



**Coming out in the Wash:**

**Views on the UK's Anti-Money Laundering Regime**

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## **FOREWORD** by Anthony Harbinson, CCAB Chairman and Director of Safer Communities, Northern Ireland Department of Justice

Money laundering, and the associated financing of terrorism, are undoubtedly threats to the proper functioning of the economy and wider society.

Put simply, money laundering is the process that allows crime to pay and, in the case of financing of terrorism, has even more significant consequences. Where the proceeds of crime are able to be siphoned successfully through the legitimate financial system, the result is the undermining of trust in the integrity of that system, potentially to its long-term detriment and the people who depend on it.

That's why high levels of vigilance on the part of the regulated sector need to be maintained when it comes to money laundering. We need to always be one step ahead of the organised criminal who is constantly looking for weaknesses and loopholes in the system. The current spread of mobile payment technologies and their potential for fraud is an example of the dynamic environment we are dealing with.

Accountants are increasingly seen as gatekeepers of financial probity. Nowhere is this more apparent than in the subject matter of this research into the anti-money laundering regime.

Like any structure of its kind, not all aspects of the current regulatory framework are as effective or efficient as they could be. It is encouraging that the research finds broad support for what the regime is trying to achieve. In particular there is support for its deterrence value and for its contribution to the maintenance of the UK's reputation as a respectable business environment.

There are, though, a number of concerns. Some respondents feel that more needs to be done at the regulatory level to share information so that we have a more joined-up and informed approach which could lead to better quality and more focused reporting by people like accountants.

There is also a sense that, given the wide scope of the UK's Anti-Money Laundering/Counter Terrorist Financing (AML/CTF) framework, more resources are needed to ensure more effective monitoring and enforcement of the rules.

The publication of this study is very timely given the forthcoming extension of the regime via the obligatory implementation in EU member states of the Fourth Money Laundering Directive, and recent announcements about amendments to the Serious Crime Bill. It should give food for thought to the authorities on what might be done, in statutory and other terms, to enhance the effectiveness of the regime.

Accountants provide great value to society in many ways. We help individuals to form and grow the businesses that create wealth and employ people. We prepare the information that serves to encourage investment and provide assurance to stakeholders of various kinds that businesses are being run as they should. In my own area of public services we manage huge amounts of funds and help to ensure that those funds are spent efficiently and in the public interest.

Our responsibilities under the AML/CTF regime are challenging, and full compliance with both the letter and the spirit of the regime is an objective that we must continue to strive to achieve. But if we believe, as I do, that the accountancy profession is a champion of ethical business conduct, then we must see our role in the area of anti-money laundering in a positive light. This study is presented in that light as a constructive attempt to influence the future development of the regime for the better.

# INTRODUCTION

As part of its contribution to the national conversation on anti-money laundering, CCAB wished to draw on the cross-sector expertise of regulators, law enforcement agencies and members of the wider business community who focus on issues related to anti-money laundering regulation to offer insights into the health and effectiveness of the UK regime.

As a result, we commissioned Brunswick Insight to conduct independent qualitative research to explore perspectives on the current anti-money laundering regime, ways the regime could be improved and views on the accountancy profession's contribution to the prevention of money laundering activities.

In-depth interviews were conducted with 31 senior opinion leaders with experience of these issues. Names of participants were provided by the accountancy bodies that form CCAB (ICAEW, ACCA, CIPFA, ICAS and Chartered Accountants Ireland).

Interviews were conducted with leading opinion formers in the media and the wider business community, supervisory and regulatory bodies, law enforcement agencies and senior nominated money laundering officers from large and small firms across the UK.

## Key recommendations from the report

CCAB draws particular attention to the following issues as being important for the future success of the anti-money laundering regime:

- **Co-ordination, communication and collaboration are key:** There is a perception among respondents that there is a lack of information sharing among key players. More needs to be done to reinforce the value of reporting and monitoring activities to professionals, the general public and other stakeholders. Better publicity about successful cases is needed to demonstrate the effective use of intelligence gathering and enforcement.
- **Measuring effectiveness:** There needs to be more effective measurement of success. There is a perception among some respondents that it is difficult to assess the effectiveness of the anti-money laundering regime; current approaches seem variable in their usefulness
- **Consistent approach is needed:** Respondents said the varied interpretations of regulations by firms in the regulated sector can lead to different policies, procedures and training. We need to see clearer and more frequent guidance from professional bodies on regulator expectations and clarification of guidance where possible to help harmonise and streamline the approach in the future.
- **Professionalism matters:** To uphold the highest professional standards required to tackle money laundering and its effects, unqualified accountants must be subjected to the same standards of regulation as qualified accountants.

# EXECUTIVE SUMMARY

Our research has highlighted a range of important findings:

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<b>Where are we now?</b>	
<b>Positive perceptions of the regime</b>	While fairly positive, participants see room for improvement in implementation and enforcement.
<b>UK regime perceived among the best globally</b>	UK regime is thought to be among the most effective, but better coordination with foreign jurisdictions is needed.
<b>Moving in the right direction</b>	Participants expect incremental rather than wholesale change, with the regime in five years' time expected to look relatively similar.

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<b>What's working/not working?</b>	
<b>Seen as a good deterrent</b>	The UK AML regime is seen as a good deterrent but some think determined criminals will continue to circumvent the rules.
<b>Need for evidence of impact</b>	Stakeholders lack tangible evidence of the regime's effectiveness, leading to a disconnect between the cost of implementation and its benefits. More success stories are needed to highlight the benefits of the regime.
<b>Optimising resources is essential</b>	Participants suggest greater connectivity, coordination and information sharing between organisations to maximise the usefulness and effectiveness of the regime.

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<b>What does the future look like?</b>	
<b>Continual innovation and communication required</b>	There must be perpetual pressure to evolve and stay ahead of criminals. Communications should focus on the evolving threat to encourage alertness and publicising success stories to avoid practitioner fatigue or 'box ticking'.
<b>Collaboration is key</b>	Organisations and professional bodies need to work together more, sharing information and best practice.

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<b>What role can accountants play?</b>	
<b>Key 'eyes and ears' role</b>	Role of the profession seen as multidimensional but primarily to detect and report suspicious activity to the regulator.

# MAIN FINDINGS

## Where we are now?

### **Overall perceptions of the current anti-money laundering (AML) regime tend to be fairly positive.**

There is broad support for what the AML framework is trying to achieve and the signal that a strong anti-money laundering system in the UK sends to money launderers. But very few participants are wholly positive and most think there is room for improvement in the implementation and enforcement of the regulations.

*No one is going to object to the aims of any anti-money laundering regime that seeks to prevent, inhibit or address financial or other crime [Business]*

*I think you have to be positive because it is legislation that certainly gives us a method of removing the criminal benefit [Law enforcement]*

*Well I'm positive but with a caveat that clearly there are shortcomings ... clearly things aren't perfect, but I really haven't got a good feel for how imperfect they are. But overall I think people generally make a good effort [Business]*

*I think the regulations [and] ... the prevention mechanisms are broadly in the right place, but the system is only going to be as good as those that enforce those regulations – so the firms, but also the supervisory bodies that are monitoring the firms compliance with those regulations [Regulatory]*

When asked to say why they have a positive or negative view of the current anti-money laundering regime, participants volunteer a range of reasons. Those with an overall, but not wholly, positive perception of the regime describe both positive views and reservations about the regime.

### **Positive views of the regime tend to be linked to benefits for the UK's reputation and economy.**

There is a sense that the UK has a mature regulatory framework in place and the steep learning curve of initial implementation has already occurred. A few participants think that awareness of the regulations is growing and leading to greater compliance by regulated firms, stronger internal systems and more disciplined professionals.

Some participants say they have seen organisations increasingly working together to provide useful intelligence and enforcement.

*I think it's improved since 2003. There are a number of things that you can complain about but actually we've found it very manageable and we understand it's the cost of doing business. The quid pro quo for being an accountant and being able to work in the sector is that we also need to contribute to the wider fight against money laundering [Practice]*

*[The UK has] got a fairly mature framework in place because it's been running for over twenty years now [Practice]*

*On a national perspective, I am fairly positive about it ... there is a great deal of data and information being reported and ... the number of suspicious activity reports has gone up, from what I can see of the data, by about 50% in the last six years and so that would indicate that there is far greater compliance and awareness [Regulatory]*

## **Negative views of the regime tend to centre on low awareness of its effectiveness, a disjointed approach between organisations and inefficient use of resources.**

The regime is seen by a number of participants as 'overly bureaucratic', resulting in resource-intensive and inefficient procedures. Participants also made wider comments about the perceived imbalance in proportionality of the regulations and the cost of implementation for large firms compared to small firms.

Some think that a lack of communication, feedback and coordination between organisations – the National Crime Agency (NCA) and law enforcement in particular – results in a lack of evidence on the regime's effectiveness.

A few participants are not convinced that the current approach is right in terms of consistency of application across the regulated sector and have a sense that, in places, it focuses on the wrong outcomes, such as punishing non-compliant firms rather than catching criminals. This is perceived to lead to an ineffective 'tick-box exercise' to comply with regulator needs instead of effectively identifying cases of money laundering.

*It creates an awful lot of work for an awful lot of people and in a bad way. It creates costs to firms which I feel is arguably unnecessary ... it's a waste of resource [Practice]*

*In terms of the effectiveness of eradicating money laundering and terrorist financing, the examples that we see in the media don't seem to bear out how effective it's been [Business]*

*I think there is work to be done to make sure that the regulations are being applied consistently across sectors. Particularly the regulated sector [Regulatory]*

## **Most participants say the regulatory burden of the system has stayed the same or got heavier in the past few years.**

A few participants consider that while the legislation itself has not changed in this period, supervision of compliance is getting stricter and is therefore being taken more seriously.

*There hasn't been a complete new environment, a complete new rule book so to speak, there hasn't been a 'Big Bang' in the last couple of years that everybody's had to try to get on top of and get used to [Business]*

*I think it's probably got heavier, there are more and more information systems out there to be able to monitor things, there's guidance coming out from not only CCAB but JMLSG [the Joint Money Laundering Steering Group], FATF [Financial Action Task Force], there's always something to consider and keep on top of ... We had somebody that did [this job] part time who has now gone full time so I think, yes, it has increased [Practice]*

*Most certainly heavier. The pressure on the regulatory [side] is much more. There is a drive in government in terms of the National Risk Assessment Board ... and they're drawing in regulators now to do more and we have to submit an annual report to Treasury, which has grown exponentially over the last couple of years ... We never get much feedback – it's a huge amount of effort for us to do that, bearing in mind we've got a day job [Regulatory]*

## **But the UK anti-money laundering regime is perceived to be among the best in the world.**

Participants describe the UK anti-money laundering regime as *gold plated, one of the tougher ones and a first-rank system of controls*. On the whole, the UK regulations are seen as more dynamic, holistic and better adhered to than regimes in other countries and it is thought to be taken seriously by business, practitioners, regulators and law enforcement agencies.

*The impression ... that we have in the UK generally tends to be that we're at the first rank of systems of controls ... and that therefore our standards are sort of not beyond reproach, but as good as anyone else's [Business]*

*Tougher in a comparative way, the British Government has a well-established reputation of taking a gold plated approach to implementing the specifics of the Euro legislation as it's handed down to us. I actually think that is to our credit, it does make life that bit harder in this country [Business]*

A number of participants volunteer the US, the Channel Islands, Canada, Europe and the Republic of Ireland as having regimes of a similar standard to the UK. But while countries such as the US are considered to have more stringent regimes, some say they are not viewed as better due to poorer adherence. There is a sliding scale among European countries, with some seen as in line with the UK and others performing less well.

*[The UK regime is] better than most, I would say it's worse than some others but to my mind that would actually make it better. There are ... probably a small handful of countries where the legislation is stronger [eg, the U.S.] in my view but I don't think that creates a better environment because I think our legislation is at the moment a little too strong and it's burdensome on the professional ... I believe that that could be loosened up a little bit and we still would catch the people we were looking to catch [Practice]*

*I would say it's better because actually once we adopt things we generally do tend to be quite rigorous around them ... in some other cultures there is a case of saying 'Yes, yes, yes, we're doing that, yes, yes we're doing that', but it isn't actually happening. Whereas I do believe in this country insofar as the rules and regulations are established it happens [Practice]*



## **Broadly, anti-money laundering regulation in the UK is seen as moving in the right direction – albeit slowly**

Some say that consultation with all relevant players has resulted in well-thought-through regulation and there is a perception that, overall, small evolutionary changes are necessary to keep it on the right track rather than a wholesale overhaul.

*I'm comfortable it's going in the right direction because nowadays when the driving forces decide there is need or it is just prudentially time to review the status quo, the practice is to involve a top-down approach, through government, professions and organisations, and get input, get feedback as to what the practitioners think of proposals ... and what should be ... included in proposals [Business]*

*I think we have to keep up with the current trends. I think perhaps it might be moving a little bit too slowly, I think there would need to be some mechanism put in place, and I know it's difficult because you're dealing with legislation and getting it through Parliament and all the rest of it, but I think we need to look at how quickly the criminals change their methodology and how quickly technology moves on [Law enforcement]*

*I think it's moving in pretty much the right direction, I think as long as it doesn't become too much of a rule book and have tick-box type mentality and allows for some element of judgement [Practice]*

However, the ability to enforce anti-money laundering regulation effectively is a concern for some participants and a few are conscious that the UK must work in conjunction with other countries and not in isolation to achieve the desired goals.

*Well if they're getting tighter that's a good thing, but there's no point in having watertight regulation if it can't be enforced and that's the difficulty quite often [Media]*

*What's the point in doing it here if everybody else doesn't do it? We want to really move in concert with certainly the European Union but all overseas regimes [Practice]*

## **Many participants say they do not have enough information to gauge the effectiveness of the current anti-money laundering system.**

When asked to say how effective the current AML system is in producing useful intelligence for the detection and prevention of crime, participants – especially those in business and practice – find it hard to give a definitive answer. Regulatory and law enforcement participants are more likely than others to say the current system does provide some useful information.

*I'm not sure I would be able to gauge how successful it is ... I don't really know the success rates in terms of who is being caught and prosecuted other than [what] appears in the media [Business]*

*If cases came out on the news where they'd seized criminals' assets or you saw various things happening then it might make you understand that things were happening, but generally it's a black hole [Practice]*

*I don't think many, if any, people can really answer that because the information that goes in through what's now the National Crime Agency and on to law enforcement gets there and by and large there is never any feedback [Business]*

When asked to say how they measure effectiveness, participants mention a wide variety of metrics, including:

- **compliance of regulated firms** – adherence to and investment in policies and procedures;
- **Suspicious Activity Reports (SARs)** – number and quality of reports and conversion rate into prosecutions;
- **feedback from law enforcement** – size and number of asset seizures, active investigations and prosecutions;
- **publicity** – media coverage of successful prosecutions in money laundering cases.

*Well I think in a regulated firm to a large extent it's whether we comply with the policies and procedures we've set out and whether our regulators perceive us as complying ... I think that, more widely, if you're seeing sustained falls in things like criminal activity, then that would indicate that somewhere the intelligence gathering and the use of intelligence is working [Practice]*

*No data is produced. No one can tell you how effective it is. No one could tell you how many money laundering prosecutions there have been and what agencies and the benefit of the SAR regime and any follow ups and that kind of thing [Regulatory]*

*I would use the number of disclosures being made to the SAR system ... I think it's an indicator that's very useful both of awareness and compliance and it would indicate concerns in the sector that I'm involved with [Regulatory]*

## The regime – what's working?

Participants highlight several ways in which they think the current anti-money laundering regime is working:

**Perceived as a strong deterrent** – especially to unsophisticated money launderers and seen as likely to detect larger money laundering transactions, but there is a sense that sophisticated organised crime groups will still find a way to bypass the system.

**Offers protection for firms** – The regulated sector is seen as having effective processes in place to identify any irregularities. Some say it is a useful business tool to protect firms from unwittingly being involved with money launderers.

**Provides an efficient reporting system** – The Suspicious Activity Reporting system is deemed to work well as a mechanism for providing intelligence to the relevant agencies.

*It has probably ... been effective in stopping some of the larger transactions. But ... where there's a will there's a way and I think it helps that there's a deterrent there ... if you are going to circumvent the rules, you are taking an active decision to do it. You are no longer falling in to it, you're no longer passive in it, you are no longer doing it just because you can [Practice]*

When asked to volunteer the most effective deterrent for money launderers, participants tend to say it is awareness of the high likelihood of detection, successful prosecution and enforcement of financial and criminal penalties.

*I think confiscation, some sort of hitting back at them where it hurts, because anything else can be got around or side-lined or people could disappear ... but if their assets are seized that's really going to hurt them [Practice]*

*I think the most effective deterrent is a very visible stance by the particular authorities ... whether it's the Office of Fair Trading, law enforcement agencies or HMRC [Media]*

*That they could lose the funds that they've acquired or have their activities disrupted to the point where they're just not worth continuing with them anymore [Practice]*

## The regime – what’s not working?

Participants volunteer a number of threats to the current anti-money laundering system:

**Misperceptions of the regime** – Some participants think there is an ongoing lack of understanding of what the regulation is for and the role of professionals in the regime.

**Lack of evidence of successes** – There is general consensus that the absence of feedback on the quality, usefulness, relevance and success of SARs reports can lead to a lack of appreciation of the value of reporting. Furthermore, a number of participants think that law enforcement agencies do not use all of the intelligence submitted; therefore some reporting is felt to be a waste of time. Participants would like to see more examples and better publicity about successful cases to demonstrate effective use of intelligence and enforcement, and to reinforce the value of reporting and monitoring activities to professionals, the general public and other stakeholders.

**Inconsistent application across the regulated sector** – Varied interpretation of the regulations by firms in the regulated sector is perceived to lead to different policies, procedures and training. Participants would like to see clearer and more frequent guidance from professional bodies on regulator expectations and clarification of guidance where possible to help harmonise and streamline the approach in the future.

**Lack of resources** – Resourcing is seen as a cross-sector issue affecting all players and inhibiting effective monitoring and enforcement of regulations. Participants think more resources are needed but would also like to see better use of current available resources.

**Lack of information sharing** – Participants think a disjointed approach and a lack of connectivity and coordination between organisations are restricting the sharing of information and limiting the use of the resources currently available. Many say that quicker dissemination of intelligence about the latest trends and developments to all organisations would help to maximise the use of available resources. Education and training from law enforcement to inform firms on what’s going on and what to look for specifically would be seen as helpful. Participants would like to see more feedback from the NCA on expectations for higher quality SARs, and feedback on individual firms’ performance and the types of crime being prioritised to reduce the volume of reports that aren’t used or aren’t useful.

**Inadequate supervision and monitoring of the regime’s perimeter** – Practitioners tend to distinguish between qualified and unqualified accountants in the profession and believe money launderers are much less likely to approach qualified accountants working at regulated firms. A few participants question HMRC’s ability to monitor and supervise some areas of the regime such as unregulated accountants, money service businesses and anonymised ePayments due to resource constraints.

**Perceived greater focus on compliance than effectiveness** – Some think that focusing on compliance instead of effectiveness can lead to a tick-box mentality among practitioners which undermines the purpose of the regulation. Punishing non-compliant firms rather than catching perpetrators seems counterproductive to some.

**Capability for cross-border enforcement** – A few participants highlight the growing prevalence of cross-border money laundering and the need for better international cooperation and engagement with foreign jurisdictions to enforce overseas asset seizures and penalties.

*When [accountants] issue Suspicious Activity Reports for clients, they don't tend to get any feedback so they may become apathetic to and cynical in putting reports in in future if they're not getting any feedback on what they've done in the past [Business]*

*In the past when we've asked any other person in the regulated sector for copies of their client due diligence it's very rarely up to the standard that we would require, and funnily enough they say the same when they ask us. So nobody seems to be doing exactly the same thing [Practice]*

*Our profession, although our qualified profession is regulated, you can carry on business in our profession without being qualified, pretty much unregulated. So you would have to tighten up the regulatory regime and have more monitoring which involves more cost and that would be resisted, but unless you're going to check that people are doing the job then you're not going to get very far. But it would be better, if we had a wholly regulated accounting profession [Practice]*

*There has got to be more done around sharing risks and trends. If one regulatory body is seeing something or their members are seeing a certain type of approach or a new way of working from clients ... those kinds of key themes and trends should be shared within their own professional sphere and again support that with engagement with law enforcement [Regulatory]*

## What will the future look like?

**In five years' time, the regime is expected to look relatively similar but with a greater emphasis on information sharing.**

Business and practice participants believe the main outcomes of the Fourth Money Laundering Directive are relatively well known, and many advocate changes to verifying beneficial owners and the definition of politically exposed persons (PEPs). Few participants cite any additional implications but there is anecdotal feedback of hope that EU countries will take the regulation more seriously. A couple of participants think it is unlikely that many changes will be implemented before the upcoming FATF inspection.

*I don't think it will look markedly different from today but I do think things like information sharing and the sources of information or services that provide information that enable us to check on the background of people and entities will become a lot more sophisticated. I think the information will become a lot richer and more valuable ... But I think fundamentally at a legal framework level I don't think it's going to change a lot [Practice]*

*The two highlighted things are the creation of a central register for all impersonal entities where organisations will have to publicly make available the ultimate people accountable for what is going on in their business name ... In parallel there's going to be another change, there's a technical concept known as PEPs ... and certainly throughout Europe and beyond, if not the whole of the world, the risks of dealing with people who fit the definition, which in a shorthand way is people holding positions of high influence or authority in governments or governmental bodies. To date that's always had a tag line of 'in other countries', that tag line is due to be removed so in the UK members of the British Government will come within the scope of what the law calls enhanced due diligence and enhanced monitoring, just reflecting their potential, after risks have been identified and assessed, to undertake or to assist in money laundering by virtue of the position they hold and the authority they can exercise [Business]*

Supplementary to changes as a result of the Fourth EU AML/CTF Directive, participants suggest a few areas where changes are expected:

**Better awareness of AML/CTF among businesses and the general public** – Some think there will be better awareness of why procedures are in place and recognition of their value so long as the success of the regime is communicated more broadly.

**Tighter regulation** – Participants expect to see tighter control of the unregulated sector and a more standardised approach across accountancy firms and the regulated sector.

**Increased access to information and subsequent regulatory burden** – There is a general view that there will be greater availability of, and sources of, information to monitor, such as big data. Participants also think that greater automation of systems is likely to increase the time and resources necessary to adhere to the regulations.

**Firmer enforcement** – a few participants think there will be greater focus on and more prosecutions for money laundering offences and greater publicity of high-profile cases.

*The future of the regime doesn't rest with the ability of the supervisors to implement the regulations in my opinion. It rests with the ability to share information both ways between law enforcement, the NCA and supervisors in order to maximise resources to take it forward [Business]*

*Greater analytical tools ... there's been a lot of talk about big data ... I think going forward the ability to monitor would be a lot greater in terms of having quite sophisticated analytics running to identify trends that look odd [Regulatory]*

*I would think that you would benefit by perhaps some research, by a national body like the NCA to better understand the risk, the changing landscape from a money laundering perspective and better understanding, especially in the regime that I'm looking at, [of] what now needs to be done. If the risk has increased then perhaps the arrangements in place need to be reviewed and perhaps thought about again ... but the problem is we have something of an information gap basically, a knowledge gap there, and without that it's difficult to make those sorts of informed assessments [Regulatory]*

## What role can accountants play?

**The role of the accountancy profession is seen as multidimensional but primarily to detect and report suspicious activity to the regulator.**

Participants highlight the profession's role in the prevention of money laundering activities by acting as a deterrent to money launderers and a gatekeeper to the financial system. Where necessary, accountants are seen to be involved in gathering intelligence on money laundering crimes to support the work of regulatory and law enforcement agencies. There is recognition that the role of the accountant will be proportional to the exposure they have to the client's financial affairs.

Practitioners tend to make a distinction between qualified and unqualified accountants in the profession and see a greater need for oversight of unqualified accountants. They believe qualified accountants are more likely to take their responsibilities seriously and to uphold the profession's high standards.

*To our minds responsibilities have to be commensurate with what realistically a firm is going to see. So, for example, an accountancy firm that has taken on an ongoing engagement as such as they are regularly preparing books and records for a small firm – my gut feeling is that because they are that much closer to the business month-in month-out ... have a much greater responsibility in terms of AML monitoring because they're just seeing more. There's a direct relationship, between what they see and what they have. An audit firm I think is a different matter ... At most they're probably only likely to go in twice a year ... I think that their responsibility is diminished ... Where a firm has a more remote relationship with a client clearly they can't be expected to necessarily get to grips with things in the same way that more closer contact would but nonetheless they're still seeing stuff and therefore the important thing there is that they're alive to what they're seeing [Regulatory]*

*I think that we have a very strong role to play, purely because we're in that privileged position of being both aware and familiar with client's financial affairs. We're in a position to spot the warning signs [Practice]*

*It has to be an important role ... not at the very front end maybe in the sense that bankers are but are still nonetheless pretty close to the sharp end of criminal activities in financial respects, both in actually the crimes they commit and how they deal with the proceeds of the crime, the accountants are likely to be potentially ... reviewing ... such records that are kept of some of these transactions they may be the first to, independent of the criminals themselves, see what has been done ... Different accountants will be exposed differently, statutory auditors clearly their role is to ... check, validate and to an extent investigate so very clearly have a very important role [Business]*

**There is general consensus that the accountancy profession supports the regime fairly well.**

On the whole, professional institutes, member bodies and regulated firms are seen to take their responsibilities and obligations seriously. However, a number of participants say that NCA statistics on SARs reports from accountants are thought to be low.



Still, there is greater confidence that larger firms are successfully fulfilling their responsibilities as compared to smaller firms because they are perceived to have more and better resources to cope with regulatory compliance and to put policies in place that are adhered to. Some practitioners say that smaller firms are more likely to 'pay lip service' to the regime and be less diligent in their work due to lack of resources.

There is a perception among some regulatory and law enforcement participants that accountants act on behalf of their clients so will comply with the law but will not go out of their way for AML. Similarly, a few participants question whether the profession's support for the regime is more about being seen to comply rather than willing adherence.

Most participants recognise that greater sharing of information and provision of feedback would help accountants to better support the regime.

*At the top end because of the reputational issues and because of the risks involved, if not willing partners then energetic partners, in other words the firms may not necessarily always like what they're being told to do but they will get on and do it effectively because the risks to doing otherwise are too great. As you go down in scale and size ... you've got people down to individual practitioners running their own business for whom the burden relative to the benefits and relative to the risk will be different. So I think that there will be an element of curate's egg there [Business]*

*I suspect that there's the same issue in the accounting business as in banks, you've got large firms and you've got small firms. I'm sure the large firms do a huge amount to identify things and monitor things and all that sort of stuff but as you go down the spectrum, and it's the same in the banking world, the resources are less, their ability to spend time doing this is less [Regulatory]*

*I don't think that any of them have any particular legal, ethical or moral compass in respect of it, other than obviously the duty to serve their clients the best that they can [Law enforcement]*

## **Practitioners tend to view implementation of the regime as a social duty rather than a business benefit.**

There is a sense that the benefit of implementing the regime is for society more broadly and a duty firms are obliged to fulfil. Few practitioners are able to cite examples of specific benefits to them or their practice.

*It hasn't benefited [my practice] at all, it's a rule and we get on with it. We understand why, so we do it. It's not anything that causes us any problem but in terms of benefits there aren't any [Practice]*

*For us they deliver no benefit and just a cost [Practice]*

*I do think that the regime is important to let criminals know that they can't operate in our country and that we're not prepared to condone it so I benefit from that as a member of society [Business]*

*It's difficult to say really because clearly it's made us more aware of the potential for the money laundering risk, I wouldn't necessarily say it has benefited the practice, I'd say it may have benefited society but it wouldn't necessarily benefit the practice per se [Practice]*

Of those practitioners who say they have benefited from involvement in the regime, these benefits tend to fall into two broad categories. Some describe reputational benefits for their firm, including greater awareness of the risk of money laundering, improved levels of professionalism and consequently protection against unwittingly working with clients involved in money laundering activity. The second set of benefits tends to be more operational in the sense that compliance can lead to greater efficiencies as a result of a more structured and centralised approach to information processing.

*I think it's encouraged the firm to invest in systems and training, particularly around taking on new clients and monitoring the activities of clients which if the regulations weren't there the approach would probably be a lot looser and less formal. So I think it's improved the level of professionalism [Practice]*

*I guess we have a lot more information now on our clients. It's probably made ... us centralise it into one place and focus our attention on certain clients, on high-risk clients. But because we're a mid-sized firm we do tend to know our clients quite well, have met a lot of them and acted for them for a long time. So maybe it's more of a formalisation of the information that we would have held in various places [Practice]*

## **Overall, there is low awareness of how accountancy practices contribute to tackling serious financial crime.**

None of the regulatory, law enforcement or wider business participants were able to cite concrete examples of how the accountancy profession has engaged effectively, and there is low awareness of coverage in the media or trade press of successful accountancy engagement. Practitioners say that most of the time they do not know what happens once a SAR is submitted. While a number of practitioners were aware that authorities had become involved in a case, they did not know the outcome.

*My personal experience is that it's all one way. Unless you're being engaged by [the authorities] [Practice]*

*I am aware of one instance where a report was made and the investigating authorities did get involved; I don't know what happened thereafter but assuming if everyone has one such case then obviously things are happening [Practice]*

*I've seen the figures and [they] aren't exactly high in terms of reports that have come through, particularly not from the lawyers and accountants field. So I think that tells its own story [Regulatory]*

There is a sense that the profession engages with regulators and law enforcement where necessary but only one practitioner had experienced a successful case – *'that was quite gratifying to know that we've actually helped to secure that prosecution'*.

There is anecdotal feedback that the most likely ways that accountants would identify money laundering were through insolvency and tax work, mortgage fraud identification and forensic accounting in prosecution cases.

Nevertheless, the profession is seen to be contributing indirectly through collaboration with key players and involvement in a variety of cross-organisational forums related to money laundering.

*My perception is that my institute and the wider profession treat the question of anti-money laundering very seriously ... So right from the top in terms of the messaging from the institute as a body in its public comment externally and in its guidance to members ... through to the practicalities of the support given to members in terms of technical resources and also more generally through courses right down to the ground level of institute reviewers coming out doing reviews, interacting on a specific money laundering basis [Business]*

### **Going forward, professional bodies are expected to contribute to improving regulatory standards by monitoring compliance, sharing best practice and identifying emerging trends for members and other professional bodies.**

There is also a perception that professional bodies should provide advice and guidance to keep the profession up to speed on topical issues such as the implementation of the Fourth EU Directive through publications and AML training specifically for accountants. Currently, there are some mixed views on the clarity and consistency of the guidance that is provided to the profession.

Participants also rely on professional bodies to have a robust approach when a breach occurs to the regulations as demonstrated through the application of appropriate sanctions.

To a lesser extent, participants look to professional bodies to act as an advocate for accountants and to keep important issues at the top of the agenda, such as communicating the value of AML to firms and society. There is an expectation that professional bodies will act as an interlocutor with other membership bodies, regulators, law enforcement and the wider business community to improve cross-sector engagement and coordination.

*Training courses for accountancy money laundering [reporting] officers [MLROs] because we end up going on ones for solicitors or banking and you get odd bits of useful information but it's not necessarily entirely relevant. So CCAB could, once the new guidance comes out, run an update course but a higher level for MLROs [Practice]*

*By basically making sure that their membership groups adhere to the law, the rules and regulations, that they try and gather as much data as they can for the general good. That they take a robust approach to those that transgress the rules [Regulatory]*

*Well I think they can act as a conduit for this information actually around the value to society of it and the role that professional accountants play in that, because it's not a unique selling point of an individual firm of accountants ... So I think the professional bodies have a very important role to play in communicating the role of the profession in this area and as a result the wider benefits that accrue from that engagement [Practice]*

## Research method

Brunswick Insight conducted thirty-one qualitative in-depth interviews between 8 January and 22 April 2014.

These interviews were conducted by telephone and lasted approximately 30 minutes. Participants were asked for their views on the current anti-money laundering regime in the UK, ways the regime could be improved and opinions on the accountancy profession's contribution towards prevention of money laundering activities.

## About Brunswick Insight

Brunswick Insight is the opinion research practice of Brunswick Group, a global corporate communications consultancy. Brunswick Insight uses a range of qualitative and quantitative research techniques to help companies and organisations to translate research findings into more effective communications strategies.

## About CCAB

The combined membership of the five CCAB bodies – ICAEW, ACCA, CIPFA, ICAS and Chartered Accountants Ireland – amounts to 245,000 professional accountants in the UK and the Republic of Ireland (354,000 worldwide).

CCAB provides a forum for the bodies to work together collectively in the public interest on matters affecting the profession and the wider economy.

CCAB's credibility stems from its insight into all areas of finance and accounting, from finance director and audit partner to management accountants, professional advisers, public sector finance leaders and entrepreneurs. CCAB's members work through the financial value chain in all sectors as key decision makers and business leaders within the UK and around the world.

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