



SUMMARY OF ICAEW ACTIVITY

UK NATIONAL RISK ASSESSMENT (NRA) OF MONEY LAUNDERING (ML) AND TERRORIST FINANCING (TF)

Background

The NRA covers the domestic risks of money laundering and terrorist financing within the regulated sector, including financial institutions and other regulated professionals, and the risks associated with cash, new payment methods, and UK legal entities and arrangements. It also covers the international risks to the UK from money flowing into and out of the country.

The final report (published on 15 Oct) has classified the accountancy sector as high risk, and second only to the banking sector

ICAEW concerns

We welcome the initiative and the first steps towards building a better view of the UK's ML/TF risks - but are unable to support the report in the form in which it was published. We were happy to contribute to early discussions on areas of risk but are disappointed, despite initial involvement from the profession, that HMT has consistently refused to provide a detailed explanation of how HMRC's methodology behind the rating programme and the rationale for how this was applied to accountants to drive an overall 'high risk' rating

We don't accept that ASPs are higher risk than any other groups and believe that the ratings stem from a misunderstanding and/or lack of knowledge of our sector. HMT have confirmed that the report suffers from a number of 'intelligence gaps'. In our view the risks and ratings (covering consequence, likelihood and mitigation) have been conflated across very different risk groups within the sector - which if taken separately would have provided a useful basis to drive an efficient, effective and targeted response.

A key issue for this sector is that a significant number of 'accountants' are not members of professional bodies as the title is unprotected. Such accountants commonly have no qualifications or training, are not monitored in relation to the quality of their work and are not required to demonstrate that they are 'fit and proper'. HMT have made no effort to divide the sector in this respect, despite having done so for the gambling sector. Considerably more work is required to identify the few and isolated areas of accountancy services where higher risks exist.

One risk factor identified by HMT is Number of SARs submitted by sector. ASPs are considered risky due to not submitting as many SARs as, for example, the banking sector. However, most of the work of most of our members does not involve 'transactions', and they generally do not handle client money, so any comparison to banks or lawyers is flawed.

After such a long period between risk identification and publication (after several offers of support and suggestions about segmenting the sector) that there has been no attempt to engage with the profession until after the report was finalised.

Actions taken

Prior to the publication of the report we raised our concerns with HMT and Home Office officials via a number of meetings and various communications. Unfortunately they were unwilling to consider amending the report, aside from making very minor changes, nor provide further information about the methodology so that we might identify where the supposed shortcomings lie and move forward constructively.

Michael Izza (CEO) wrote a letter to Harriet Baldwin MP (Economic Secretary to the Treasury) highlighting the shortcomings of the NRA and identifying ways to move forward constructively.

We were also able to secure publication of our views in The Financial Times (article published on 15 October 2015).

Next steps

Going forward more needs to be done to reinforce the value of effective anti-money laundering (AML) procedures, information sharing and reporting across all sectors, the general public and other stakeholders. Better publicity about successful cases is also needed to demonstrate the effective use of intelligence gathering and enforcement. This will help in assessing the effectiveness of the current regime.

The ICAEW is fully committed to working with Government, regulators and enforcement authorities to ensure the UK has an effective anti-money laundering regime which commands public confidence.

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