

# CONSULTATION

## **AIA RESPONSE TO HM TREASURY: ANTI-MONEY LAUNDERING SUPERVISORY REVIEW**

### **ABOUT AIA**

The Association of International Accountants (AIA) is a global body for professional accountants. We create world class accountants by providing high-standard, relevant and innovative qualifications, and first-class, tailored and pertinent services for our members around the world.

In the UK, AIA is a Recognised Qualifying Body (RQB) for statutory auditors, and as such we are regulated by the Financial Reporting Council (FRC). AIA is also regulated by The Office of Qualifications and Examinations Regulation (Ofqual) which regulates qualifications, examinations and assessments in England and vocational qualifications in Northern Ireland.

AIA works in the public interest, ensuring that our members are appropriately regulated for the work that they carry out. AIA is a Prescribed Body under the Companies (Auditing and Accounting) Act 2003 in the Republic of Ireland and we also have supervisory status for our members under the UK Money Laundering Regulations 2007. AIA is also an Accredited Organisation under the Commonwealth and our members are fully professionally qualified to undertake accountancy employment in the public and private sectors.

## AIA RESPONSE

### SUMMARY

This consultation response reflects the views of the Association of International Accountants (AIA), however AIA has also worked with the Accountancy Affinity Group on a combined response.

Because of significant concerns in relation to the proposed changes around anti-money laundering (AML) supervision which will considerably impact professional bodies and accountants, AIA has also written separately to the Economic Secretary to the Treasury.

### General comments

AIA is committed to the anti-money laundering/counter terrorism funding regime having played an active role in the supervisors' forums and affinity group meetings since their inception and provide dedicated support and on site monitoring to its supervised population to promote compliance.

The proposed changes relating to the Office of Professional Body AML Supervision (OPBAS) will create an imbalanced environment where accountants who have consistently demonstrated professional integrity and chosen to adhere to the rules and regulations of a professional body will incur, directly or indirectly, the set up and running costs of OPBAS levied against the professional bodies.

In contrast, the unregulated sector, choosing the default supervisor, will incur none of these costs.

AIA fails to see how the creation of the two-tier approach to supervision proposed is in the public interest as it may drive accountants currently engaged in the regime to opt for the less regulated and less expensive route of the default regulator thus placing an increased burden on the public purse.

### Impact Assessment

AIA questions some of the details laid out in the Impact Assessment, in particular the following:

- “Minimising unnecessary burdens on businesses” – the additional costs that will be imposed on regulated businesses via professional bodies for the costs of OPBAS will not minimise burdens on business but increase it. For sole practitioners and small businesses, which make up most AIA regulated firms, this is likely to have a significant affect.
- “The government intends to streamline guidance ... ensuring there is one piece of guidance available in each sector, to help strengthen the regime and reduce costs to businesses.” This is already in place for the accountancy sector as the CCAB guidance was approved by HM Treasury and is widely used and promoted to accountants in training and during monitoring visits.
- Whilst the professional bodies themselves are not micro entities, those that they regulate may well be and AIA believes that greater reference to this should be made within the Impact Assessment.

- “The government intends to ensure all supervisors provide a consistently high standard of supervision, by providing the FCA with a new oversight role – OPBAS – to strengthen collaboration between supervisors and with law enforcement.” AIA supports the aim to provide a consistent approach to supervision, however as OPBAS will not cover all supervisors it is unclear how this will be achieved.
- In respect of any fee payable by the professional bodies to fund OPBAS, the Impact Assessment states that “as this fee is a transfer within the system, it will be included as a cost and a benefit in this Impact Assessment.” AIA believes that this does not give due consideration to the financial costs and increased administration that will be placed upon professional bodies through the proposed funding model, nor does it consider the divergent impact of these costs on professional bodies of varying sizes.
- The Impact Assessment claims that in the previous call for information, “most respondents agreed the package proposed would ensure effective oversight whilst minimising unnecessary burdens on professional body AML supervisors.” AIA feels that this assertion is misleading and whilst there was broad support for greater government oversight of supervisors’ compliance with the MLRs, none of the accountancy bodies agreed with the statement above.
- “The Treasury seeks to engage with supervisors through relevant fora, including the AMLSF, as well as the smaller Affinity Groups... however not all supervisors attend these meetings”. AIA, along with all other accountancy bodies listed in the regulations have regularly attended the supervisors’ forum and affinity groups.
- The assertion that professional bodies will be “engaging with OPBAS on a day to day basis” appears to be in contradiction to the ‘light-touch’ approach suggested in the FCA OPBAS sourcebook.
- “There has been extensive consultation with professional body AML supervisors”. AIA believes that whilst a consultation has been carried out it appears that HMT has been somewhat reluctant to take on board the views expressed by the professional body AML supervisors and would urge greater collaboration.

#### QUESTION 1

DO THE DRAFT REGULATIONS DELIVER THE GOVERNMENT’S INTENTION THAT OPBAS HELP, AND ENSURE, PBSS COMPLY WITH THEIR OBLIGATIONS IN THE MLRS? IN PARTICULAR, ARE FURTHER LEGISLATIVE AMENDMENTS REQUIRED TO ENSURE LEGAL PBSS CAN RAISE FUNDING FOR THE OPBAS FEE?

AIA regularly submits information to HMT as part of an annual return and in response to ad-hoc requests. A visit was also arranged to discuss AIA’s approach to supervision. Since becoming an AML supervisor, AIA has fully met obligations of the role, therefore it is difficult to comment on whether the draft regulations will help supervisors meet their obligations.

The draft regulations focus on how OPBAS will handle problems, rather than how it will support professional body supervisors. Further clarity around the scope of OPBAS’s powers and how they will be used is required at an early juncture.

It would appear that OPBAS will have the power to recommend the removal of a professional body supervisor to HM Treasury, however, it is not clear what mechanism a professional body supervisor would use to resign from the register of supervisors.

As previously commented the costs surrounding the setting up and general running costs levied upon professional bodies are likely to be fall directly on its supervised population.

**QUESTION 2 – 5 RELATE TO REGULATED BUSINESSES ONLY AND ARE THEREFORE AIA HAVE NOT PROVIDED A COMMENT.**

### QUESTION 6

DO YOU EXPECT TO INCREASE OR DECREASE RESOURCES IN YOUR SUPERVISORY TEAM TO SUPPORT ENGAGEMENT WITH OPBAS GOING FORWARD? IF SO, PLEASE PROVIDE ESTIMATED AVERAGE ANNUAL COSTS OR SAVINGS. PLEASE ROUND YOUR ANSWER TO THE CLOSEST £100.

The consultation document requests that professional body supervisors consider the FCA draft guidance in their responses to questions 6 to 8, however the FCA consultation does not close until 23 October 2017 so it is difficult for AIA to respond at this stage.

AIA would expect significant changes and increased costs arising from creation of the new regulatory environment, however until further details are provided regarding the structure, costs and engagement methods of OPBAS, AIA are not in a position to give a firm response due to the limited information available.

### QUESTION 7

DO YOU EXPECT TO INVEST MORE, LESS OR THE SAME IN YOUR SUPERVISORY TEAMS TO ALIGN YOUR APPROACH WITH OPBAS'S GUIDANCE GOING FORWARD? IF MORE OR LESS, PLEASE PROVIDE THE ESTIMATED ANNUAL ADDITIONAL COST OR SAVING. PLEASE ROUND YOUR ANSWER TO THE CLOSEST £100.

As with our response to Question 6, it is difficult to answer this question at this stage as the FCA consultation period runs until 23 October 2017.

### QUESTION 8

IN ADDITION TO THE AREAS IDENTIFIED ABOVE, ARE THERE ANY OTHER COSTS OR BENEFITS ASSOCIATED WITH COMPLYING WITH OPBAS OR SIMPLIFIED AML GUIDANCE FOR BUSINESSES YOU WOULD LIKE THE GOVERNMENT TO TAKE INTO ACCOUNT? IF YES, PLEASE OUTLINE THESE AND PROVIDE ESTIMATED COSTS OR SAVINGS. PLEASE ROUND YOUR ANSWER TO THE CLOSEST £100.

Again, please refer to response to Question 6 above regarding the short consultation period. AIA is unclear as to what 'simplified AML guidance' would mean in practice and again reiterate that the accountancy sector has always adhered to CCAB guidance approved by HMT.

## FURTHER INFORMATION

The above replies represent our comments upon this consultation document. We hope that our comments will be helpful and seen as constructive. AIA will be pleased to learn of feedback, and to assist further in this discussion process if requested.

If you require any further information, please contact:

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