooth transition and upholding professional standards and AML compliance, until such time that supervision is transferred to the FCA. We also consider that, by the time the primary and regulatory powers are in force, a great deal of the transition work will have already happened and it would be counter-intuitive to create an OPBAS+ model for the short period of transition, along with all the regulatory burden and administrative changes that this would create. It will be important also that OPBAS takes into account during the transition period that the professional body supervisors are likely to lose specialist resource following the announcement that AML responsibility will be moving to the FCA.

Question 25: Are there any wider legislative changes that may be necessary to support the effective implementation of this policy, including alignment with existing statutory frameworks governing professional services?

49. As mentioned in question 13, much of ICAEW's AML intelligence is generated through the monitoring and investigation work we perform in other regulatory scopes (such as audit regulation or insolvency regulation). We suggest that the current Regulation 46 (5) is extended to the professional bodies after supervision has transferred to the FCA, so that the professional bodies have a legal gateway to share confidential information relating to knowledge or suspicion of money laundering or terrorist financing with the FCA and the NCA.
50. We are concerned that during its supervisory work, the FCA might inadvertently make decisions on what is generally accepted accounting practices, how to apply auditing standards, insolvency statements or financial reporting standards when concluding on whether a firm did sufficient work to identify professional enabling. It is important that the FCA does not stray into making such decisions and that its role is limited to compliance with the MLRs themselves.

51. It may be necessary to include provisions which allow the FCA to use the existing resources of the professional body supervisors (on a sub-contractor arrangement) either just during a transition period or on a more permanent basis, to allow continuity of supervisory effectiveness and ensure that vital sector knowledge is effectively preserved.

Question 26: Should any changes be made to the economic crime objective introduced for legal regulators by the Economic Crime and Corporate Transparency Act?

52. Yes, the expectations that the economic crime regulatory objective places on legal services regulators are met through the work that these bodies undertake as AML supervisors of their regulated populations. Once responsibility for AML supervision passes to the FCA, the remit of economic crime related work undertaken by all legal regulators (including ICAEW) is expected to diminish substantially. Consequently, it may not be feasible for legal regulators to meet the economic crime regulatory objective.
53. On the basis that responsibility for AML supervision is passing to the FCA, the obligations of the economic crime regulatory objective should be reviewed to assess what can reasonably be expected of legal services regulators once they no longer have an AML supervisory role or the associated resources or expertise.

Question 27: Do you have any issues with our intention to apply the FCA's existing accountability mechanisms in carrying out its additional supervisory duties?

54. We have not identified any concerns with this proposal. To maintain supervisory effectiveness, the FCA should publish an annual report that sets out its supervisory activity in the year alongside common AML findings, in line with the current regulation 46A requirement on professional body supervisors.

Question 28: What measures do you think should be taken to ensure a proportionate overall approach to supervision, including prioritising growth?

55. To prevent the changes having a negative impact on growth, the fees charged to accountancy firms by the FCA for AML supervision should be proportionate and at the lowest level needed to fund key operations. As PBS member firms will still have to pay membership fees to their professional body, the FCA AML supervision fees represent an increased cost of doing business, that will be passed on to firm clients via increased fee levels.