Broken Record

Latest round of legal sector AML reports shows it is time for reform

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Effective anti-money laundering (AML) regulation and supervision are crucial

Lawyers need to be at the forefront of preventing dirty money entering the UK. But time and again lawyers have been found to be some of the most prominent professionals at the heart of laundering schemes, or facilitating transactions for clients against whom there are widespread allegations of corruption.[1]

Effective anti-money laundering (AML) regulation and supervision are crucial for ensuring lawyers step up to play a proactive role as gatekeepers to prevent dirty funds undermining the UK's financial integrity.

In 2022 Spotlight on Corruption published a detailed report on whether the UK legal sector was being adequately supervised for money laundering.[2] We found that despite high rates of non-compliance there were low levels of supervisory enforcement in the sector, and that the body set up to drive consistency in supervision – the Office for Professional Body AML Supervision – had not been able to raise standards sufficiently across the board.

In this report, we review the latest statutory reports on money laundering from legal sector AML supervisors to understand what progress has been made.

Findings

Bright spots of best supervisory practice

We found that there are some bright spots of improved AML supervision in the sector.
These included:

- An **improved strategic approach** to supervising money laundering rules, with three out of the sector's nine AML supervisors reporting particularly striking developments:
    - More resourcing for the AML supervisory function at the Solicitors Regulation Authority leading to a huge uptick in supervisory activity;
    - A new risk-based approach to supervision and a new risk register at the Council for Licensed Conveyancers;
    - Innovative analysis of risk factors for money laundering among Scottish lawyers by the Law Society of Scotland.

- An **increased appetite for enforcement** at two supervisors:
    - The Council for Licensed Conveyancers has gone from imposing zero fines in 2021 to issuing eight fines over the past two years, worth £50,425.
    - The Solicitors Regulation Authority almost doubled its enforcement actions from 39 in 2022/23 to 74 in 2023/24, while increasing its fines from 23 with a total value of £61,600 in 2022/23 to 44 with a total value of £536,832 in 2023/24.

Areas of ongoing fundamental concern

However, we also found areas of ongoing fundamental concern.
These included:

- The Solicitors Regulation Authority's **failure to land major blows against large law firms** despite increased enforcement ambition, with just one of its three AML prosecutions of firms before the Solicitors Disciplinary Tribunal successful (not least because the firm admitted the breaches).

- Ongoing **inconsistencies in approaches to supervision** at a devolved level, such as the Law Society of Northern Ireland consistently taking more enforcement action when it finds non-compliance than the Law Society of Scotland.

- Ongoing **inconsistencies in powers available to sanction non-compliance**, such as the Solicitors Disciplinary Tribunal of Northern Ireland limited to maximum fines of £3,000 compared to its counterpart in England and Wales which can impose unlimited fines.

- Ongoing **inconsistencies in supervisory approaches** with some supervisors such as the Council for Licensed Conveyancers seeing a sharp increase in onsite visits, while the Solicitors Regulation Authority's increased supervisory activity has favoured desk-based reviews over visits. Barristers across the devolved nations face very little proactive supervisory activity at all, with the focus instead being on spot checks as to whether barristers are in fact engaged in AML-regulated work.

- Ongoing **high rates of non-compliance with AML rules** across the legal sector, with little shift in rates of 50% non-compliance in the conveyancing sector, and nearly 30% non-compliance among English solicitors. Alarmingly, more than 50% of high-risk Scottish firms were found to provide *"limited"* or *"very limited"* assurance about their AML procedures.

- Ongoing **reluctance by legal sector supervisors to use their full suite of sanctions**, with very limited fines beyond the Solicitors Regulation Authority, very little use of suspension or cancellation of membership where serious breaches are found, and a continued preference for informal over formal engagement. One legal sector supervisor had no enforcement framework at all.

- Serious **inconsistencies and transparency gaps** in the data provided by legal sector supervisors about their supervisory activities.

After six years of operation, the Office for Professional Body AML Supervision found in September 2024 that it was *"still not seeing the consistent, effective improvement we need"*.[3]

Binding constraints on progress

While some of these challenges are faced by other sectors too, our analysis reveals some binding constraints on progress in the legal sector that need to be addressed whatever supervisory framework is to be adopted in an upcoming reform of the UK's AML regime. These include:

- **Reliance on self-declarations** by legal professionals as to whether they undertake regulated work. This is particularly crucial given not all legal work is covered by the UK's AML rules. It will be essential for there to be an accurate list of legal professionals in the sector undertaking AML work, and that whoever supervises the sector has a granular understanding of high-risk activity within the sector.

- The need to address **alarming rates of non-compliance in high-risk areas** of conveyancing and Trust and Company Service Providers (TCSPs), with supervisors operating in silos rather than coordinating and sharing information in these areas. To illustrate the problem, 82% of residential conveyancing files reviewed by the Law Society of Scotland were assessed as *"critically non-compliant"* or *"non-compliant"*, and 100% of trust and company service provision files were *"non-compliant"* (of which 75% were *"critically non-compliant"*).

- **Supervisory gaps** caused by the absence of a supervisor of last resort for the legal sector and lack of information sharing. This poses a risk that lawyers who are not members of any professional body may escape scrutiny for AML-regulated work. Some legal sector supervisors also appear to place an excessive reliance on other supervisors or other parts of the system rather than being proactive themselves.

- **Inadequate resourcing** of AML supervision. The Office for Professional Body AML Supervision found serious discrepancies in how legal sector supervisors were resourcing their AML work per head of supervised population, and that many supervisors are outsourcing their AML work with ineffective oversight. Our analysis found that while the Solicitors Regulation Authority has a budget of £3 million and 60 staff dedicated to AML supervision, other supervisors have concerningly low numbers of dedicated staff. The Law Society of Scotland, for instance, which has a larger and more high risk membership than Northern Ireland, has just seven dedicated staff – the same number as the Law Society of Northern Ireland. Meanwhile the Council for Licensed Conveyancers has just 2.43 full-time equivalent staff dedicated to AML work in its high-risk sector.

Recommendations

While no structural reforms are without risks that need to be mitigated, a single statutory AML supervisor for the professional services offers the best way forward to address the ongoing inconsistencies in supervision in the sector.

A clear plan is needed to ensure consolidation does not set back the incremental – but positive – gains that have been made.

Based on the lessons learned from the latest round of AML reports, we urge the government and supervisory bodies to:

1. **Relieve failing professional body supervisors of their duties as an urgent priority within a carefully managed transition to consolidated AML supervision – including the two out of nine that the Office for Professional Body AML Supervision recently found were clearly ineffective.**

2. **Establish best supervisory practice by building on the emerging bright spots, including more refined risk assessments, better strategic targeting of high-risk areas, and more ambitious enforcement.**

3. **Work towards a consolidated public register of the regulated sector.**

4. **Retain, integrate and build sectoral and regional AML expertise in any new AML supervisory structure.**

5. **Expand thematic work and cross-sectoral information-sharing.**

Key stats

14%

The proportion of Scottish practices (94 out of 656) that reported doing work which had a *"touchstone"* with a high-risk jurisdiction in 2023/24

£3 MILLION

The SRA's budget for AML supervisory work in 2022/23

54%

Proportion of conveyancing practices assessed as *"non-compliant"* in 2023/24

80%

Proportion of high-risk file reviews that were assessed by the Law Society of Scotland as being either *"non-compliant"* or *"critically non-compliant"* in 2023/24

£3000

The maximum AML fine that can be imposed on solicitors in Northern Ireland

71%

Drop in AML referrals by the SRA to the Solicitors Disciplinary Tribunal between 2018/19 and 2023/24

771%

Increase in total value of fines imposed by the SRA between 2022/23 (£61,600) and 2023/24 (£536,832)

£500

The biggest – and only – AML fine imposed on a Northern Ireland solicitor in 2023/24

£500k

The biggest – and biggest ever – AML fine imposed on an English firm in 2023/24

Introduction

Standing at the crossroads of AML supervisory reform

The UK stands at a major crossroads on its anti-money laundering and counter-terrorist financing (AML) regime and the future direction of travel is likely to have far-reaching consequences for the professional bodies that supervise the UK's lawyers.[4]

Following extensive consultations, the government is due to announce reforms aimed at improving the effectiveness of AML supervision ahead of the UK's evaluation by the Financial Action Task Force (FATF) in 2027. The options on the Treasury table range from tinkering around the edges of the current system – which spreads AML responsibilities across 25 different supervisors – all the way through to the 'big bang' consolidation of AML responsibilities within a single supervisor for the entire regulated sector.[5]

Whatever the outcome, it is crunch time for the 22 Professional Body Supervisors (PBSs) who currently police the legal and accountancy sectors for compliance with AML rules.

Last time FATF visited in 2018, it urged the UK to *"continue its efforts to address the significant weaknesses in supervision by the 22 legal and accountancy sector supervisors"*.[6] In preparation for that visit, the UK created the Office for Professional Body AML Supervision (OPBAS) to raise standards of supervision among these bodies.

Since 2018, OPBAS has been coaxing these supervisors to level up their standards. But its annual reports have shown again and again that progress has been uneven and inadequate.

The latest OPBAS report, published in September 2024, concluded that six years on from its creation, none of the legal and accountancy sector supervisors was *"fully effective"*.[7] While acknowledging some incremental gains, OPBAS noted it *"has not seen any material improvements in … effectiveness in the core areas of supervision, risk-based approach, enforcement, and information and intelligence sharing"*.

After Russia's full-scale invasion of Ukraine, there was considerable attention paid to the high risk the legal sector poses for facilitating dirty money entering the UK.[8] In response, Parliament sent a clear message that there needs to be a step change in ambition by legal sector supervisors in particular to ensure lawyers do not enable economic crime.[9]

The Economic Crime and Corporate Transparency Act 2023 not only expanded the fining powers and information powers of the Solicitors Regulation Authority (SRA) in relation to economic crime, but also introduced a new regulatory objective under the Legal Services Act 2007 tasking all legal sector supervisors with *"promoting the prevention and detection of economic crime"*.[10]

With the spectre of a major shake-up looming large, legal sector supervisors filed their annual AML reports with the Treasury at the end of 2024. What does this latest round of reports tell us about the state – and fate – of legal sector supervision? And what does the UK need to do to make sure FATF does not give it another rap on the knuckles for weak supervision of the legal sector?

Bright spots:
Some leaders in the sector on AML supervision

A review of the AML reports for 2023/24 published by the nine supervisors in the legal sector reveals the ongoing inconsistencies and serious gaps in data across the landscape which make it very difficult to assess progress and compare performance, both within the legal sector and against other sectors.

Despite these challenges and constraints on analysis, the latest round of reports do clearly reveal some bright spots.

1. More strategic supervisory approaches

In its September 2024 report, OPBAS reported that many legal sector supervisors were *"not performing well"* in designing supervisory approaches or establishing a coherent selection criteria for inspections.[11] This is not a new criticism, and the latest round of reports is not short of examples of supervisory approaches that lack transparent criteria or methodological rigour.

But there are some noteworthy examples of supervisors exploring more strategic approaches to AML supervision – prioritising resources on the basis of a more granular and dynamic assessment of risk, and expanding the supervisory toolkit beyond traditional inspections.

More resourcing for supervision at the biggest legal sector supervisor – the SRA

While a number of legal sector supervisors report an uptick in supervisory activity, the SRA – which supervises roughly 90% of the regulated market – stands out for having radically ramped up its resourcing for supervision. This has resulted in double the number of *"proactive engagements"* this year while also broadening its work from desk-based reviews and onsite visits to include more strategic supervisory work.[12]

This included a review of independent audits, no doubt prompted by damaging criticism of the SRA's handling of the £60 million fraud scandal involving law firm Axiom Ince. Following a review that found failures by the SRA in the lead-up to closing the firm in October 2023, the Legal Services Board has started enforcement action against the SRA.[13]

Figure 1: SRA proactive supervision for 2022/23 and 2023/24
Source: SRA Annual AML reports 2022/23 and 2023/24

Type of inspection	2023/24	2022/23
Rolling programme of inspections	237	136
As part of an onsite investigation (carried out by non-AML team)	17	15
Desk-based review	258	73
Thematic work	13	26
Other (sanctions screening in 2022/23 and AML audit review in 2023/24)	20	23
Total	**545**	**273**

Risk assessments for property lawyers

The Council for Licensed Conveyancers (CLC) has arguably undertaken the biggest shift in supervisory approach, jettisoning its rolling three-year inspection programme in 2023 in favour of a more risk-based approach to supervision.[14]

After launching a new risk register in November 2023, the CLC is working to ensure this is populated with a risk assessment for every practice by mid-2025.[15] While conveyancing has long been a high risk area, a better understanding of the sector's risk profile will be particularly important for tackling the emerging vulnerabilities noted by the conveyancing supervisor relating to sole practitioners, auction houses and property developers.[16]

Screening Scottish lawyers against known red flags

The Law Society of Scotland (LSS) provides a fascinating insight into the risk profile of its supervised population, having worked to improve its AML certification process for Scottish solicitors. The LSS reports that its supervised population *"has considerable global reach, inclusive of high risk and secrecy jurisdictions"*.[17]

The LSS certification process shows out of 656 practices, 94 completed work that had a *"touchpoint"* with a high-risk third country, 26 recorded a nexus with a secrecy jurisdiction, and 21 conducted AML-related work linked to countries subject to sanctions, embargos or similar measures issued by the UK, US or UN. While much of this may relate to corporate structures, Scottish solicitors also had significant engagement with Politically Exposed Persons (PEPs) from the UK (283) and abroad (67).[18]

The LSS is using this improved data to generate a more granular risk assessment for Scottish firms and solicitors. Risk factors now have a multiplier effect so that, for example, a PEP who is also from a high-risk jurisdiction would generate a higher risk rating than viewing these red flags in isolation.[19] While roughly a quarter of Scottish practices report having no risk flags and 40% report only 1-6 risk flags, there are a small number of firms with a very high concentration of risk flags.

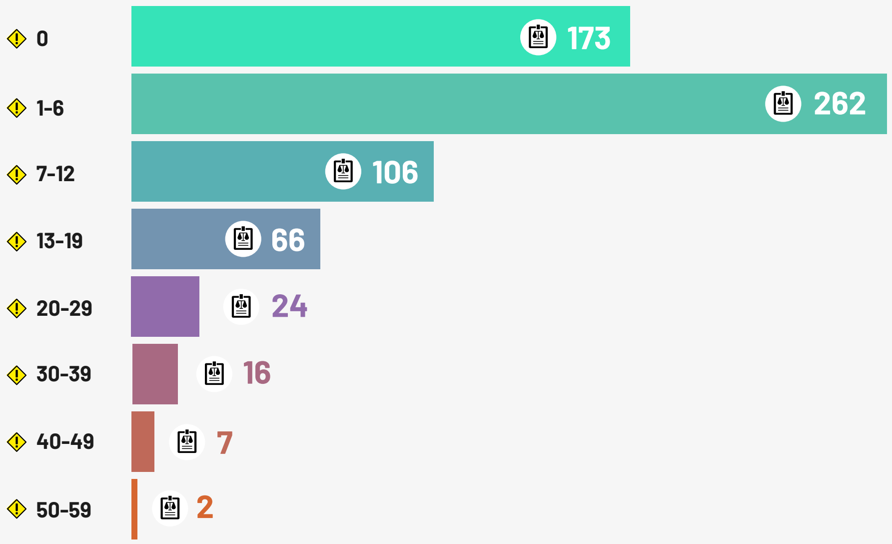

Figure 2

Flag count risk profile of Scottish practices

Number of practices

Number of risk flags

Source: Law Society of Scotland Annual AML Report 2023/24

The LSS' supervisory activity is heavily targeted towards firms it has assessed as *"high-high"* or *"high"* risk. Its latest report gives a detailed insight into the eight full assurance reviews and 41 file reviews done on the basis of these high risk ratings or intelligence.[20]

While this impressive analysis of risk is welcome, the intensive focus on high-risk reviews can lead to lower-risk firms hardly being reviewed at all. Prioritising resources on the highest risk firms is of course the rationale for a risk-based approach to AML supervision, but the LSS gives very little insight into what reviews of lower risk firms were done and what they revealed. This may create blind spots and deprive the supervisor of an overall picture of emerging patterns and new risks across its entire supervised population.

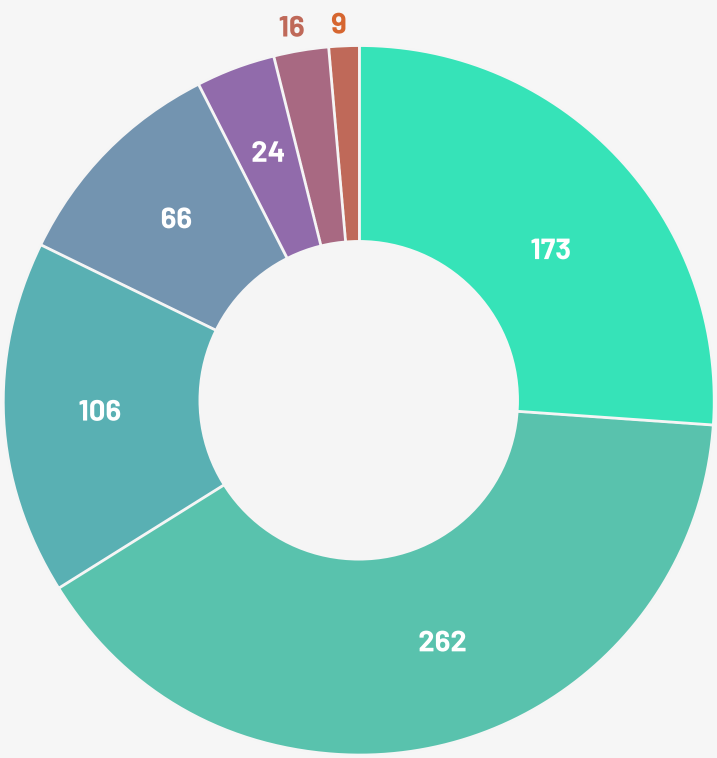

Figure 3

LSS risk rating profile of Scottish solicitors

26% Low-Low

40% Low

16% Low-Medium

10% Medium

4% Medium-High

3% High

1% High-High

Source: Law Society of Scotland Annual AML Report 2023/24

2. Growing appetite for more robust enforcement

An encouraging feature of the latest round of AML reports is that there are some signs of increasing willingness – at least on the part of a couple of legal sector supervisors – to take more robust enforcement action. In the face of persisting high levels of non-compliance, as detailed below, supervisors need to ensure their enforcement actions are a credible deterrent.

In some cases, this uptick in enforcement is relative to historically flatline figures - like the conveyancing supervisor, the CLC, who imposed zero fines, suspensions or cancellations in 2021, but who imposed zero fines, suspensions or cancellations in 2021, but over the last two years has issued a total of eight fines worth £50,425 along with one suspension and two permanent disqualifications.[21] In other cases, enforcement actions have not always translated into effective outcomes, like the SRA's string of losses against big firms. But the appetite is growing, and it reflects a welcome recognition among at least some supervisors that stronger sanctions are needed to address serious AML failings.

SRA – leading the enforcement pack

The SRA has long been the most active AML enforcer in the legal sector – unsurprising given the size of its supervised population eclipses that of any other supervisor – but its latest AML report takes this to new levels.

Most striking is that the SRA is showing clear ambition to make AML determinations and fine firms itself. Their own enforcement outcomes almost doubled from 39 to 74 actions, which explains the overall number of enforcement actions rising from 47 in 2022/23 to 78 in 2023/24.[22] The SRA attributes this to an increase in the number of investigative officers in the AML team as well as changes in case management procedures to achieve *"efficiencies in case progression"*.

Figure 4: SRA AML fines 2023/24
Source: SRA Annual AML report 2023/24

Fine value bracket	Number of fines within bracket	Total amount of fines within bracket
£0 - £2,000	5	£8,731
£2,001 - £5,000	9	£32,172
£5,001 - £10,000	7	£55,270
£10,001 - £20,000	18	£268,251
£20,001 - £24,999	4	£91,051
£25,000 - £50,000	0	£0
£50,000 and above	1	£101,357
Total	**44**	**£556,832**

Crucially, this uptick in enforcement activity has been matched by the SRA's appetite to use its increased fining powers, raised from a maximum of £2,000 to £25,000 for individual solicitors and traditional law firms.[23] This means that more fines have been dealt with *"in-house"* by the SRA instead of requiring referral to the Solicitors Disciplinary Tribunal.

The result is that the SRA imposed 44 fines totalling £556,832 during 2023/24, compared to 23 fines totalling £61,600 in 2022/23.[24] The number of fines has therefore almost doubled while – even more significantly – their total value has increased ninefold.

While these 44 fines during 2023/24 are spread across a range of fining bands, the bulk push towards the upper limits of their new fining powers – exactly half (22) the number of fines and 65% (£359,302) of their total value fall between £10,000 and £25,000. Meanwhile the mean average of fines issued by the SRA in 2023/24 (£12,655) represents an almost fivefold increase on 2022/23 (£2,678).

The corollary of this steep rise in the SRA's own enforcement action and increased fining powers is that referrals to the Tribunal have fallen dramatically. The trend is now clear – after peaking at 14 referrals in 2018/19, this past year saw just four referrals. This trajectory will likely continue, particularly given new unlimited fining powers given to the SRA in 2023, which are still in the process of being adopted.[25]

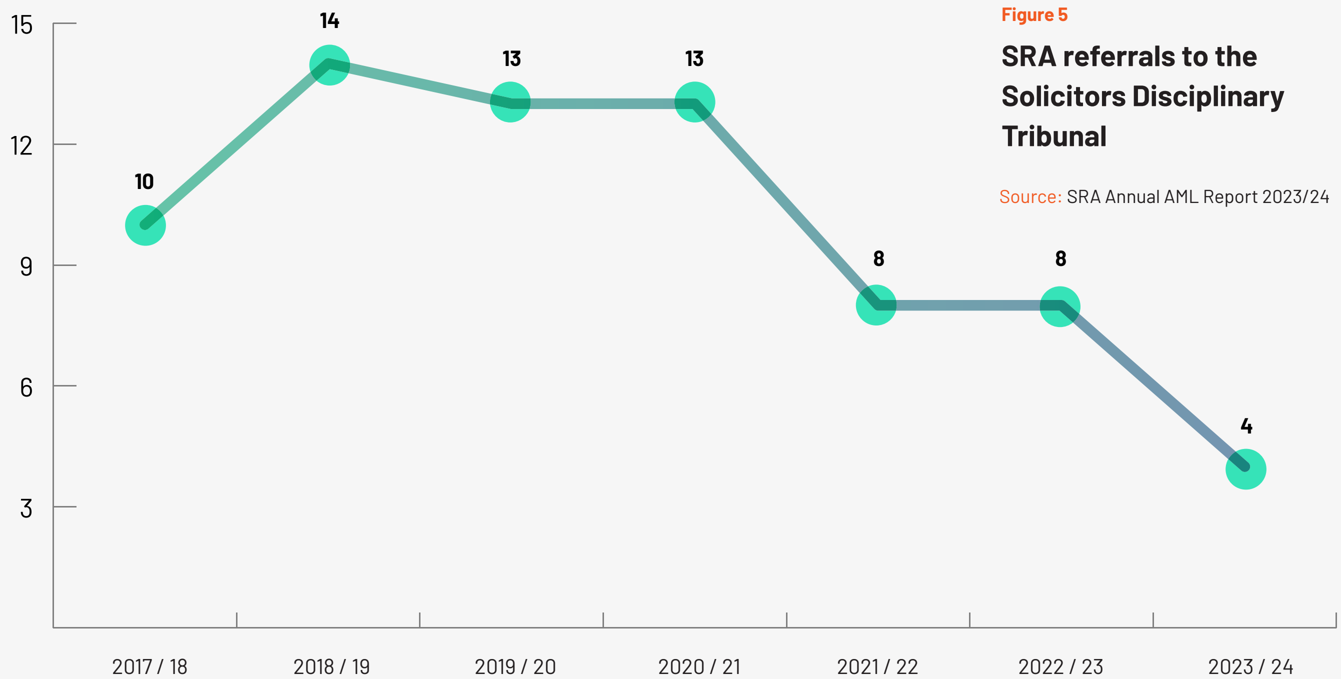

Figure 5

SRA referrals to the Solicitors Disciplinary Tribunal

Source: SRA Annual AML Report 2023/24

But… failing to land major blows

The devil for the SRA lies in the detail behind these impressive enforcement figures. The Tribunal still hears the most serious AML cases – particularly where big fines or strike-off may be sought –

and it is in these high-stakes cases that the SRA has struggled to secure successful outcomes over the last year.

Its major win in the Tribunal during 2023/24 resulted in fines totalling £511,900 against Clyde & Co and its former partner Edward Mills-Webb, but this record-breaking sanction followed the firm and partner's admission of AML breaches.[26] The SRA failed to land two other big AML cases during 2023/24 where the allegations were contested, with the Tribunal dismissing the cases against sole practitioner George Fahim Sa'id and the world's largest global law firm Dentons.[27]

Figure 6: Table of Solicitors Disciplinary Tribunal cases and outcomes for 2023/24
Source: SRA Annual AML report 2023/24; Judgments on Solicitors Disciplinary Tribunal website

	Count	Case details
Fine	2	Both fines totalling £511,900 concerned the same case against Clyde & Co and Edward Henry Mills-Webb, with the firm fined £500,000 and its former partner fined £11,900.
Suspended for a period / control of employment	1	Nirosha Jayawardena was suspended for one month and conditions were placed on her future practice.
Case dismissed or findings not upheld	2	The SDT dismissed the SRA's cases against George Fahim Sa'id and Dentons UK and Middle East LLP.

This losing streak in the Tribunal has continued into the current fiscal year. In September 2024, the SRA failed to land its allegations that Candey Limited had neglected to ensure adequate AML checks on the source of funds (although the firm's former partner, Richard Morris, was fined £6,000 after admitting certain breaches of the SRA's accounts rules).[28]

So while the SRA's appetite for enforcement is growing, the Tribunal has found its most meaty cases hard to swallow. These adverse rulings open up a wide gulf between the SRA's expectations and ambitions as an AML supervisor, on the one hand, and the Tribunal's assessment of compliance with AML and professional obligations, on the other hand.[29]

The SRA has appealed the Tribunal's decision clearing Dentons of professional misconduct, and the outcome of this High Court case may prove pivotal for the effectiveness of its future efforts as an AML supervisor.[30]

The causes of the SRA's difficulties in landing contested cases before the Tribunal are complex, but undoubtedly include the challenge of proving clear missteps and shortcomings in particular cases where firms have outwardly strong AML systems. Whatever the reasons for the SRA's losses, these recent setbacks will likely only increase the supervisor's appetite to draw on its unlimited fining powers in AML cases, but the most serious cases will still need to be referred where the SRA seeks the ultimate sanction of strike-off.

Fundamental concerns: The familiar problems with AML supervision

These signs of progress in specific areas by particular legal sector supervisors are encouraging, but the overall picture has not materially changed. Inconsistencies and unevenness in both enforcement and supervision remain the dominant feature of legal sector supervision. Meanwhile high levels of non-compliance persist while some supervisors remain reluctant to resort to tough sanctions.

The latest round of reports continue to bear out this broken record in fundamental respects.

1. Inconsistency and unevenness across the sector

Amidst the legal sector's fragmented patchwork of nine different supervisors, there are serious inconsistencies and unevenness in powers, supervisory approaches and enforcement.

Amidst the sector's fragmented patchwork there are serious inconsistencies and unevenness in powers, supervisory approaches and enforcement

The SRA is the largest regulator of legal services in the UK – overseeing more than 200,000 solicitors and 9,000 firms in England and Wales, of which 13% now operate as Alternative Business Structures (firms whose management and ownership includes non-lawyers).[31] Almost two thirds (5,683) of these firms fell within the scope of the Money Laundering Regulations (MLRs) in 2023/24.[32]

This cuts a very different profile to the SRA's counterparts in Northern Ireland and Scotland, the LSNI and LSS respectively. The client base and geographic reach of the legal services offered in these devolved regions differ in significant ways – the LSNI oversees 439 mostly small practices that are now largely incorporated rather than operating as traditional firms, while the LSS oversees almost twice as many individual solicitors than LSNI (13,000 compared to 6,000).[33]

This makes direct comparison dangerous, but there are striking inconsistencies which, if anything, appear to run contrary to their respective risk profiles.

The LSNI for instance has a smaller supervised population with a lower risk profile than the LSS, but has consistently undertaken a higher number of inspections. Between 2020/21 and 2022/23, the LSNI found proportionally lower levels of non-compliance (averaging 5.7% for desk-based reviews and 26.6% for onsite visits) than the LSS (averaging 29.4% for desk-based reviews and 30.2% for onsite visits), but has taken more consistent enforcement action.[34]

The LSNI's formal enforcement actions track precisely the number of *"non-compliant"* assessments, and its informal actions similarly track the number of *"generally compliant"* assessments. The LSS's enforcement is more patchy, with non-compliance not always meeting with any enforcement response and, where action is taken, the supervisor favours informal over formal actions.

Figure 7: Comparison of Law Society of Northern Ireland and Law Society of Scotland

Source: HM Treasury annual AML supervision report 2022/23 [35]

Supervisor			Law Society of Northern Ireland			Law Society of Scotland		
Year			**2022/23**	**2021/22**	**2020/21**	**2022/23**	**2021/22**	**2020/21**
Size of AML population			**435**	**450**	**457**	**686**	**721**	**696**
Desk-based reviews	**Assessments**	Compliant	41 (59.4%)	68 (64.8%)	43 (79.6%)	19 (32.8%)	19 (38.8%)	23 (40.4%)
		Generally compliant	24 (34.8%)	29 (27.6%)	9 (16.7%)	23 (39.6%)	8 (16.3%)	28 (49.1%)
		Non-compliant	4 (5.8%)	8 (7.6%)	2 (3.7%)	16 (27.6%)	22 (44.9%)	9 (15.8%)
		Total	**69 (15.9%)***	**105 (23.3%)***	**54 (11.8%)***	**58 (8.5%)***	**49 (6.8%)***	**57 (8.2%)***
	Enforcement	Informal actions	24 (85.7%)**	29 (78.4%)**	9 (81.8%)**	15 (38.5%)**	15 (50%)**	9 (24.3%)**
		Formal actions	4 (14.3%)**	8 (21.6%)**	2 (18.2%)**	10 (25.6%)**	10 (33.3%)**	8 (21.6%)**
		Total	**28 (100%)****	**37 (100%)****	**11 (100%)****	**25 (64.1%)****	**25 (83.3%)****	**17 (45.9%)****
Onsite visits	**Assessments**	Compliant	48 (43.2%)	24 (47%)	3 (27.2%)	5 (21.7%)	5 (35.7%)	0 (N/A)
		Generally compliant	34 (30.6%)	13 (25.5%)	4 (36.4%)	14 (60.9%)	3 (21.4%)	0 (N/A)
		Non-compliant	22 (19.8%)	12 (23.5%)	4 (36.4%)	4 (17.4%)	6 (42.9%)	0 (N/A)
		Total	**111 (25.5%)***	**51 (11.3%)***	**11 (2.4%)***	**23 (3.4%)***	**14 (1.9%)***	**0 (N/A)***
	Enforcement	Informal actions	34 (60.7%)**	13 (52%)**	4 (50%)**	8 (44.4%)**	1 (11.1%)**	0 (N/A)**
		Formal actions	25 (44.6%)**	12 (48%)**	4 (50%)**	0 (0%)**	5 (55.6%)**	0 (N/A)**
		Total	**59 (105.4%)****	**25 (100%)****	**8 (100%)****	**8 (44.4%)****	**6 (66.7%)****	**0 (N/A)****

* % of AML population ** % of combined "generally compliant" and "non-compliant" assessments

The differences in the tools and powers available to these supervisors are striking. The SRA has the strongest powers of the legal sector supervisors, including power to fine up to £25,000 and soon to be introduced unlimited fining powers. It also has new powers to proactively request information relating to economic crime from all its supervised population – not only those within scope of the

MLRs – to improve its risk-based approach to regulation.[36] Meanwhile the Solicitors Disciplinary Tribunal in England and Wales has unlimited fining powers.

By contrast, the Solicitors Disciplinary Tribunal in Northern Ireland can only impose fines up to £3,000. Unsurprisingly, this variation results in inconsistent enforcement outcomes. For example, a solicitor in Northern Ireland was fined a mere £2,000 in April 2024 after multiple and serious breaches of AML obligations.[37] By contrast, an experienced solicitor from Kent was fined £45,000 (in addition to a £60,000 costs order) and his practice made subject to conditions in February 2025 after he was found to be reckless – but not dishonest – in his *"implacable belief"* that AML regulations did not apply to him and for being *"unacceptably tardy in putting in place the necessary written AML policies and firm-wide risk assessment"*.[38]

AML supervision of barristers meanwhile remains light-touch across the board. The Bar Council of Northern Ireland continues to report that none of its barristers undertake work within the scope of the MLRs and, in keeping with previous years, no desk-based reviews or enforcement actions were undertaken.[39]

The Bar Standards Board (BSB) has a supervised population close to 500, but its latest report shows that proactive supervisory activity remains comparatively low – a few spot checks of barristers' practice risk assessments and desk-based reviews of barristers in five tax chambers.[40] As with previous years, no AML enforcement actions were taken by the BSB.

Scotland's Faculty of Advocates meanwhile interviewed each of the seven Scottish advocates on their newly introduced AML register, with no AML issues identified although some kind of remedial action was given to each of them.[41]

The smaller supervisors in the legal sector only add to the motley mix of approaches across the sector. The conveyancing supervisor CLC's recent shift towards a more risk-based approach to supervising its roughly 200 practices has gone hand-in-hand with a sharp decrease in desk-based reviews and a steep rise in onsite visits over the last few years.[42]

The SRA, by contrast, has scaled up its supervisory activity across the board but its trajectory follows a different direction, with its roughly 300% increase in desk-based reviews (from 96 in 2022/23 to 278 in 2023/24) far outstripping its 168% increase in onsite inspections (from 151 in 2022/23 to 254 in 2023/24.[43]

There is also unevenness among supervisors in their methodology for risk-based supervision. For example, the CLC only recently moved away from its three-year rolling review cycle and still emphasises its *"appropriate coverage"* of *"randomly selected low risk practices"* as part of its more risk-based approach.[44] Meanwhile, as noted above, the LSS concentrates resources on a small slice of the highest risk Scottish practices and provides virtually no information in its annual report on its supervisory activities and outcomes relating to lower-risk firms.

Figure 8: Comparison of Solicitors Regulation Authority and Council for Licensed Conveyancers

Source: HM Treasury annual AML supervision report 2022/23; SRA annual AML report 2023/24

Supervisor	Solicitors Regulation Authority				Council for Licensed Conveyancers			
Year	2023/24	2022/23	2021/22	2020/21	2023/24	2022/23	2021/22	2020/21
Desk-based reviews	278*	96	132	168	11	5	17	44
Onsite visits	254**	151	164	85	35	51	25	7
Total	532	247	296	253	46	56	42	51

* 258 AML desk-based reviews plus a further 20 AML audit reviews

** 237 onsite visits as part of rolling programme of inspections plus 17 further visits as part of onsite investigation

2. Persisting high levels of non-compliance

The latest round of legal sector supervisory reports continue to bear out high rates of non-compliance with AML obligations.

While there have been some changes in how compliance is assessed in recent years, the areas of concern noted by supervisors show that many legal professionals are still falling short on the basics of AML compliance. These basic failings range from ensuring adequate AML policies, controls and processes are in place, to carrying out risk assessments on clients and checks on their source of funds.

More than half of all practices inspected by the conveyancing supervisor, CLC, this year were assessed as *"non-compliant"*, with 80% of these non-compliant practices suffering basic failures relating to inadequate policies and client due diligence procedures.[45] Non-compliance in the conveyancing sector has hovered at around 50% for the last few years, alongside a hefty percentage of *"partially compliant"* assessments and only a small fraction achieving a *"compliant"* rating.[46] This suggests real problems with getting lawyers in this sector to raise their game.

The CLC also found in its inspections that some parts of AML screening such as source of wealth checks have *"lower profile"* among its members, implying their importance tends to be overlooked.[47] This is alarming given that checks on source of wealth are vital safeguards against the risks of money laundering inherent in conveyancing due to large amounts of money being moved in a single transaction.

Figure 9: Council for Licensed Conveyancers compliance rates

Source: HM Treasury annual AML supervision report 2022/23; CLC annual AML report 2023/24

Supervisor	Council for Licensed Conveyancers			
Year	2023/24	2022/23	2021/22	2020/21
Compliant	4	4	10	4
Generally compliant	17	24	12	27
Non-compliant	25	24	20	20
Total inspections / reviews	**46**	**56**	**42**	**51**

The rates of non-compliance among high-risk Scottish practices are particularly striking given the LSS has focused its attention on this segment of its supervised population. The LSS conducted 8 full assurance reviews during 2023/24, finding that more than 50% provided *"very limited assurance"* or *"limited assurance"* in relation to Practice Wide Risk Assessments, Governance, and Processes, Controls and Procedures.[48]

Compliance rates for file reviews were even worse. Of the 41 files reviewed as part of these full assurance reviews on higher risk areas, the LSS found that 41% (17) were *"critically non-compliant"* and 39% (16) were *"non-compliant"*, while only 15% (6) were *"generally compliant"* and 5% (2) *"highly compliant"*.[49] Meanwhile the compliance rates and supervisory outcomes for medium- and low-risk reviews are not detailed by the LSS in their AML annual report, leaving what lies below the tip of the iceberg of non-compliance to the imagination.

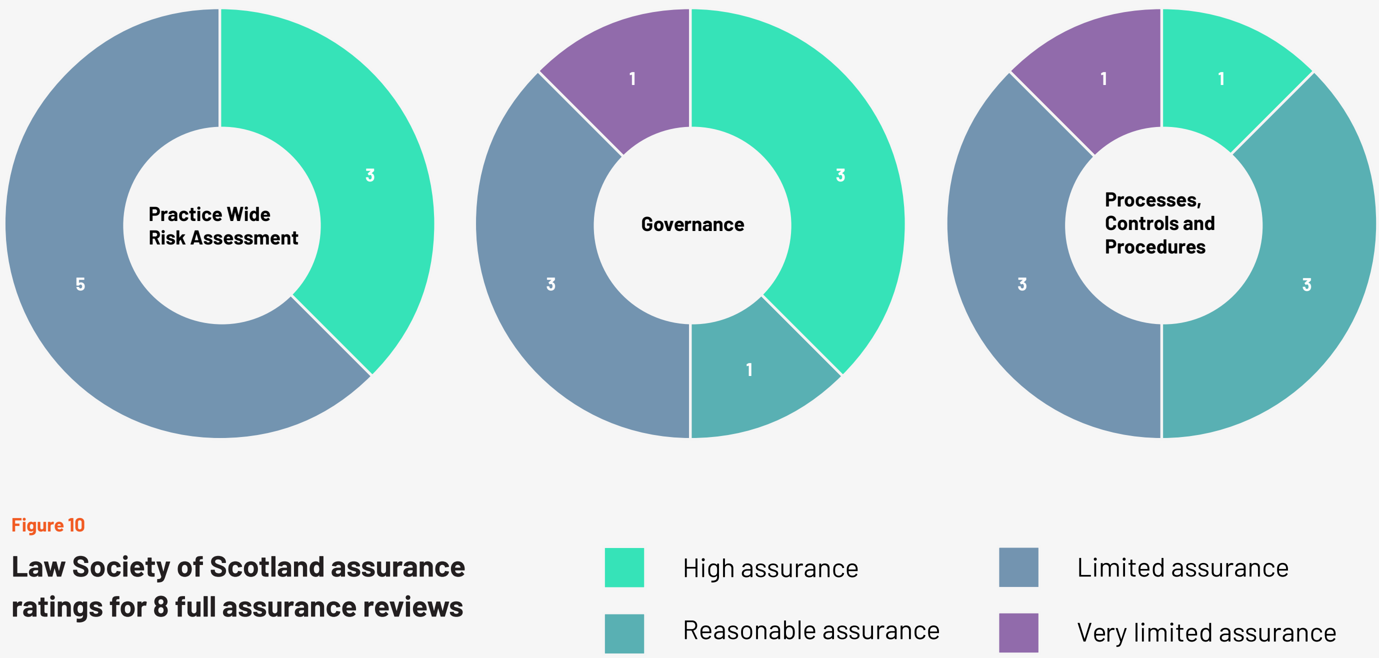

Figure 10

Law Society of Scotland assurance ratings for 8 full assurance reviews

Source: Law Society of Scotland annual AML report 2023/24

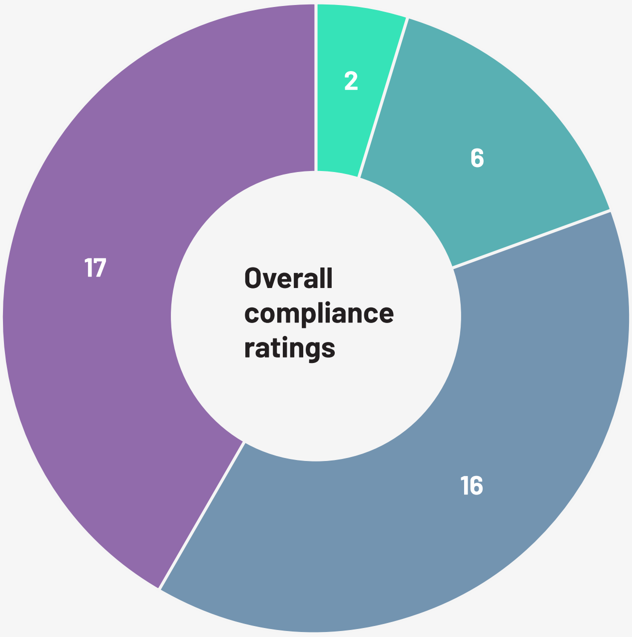

Figure 11

Law Society of Scotland compliance ratings for 41 high-risk file reviews

Highly compliant
Generally compliant
Non-compliant
Critically non-compliant

Source: Law Society of Scotland annual AML report 2023/24

The overall compliance levels reported by the SRA for its desk-based reviews and onsite inspections during 2023/24 largely track the levels reported in 2022/23, suggesting that its scaled up proactive supervisory activity has not yielded a radically different picture of compliance. Just over half of firms were assessed as *"partially compliant"* and roughly a fifth achieved a *"compliant"* rating, while the proportion of *"non-compliant"* firms has edged up to almost 30%.[50]

While many firms have the trappings of compliance in place, barely a third are properly following these processes in practice

This year the SRA undertook a thematic review of compliance with client and matter risk assessments (CMRAs), prompted by its observations of *"a persistent level of non-compliance"* in this area since first raising concerns in its 2019/20 report.[51]

The SRA's inspection of 30 firms found that while 94% of firms had a process in place to risk assess clients and matters, nearly half (47%) of the files reviewed did not actually contain a documented assessment.[52] And of the 53% that did, 23% were not completed properly while 44% did not contain good evidence of ongoing monitoring of risk. This means that while many firms have the trappings of compliance in place for conducting client and matter risk assessments, the reality is that barely a third of them are properly following these processes in practice.

Some of the key themes that the SRA highlights in its latest report as emerging from its enforcement actions, are that lawyers at senior level are not taking the need for robust AML checks seriously enough, and fee earners (those bringing in the business and managing client relationships) are not being adequately trained or supervised for their compliance with the firm's policies.[53]

3. Reluctance to use the full range of sanctions

While a couple of supervisors – most notably the SRA – are showing greater appetite for tougher enforcement, there remains a reluctance among some supervisors to use the full range of sanctions available to them.

The ultimate sanction of strike-off is rarely seen in AML cases. OPBAS' latest report found that the number of licence cancellations and suspensions nearly halved in the legal sector between 2021/22 and 2022/23, contributing to its conclusion that supervisors in this sector are not using the full range of their powers in an *"appropriate and dissuasive way"*.[54] The data gleaned from the latest round of supervisor reports suggests resort to the toughest sanction – cancellation of membership – has continued to drop. There were only two strike-offs (both of notaries) and only four suspensions across the nine legal sector supervisors in 2023/24.[55]

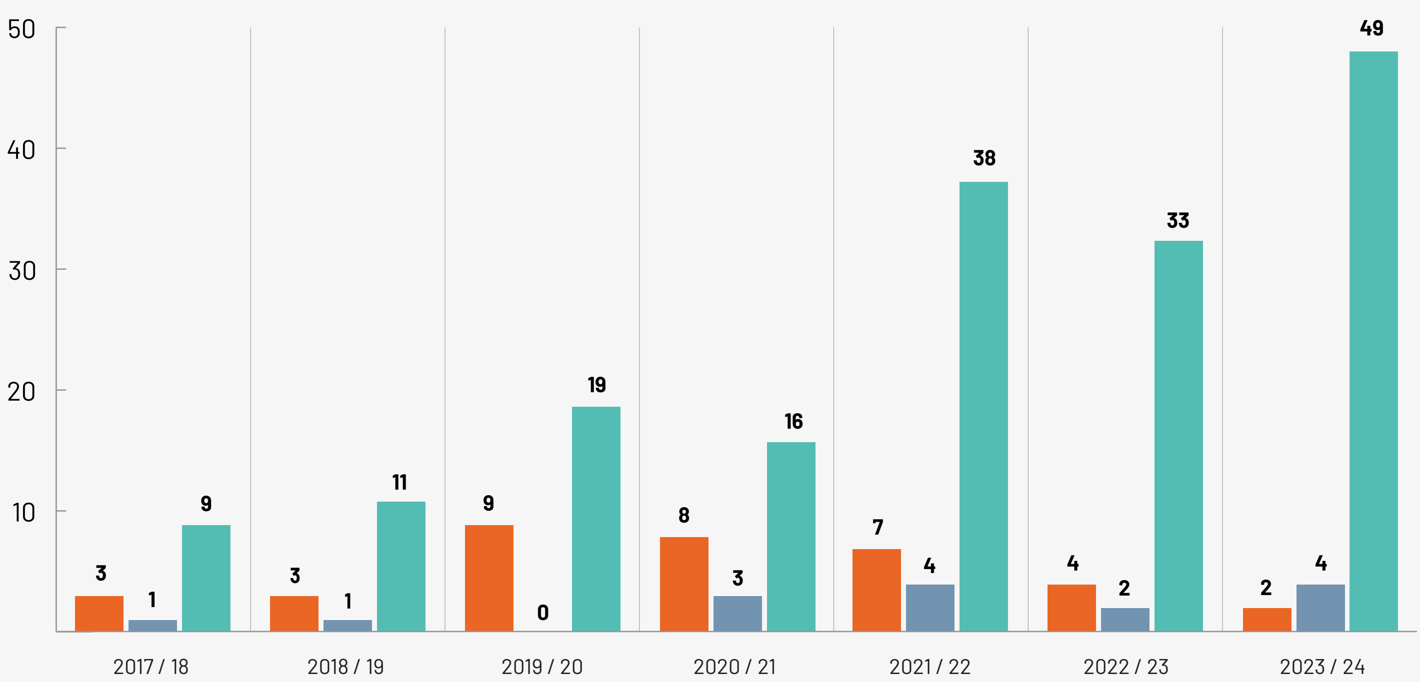

Figure 12

Legal sector AML enforcement – fines, cancellations and suspensions

Source: OPBAS report on "Anti-money laundering supervision by the legal and accountancy ~ professional body supervisors: progress and themes from our 2023/24 supervisory work". Latest data for 2023/24 is drawn from annual AML reports published by the nine legal sector supervisors.

Outside of the SRA, which issued 44 out of a total 49 fines issued across the legal sector, it is clear that there is a continued reluctance to resort to tough sanctions.

The annual AML reports meanwhile read like a broken record of legal sector supervisors continuing to opt for informal over formal actions to remedy AML failures.

The reports read like a broken record of supervisors continuing to opt for informal over formal actions to remedy AML failures

The majority of enforcement actions (50 out of 80) taken by Northern Ireland's LSNI, for example, simply entailed reminding firms of the regulations.[56] Such light-touch action may of course be appropriate in many instances, but a closer look at the penalties for serious breaches by the LSNI is revealing. During the 2023/24 financial year, the LSNI intervened directly in two firms, and made five referrals to the Solicitors' Disciplinary Tribunal in Northern Ireland. The Tribunal issued just one admonishment and one fine of £500 during this period.[57]

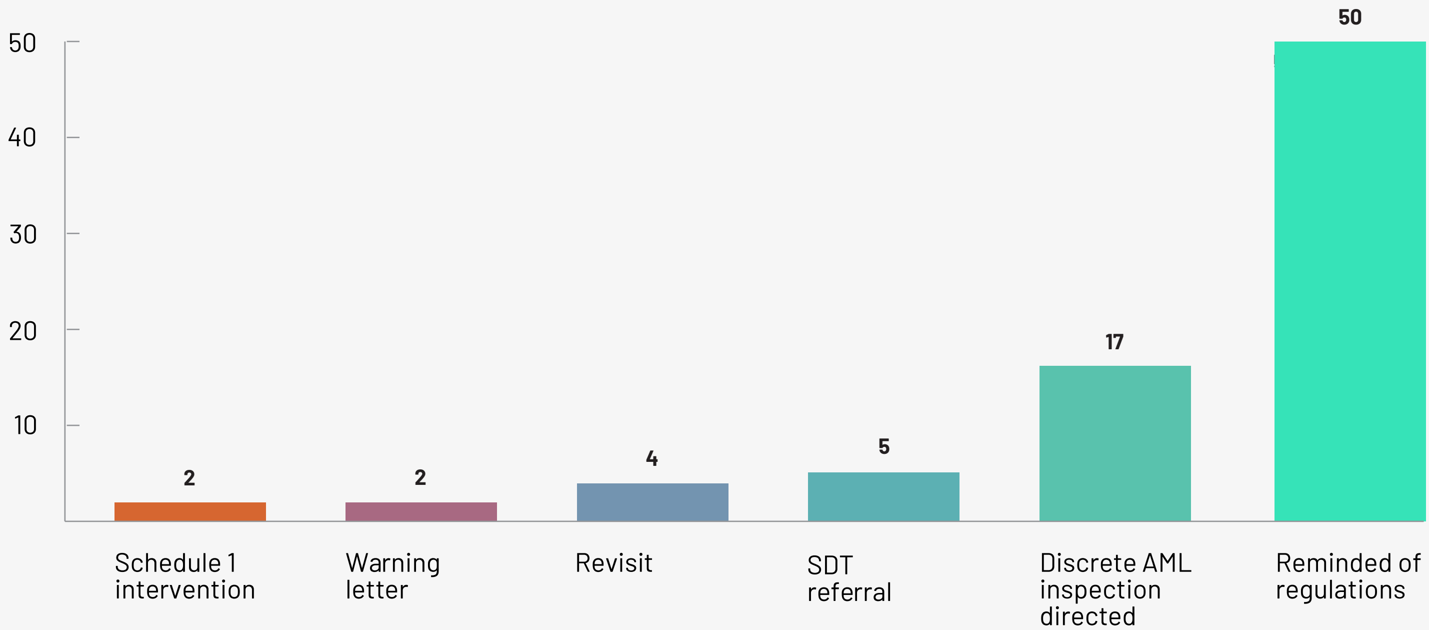

Figure 13

Law Society of Northern Ireland enforcement actions

Source: Law Society of Northern Ireland annual AML report 2023/24

A case study about more recent disciplinary action (which falls outside the 2023/24 year but is included in this report) draws attention to the gradual – and gentle – escalation of enforcement action by the LSNI against a solicitor for repeated AML failures. Despite a warning letter to the firm in 2020, and an adverse ruling by the Tribunal for similar failures in 2022, the solicitor's second outing to the Tribunal in April 2024 resulted in total fines of only £2,000.[58]

Scotland's LSS does not provide detail on the outcomes of its 48 medium-risk reviews, and merely states that *"advice and guidance"* was provided to firms following low-risk reviews.[59] But, as with the LSNI, the most serious cases of non-compliance enforced by the LSS do not meet with sufficiently dissuasive sanctions. While seven out of the eight high-risk firms subject to a full assurance review were referred to the AML Sub-Committee (which exercises the regulatory functions of the LSS), only two solicitors were suspended as a result.[60] The majority of outcomes entailed reinspection (5), timed remediation overseen by the AML team (4), or further engagement or complaints concerning the MLRO at these firms.

Conveyancing supervisor, CLC, has similarly shown a preference for more informal engagement in spite of concerning and consistent rates of non-compliance among high-risk practices. Its *"managed compliance model of regulation"* seeks to bring firms back into compliance through a time-bound action plan, with formal actions few and far between.[61]

While the four fines issued by the CLC in 2023/24 (relating to two cases) is an increase on previous years, it is doubtful whether these fines (ranging from £1,000 to £5,400) are sufficiently high to act as an effective deterrent.[62]

One legal sector supervisor (not named by OPBAS), meanwhile, failed to even have an enforcement framework at all – a telling sign that such cases are not considered within the realm of possibility given its low-risk population. This rightly resulted in OPBAS issuing directions to it to put one in place.[63]

Binding constraints: What's holding back progress?

Overall, these latest reports suggest that despite some bright spots, the overall picture of AML supervision for lawyers has not materially changed.

Why have improvements been so inconsistent and the gains so marginal?

This fits with the verdict delivered by OPBAS in September 2024, that it was *"still not seeing the consistent, effective improvement we need"*.[64] Despite prioritising its oversight on areas of greatest weakness, OPBAS found that poorly performing supervisors are *"hampering efforts to make a real dent in the flow of illicit funds in the UK"*.

These findings raise real questions about whether the sector as a whole is capable of the step change in effectiveness without radical action.

While many of the shortcomings and challenges identified in this report are shared by other sectors, why have the improvements been so inconsistent and the gains so marginal in the legal sector? Weak supervisors undoubtedly undermine the overall effectiveness of the sector's AML efforts, but progress is also constrained by the challenges that arise from the professional diversity and fragmented structure of supervision in the legal sector. Some of these challenges could be solved by consolidating AML supervision across the legal sector, while others require careful thought to ensure AML supervisory reforms resolve rather than replicate existing challenges.

1. Reliance on self-declarations: identifying lawyers engaged in regulated work

In contrast to the financial sector, where all credit and financial institutions are subject to the MLRs, only certain types of services provided by lawyers fall within the scope of the MLRs. This means that accurately identifying those who are engaged in activities that fall under the MLRs is a challenge.

Supervisors generally rely on self-declarations by legal professionals as to whether they undertake regulated work, but the accuracy of these declarations is open to doubt.

Spot checks by the BSB, for example, revealed widespread inaccuracy in risk assessments submitted by barristers when renewing their practising certificate, with seven out of nine incorrectly declaring they did work within scope of the MLRs.[65] This suggests a highly concerning lack of understanding about the application of the MLRs at the bar.

The BSB reports it is devoting significant resources to compliance testing, expressing concern that inaccurate annual declarations *"distort the risk profile of the Bar and have the potential to lead to additional regulatory costs and poorly targeted interventions"*.[66] However, it is also possible that lack of understanding about the scope and application of the MLRs may result in under-reporting of work by the bar that should be subject to AML supervision.

Meanwhile Scotland's bar supervisor, the Faculty of Advocates, has only just introduced a new requirement for Scottish advocates to make an annual declaration of whether they do work within scope of the MLRs, with the reliability of responses received being so far untested.[67]

Certain services such as conveyancing and company formation are particularly vulnerable to abuse

The risk that some legal professionals may be failing to declare regulated work they are in fact engaged in was highlighted in the SRA's case against Oxfordshire law firm, Ferguson Bricknell. In January 2023, the SRA imposed a £20,000 fine against the firm for *"reckless"* AML breaches that included incorrectly declaring its firm-wide risk assessment was compliant when it had omitted the risks associated with conveyancing and controlling client monies, which accounted for roughly 75% of its fee income.[68] The SRA announced in January 2025 that it had intervened to close the firm down.[69]

Maintaining an accurate list of lawyers operating within the scope of the MLRs is only the start of effective risk-based supervision. While there are some signs of progress in this area – such as the CLC launching a new risk register and the LSS refining its AML certification process, it is clear that some legal sector supervisors need a much more granular understanding of different services and risks within their supervised population.

The current National Risk Assessment of Money Laundering and Terrorist Financing classifies the legal sector generally as being at high risk of money laundering, but notes that certain services such as conveyancing and company formation services are particularly vulnerable to abuse.[70] It would be helpful for the next iteration of the NRA to provide a more nuanced assessment of the types of services and profile of law firms and legal professionals at greatest risk to help legal sector regulators raise their game.

But without accurate self-declarations, it will be a major challenge for supervisors in the sector to accurately capture who is even covered by the MLRs, and what the risk profile of the sector really is.

2. Cross-cutting vulnerabilities: conveyancing and trust and company services

Certain high-risk areas of work feature prominently across different AML populations – conveyancing and trust and company services, in particular.

Following OPBAS' 2023 project on the risks related to Trust and Company Service Providers (TCSPs) in the legal and accountancy sectors, a number of legal sector supervisors have given more focused attention to this area over the last year.[71]

A thematic review by the conveyancing supervisor, the CLC, found that trust services provided by conveyancing practitioners posed a medium risk, noting as a particular cause for concern the widespread failure to do client and matter risk assessments.[72] Meanwhile the company services provided by conveyancing practices were assessed as low risk – mainly covering the formation of management companies for new build developments and the creation of companies to enable the collective purchase of property.

AML-regulated work done by Scottish solicitors is split between conveyancing (91%) and trust and company services (9%), which together generated gross fees of almost £700 million in 2023/24.[73] As the LSS' improved AML certification process reveals, these high-risk areas of work are servicing a significant international client base with touchpoints in secrecy and high-risk jurisdictions.

Yet despite these compounding risk factors, the compliance rates for conveyancing work in Scotland are alarming, while TSCP work fares even worse. 41% (13 out of 32) of residential conveyancing files reviewed by the LSS were assessed as *"critically non-compliant"* and a further 41% considered *"non-compliant"*.[74] The critically non-compliant figure jumps to 75% (3 out 4 files) for TCSP work, while the remaining file (25%) was *"non-compliant"*. This means that not a single TCSP high-risk file was even *"generally compliant"*, let alone *"highly compliant"*.

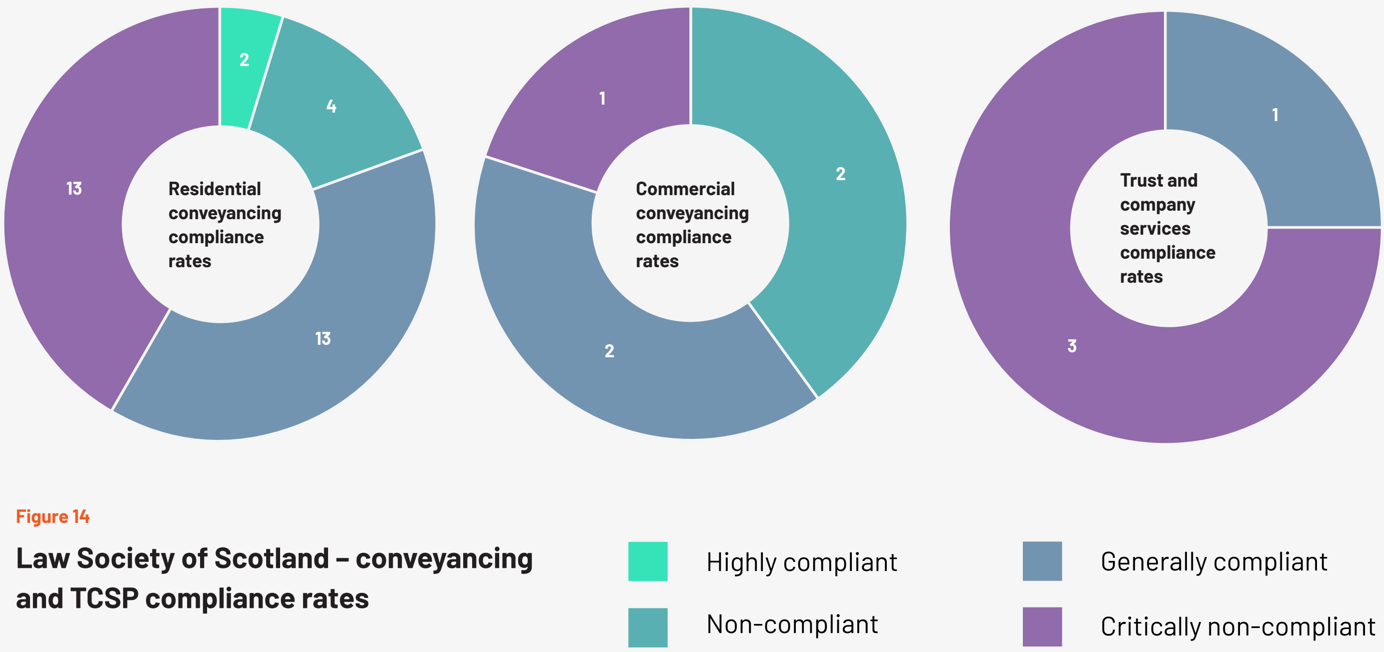

Figure 14

Law Society of Scotland – conveyancing and TCSP compliance rates

Source: Law Society of Scotland annual AML report 2023/24

The SRA notes in its latest report that *"property conveyancing remains by far the highest risk area for illicit finance and money laundering"*.[75] This is borne out by the SRA's biggest enforcement actions over the last couple of years which have pointed to serious shortcomings in the source of wealth and/or source of funds checks in relation to property transactions for high-risk clients (from foreign PEPs to the ex-wife of a convicted fraudster).[76]

In 2023/24, 73% of the 23 Suspicious Activity Reports (SARs) filed by the SRA relating to funds totalling more than £75 million, related to conveyancing.[77] The majority of these SARs concerned residential properties and involved the exchange of funds. Alarmingly, in some cases the transaction was aborted with the risk that funds held by the law firm were 'cleaned' upon return to the client.

With property an area of chronic high risk across the legal and accountancy sectors, OPBAS wrote a letter to supervisors in November 2024 urging them to increase the effectiveness of their supervision of conveyancing.[78] OPBAS drew particular attention to the complexity that arises from the involvement of many different types of professionals in the end-to-end conveyancing process who are *"all subject to varying degrees of AML supervisory activity"*.

Legal sector supervisors often point to their specialism in understanding their sector. But too often the fragmented supervision of these professionals emphasises their differences, and operates in silos rather than coordinating and sharing information to address cross-cutting vulnerabilities especially when they are confronted by shared AML risks.

3. Passing the buck: supervisory cracks created by fragmented supervision

The fragmentation of supervision in the legal sector makes it harder to achieve a consistent and coordinated response to common threats. It also risks allowing certain threats to fall between the supervisory cracks.

At the one extreme, there are legal professionals who may escape supervision altogether because they are not members of a professional body despite doing work that falls within the scope of the MLRs.[79] While HM Revenue & Customs is the supervisor of last resort for the accountancy sector, there is no similar default supervisor for the legal sector.

There are legal professionals who may escape supervision altogether because they are not members of a professional body

This is not a new gap, but it is striking to see even the Bar Council of Northern Ireland – which continues to report that none of its members engage in regulated activity – raise concern in its latest report about the risks posed by unregistered legal professionals in the context of a strong deregulatory push from the government.[80]

At the other extreme, there are supervisory overlaps with some legal professionals engaging in AML-regulated work subject to oversight by two different professional bodies. For example, the Faculty Office's dip sample of the websites of 50 notaries showed that the majority (31) were also solicitors or another type of lawyer, and 17 had failed to provide separate policies for their notarial practice.[81]

This overlap causes challenges of coordination. But most seriously it poses the risk that supervisors rely on the other rather than taking their own responsibilities seriously.

The annual reports of the Faculty Office and CILEX Regulation for instance reveal that these smaller supervisors often only took enforcement action against members after learning that they had already run into trouble with other regulators.

While CILEX Regulation took no formal actions itself during 2023/24, it *"monitored the progress of cases related to CILEX members"*.[82] This included one being rejected by another AML supervisor, another being the subject of continuing investigation by law enforcement, and a third currently being investigated for *"allegations of breach of AML requirements following findings of misconduct made by another legal regulator"*.

The CLC has identified emerging risks around the reliance placed by conveyancers on shoddy compliance by auction houses

The Faculty Office took formal enforcement action to strike off two notaries in 2023/24 – an uptick on past enforcement figures – but also appears to rely heavily on other parts of the system.[83] Using disciplinary information from the Financial Conduct Authority's (FCA) information-sharing platform, the Faculty Office found six relevant disciplinary cases since 2020: one was currently under investigation, another two were subject to SRA-initiated proceedings relating to the misappropriation of funds, one was discovered to be continuing to provide services despite being suspended as a notary; and two recent cases revealed an element of dishonesty in the notarial services provided.[84]

Additionally, complacency by supervisors and the sector more broadly about regulated activities that involve a range of different professionals, may lead to half-hearted or non-existent compliance as reliance is placed on others along the services supply chain. For example, the CLC has identified emerging risks around the reliance placed by conveyancers on shoddy compliance by auction houses.[85] At a sectoral level, the financial services sector has pointed to the implicit reliance that the legal sector places on banks to carry the burden of compliance.[86]

This brings home just how essential information-sharing is for effectively policing the many perimeters of the fragmented supervisory regime.

Yet as OPBAS recently reported, proactive information and intelligence sharing remains *"inconsistent, with some PBSs improving but limited sharing elsewhere hampering efforts to make a real dent in the flow of illicit funds in the UK"*.[87] This leaves supervisors largely reactive to developments in other parts of the system, rather than coordinating proactive efforts to monitor and mitigate threats.

4. Resourcing AML supervision: putting money where the risk is

One key area of concern highlighted by OPBAS in its latest report is that supervisors are not all *"prioritising and resourcing their AML supervisory function appropriately"*.[88] For these professional bodies, AML is only one dimension of their broader work and there are concerning signs that resourcing arrangements may be undermining the effectiveness of their AML supervisory functions.

At least six of the 22 supervisors across the legal and accountancy sectors currently outsource their AML inspections. While outsourcing may not necessarily be a problem, particularly for smaller professional bodies that lack in-house capacity or even bigger supervisors that need to surge AML capacity, OPBAS voiced concern about weaknesses in the oversight of these subcontracted inspectors.

This raises serious questions as to why these professional bodies should be given AML supervisory responsibilities in the first place. If there is little or no oversight of how supervisory functions are carried out, these third party inspectors risk aggravating the inconsistencies that already plague the fragmented supervisory regime without being directly answerable to OPBAS for their effectiveness.

This raises serious questions as to why these professional bodies should be given AML supervisory responsibilities in the first place

At the same time, OPBAS warned that some professional bodies are not sufficiently resourcing their AML supervisory functions. Data obtained from the Treasury reveals huge discrepancies across supervisors in terms of the staff capacity dedicated to AML supervisory functions.[89]

At one extreme, the SRA had roughly 60 full-time equivalent (FTE) staff on its AML team in 2022/23, while its latest report shows that its growing supervisory capacity resulted in double the number of proactive engagements in 2023/24. At the other extreme, three of the smallest legal supervisors have fewer than one FTE staff dedicated to AML supervision.

Figure 15: AML-dedicated staff during 2022/23

Source: Size of AML population taken from HM Treasury annual AML supervision report 2022/23; FTE staff data obtained through Freedom of Information Request to HM Treasury

Supervisor	Size of AML population	FTE staff dedicated to AML	Members per AML staff member
Solicitors Regulation Authority	6,007	59.96	100.18
Law Society of Northern Ireland	435	7	62.14
Law Society of Scotland	686	7	98
Council for Licensed Conveyancers	231	2.43	95.06
Bar Standards Board	486	2	243
General Council of the Bar of Northern Ireland	0	1	0
Chartered Institute of Legal Executives	21	0.2	105
Faculty of Advocates	8	0.2	40
Faculty Office of the Archbishop of Canterbury	124	0.6	206.67

Of course, the contrasting sizes and risk profiles of different supervised populations need to be taken into account when considering what resourcing is proportionate, but there are some striking outliers whose headcount and budget for AML work appear out of step with what is needed to achieve effective supervision.

For example, the AML population of Scottish solicitors is much larger than its counterpart in Northern Ireland and engages in significantly higher-risk work that brings in £700 million a year in legal fees, yet they both report having seven full-time equivalent (FTE) staff dedicated to AML supervisory functions. The 2.43 FTE staff that the CLC allocates to supervising its high-risk conveyancing population also seems inadequate for the task at hand.

Meanwhile OPBAS raised concern in its latest report that one (unnamed) legal sector supervisor failed to provide regular training to its staff engaged in AML supervision because it judged the inherent risk of money laundering to be low in its supervised population.[90] This raises questions as to whether supervisors are properly equipping their AML staff to do their jobs effectively.

Given that some supervisors outsource their functions rather than having in-house capacity, the budget for AML supervision is an important part of the resourcing picture. OPBAS reported that annual AML expenditure for 2022/23 varied from as little as £73 to over £1000 per supervised population.[91]

Based on data obtained through Freedom of Information requests, the overall annual AML budgets for 2022/23 ranged from the mere £22,260 being spent by the supervisor for legal executives, CILEX Regulation, to the SRA's budget of over £3 million.[92] Once again, the adequacy of these budgets need to be considered against the size and risk profile of the supervised population, but the data bears out the considerable variability across the sector. Meanwhile the proportionately higher spend on the smallest AML populations points to the inefficiency of such fragmented supervision, particularly considering these supervisors have not emerged as the strongest in the sector.

Figure 16: AML budgets for 2022/23

Source: Size of AML population taken from HM Treasury annual AML supervision report 2022/23; FTE staff data obtained through Freedom of Information Request to HM Treasury

Supervisor	Size of AML population	AML budget	Budget per member (£)
Solicitors Regulation Authority	6,007	£3,054,514.31	£508.49
Law Society of Northern Ireland	435	60-62%*	Unknown
Law Society of Scotland	686	£411,000	£599.12
Council for Licensed Conveyancers	231	£162,168	£702.02
Bar Standards Board	486	£138,000	£283.95
General Council of the Bar of Northern Ireland	0	£45,000	N/A
Chartered Institute of Legal Executives	21	£22,260	£1,060
Faculty of Advocates	8	£30,000	£3,750
Faculty Office of the Archbishop of Canterbury	124	No data	No data

* It is not clear what this percentage figure provided by HM Treasury relates to or means in real terms.

These budgets pale in comparison to the costs of compliance, with the biggest law firms spending more per year on their AML systems and processes than the SRA's annual budget. Meanwhile, as the financial sector is often quick to point out, banks are often expected to compensate for poor AML compliance and weak supervision in the legal sector.[93]

With UK financial institutions now collectively spending £21,400 per hour – and £38.3 billion annually – on compliance to combat financial crime, the meagre resources dedicated to supervising lawyers appears increasingly out of touch with the scale of the challenge.[94]

Conclusion: Getting ready for reform

As the UK stands at a major crossroads on its AML regime, it is clear that continuing on the path of fragmented and uneven legal sector supervision will not deliver the step change in effectiveness that is needed. With insufficient progress after six years of OPBAS and a FATF evaluation looming ahead in 2027, the time is ripe for reform.

Fiddling around the edges of a broken system will not be enough to raise the standards of AML supervision across the board

Fiddling around the edges of a broken system will not be enough to raise the standards of AML supervision across the board. We need to grasp the nettle of structural reform to consolidate AML supervision of the (non-financial) professional services.

While no structural reforms are without risks that need to be mitigated, a single statutory AML supervisor for the professional services offers the best way forward.[95] It has the most potential to improve the overall effectiveness of AML supervision by addressing the fragmented supervision of lawyers and accountants without disrupting the relatively strong performance of statutory supervisors like the FCA and the Gambling Commission.

Transitional arrangements will be key to the effectiveness of these reforms. Most obviously, this requires setting up a new statutory supervisor for success – ensuring it is robustly independent, properly empowered, adequately resourced, transparent in its operation, and plugged into information- and intelligence-sharing frameworks.

But it also requires a clear plan to ensure consolidation does not set back the incremental – but positive – gains that have been made. Rather than 'big bang' consolidation, supervisory reforms should be achieved through a phased and carefully managed plan focused on ensuring supervisory effectiveness is improved in the interim period.

These are lessons to be drawn from the latest round of legal sector AML reports and OPBAS' ongoing work for achieving a successful transition to consolidated supervision of the professional services.

1. Remove AML supervisory functions from failing supervisors

As an initial step, failing supervisors in the legal and accountancy sectors should be relieved of their AML responsibilities. For example, two of the nine supervisors assessed by OPBAS in 2023/24 clearly stand out for being *"ineffective"* on the majority of metrics.[96] While OPBAS has so far refrained from 'naming and shaming' these laggards, targeting these weak links should be a priority in a carefully managed transition to consolidated supervision.

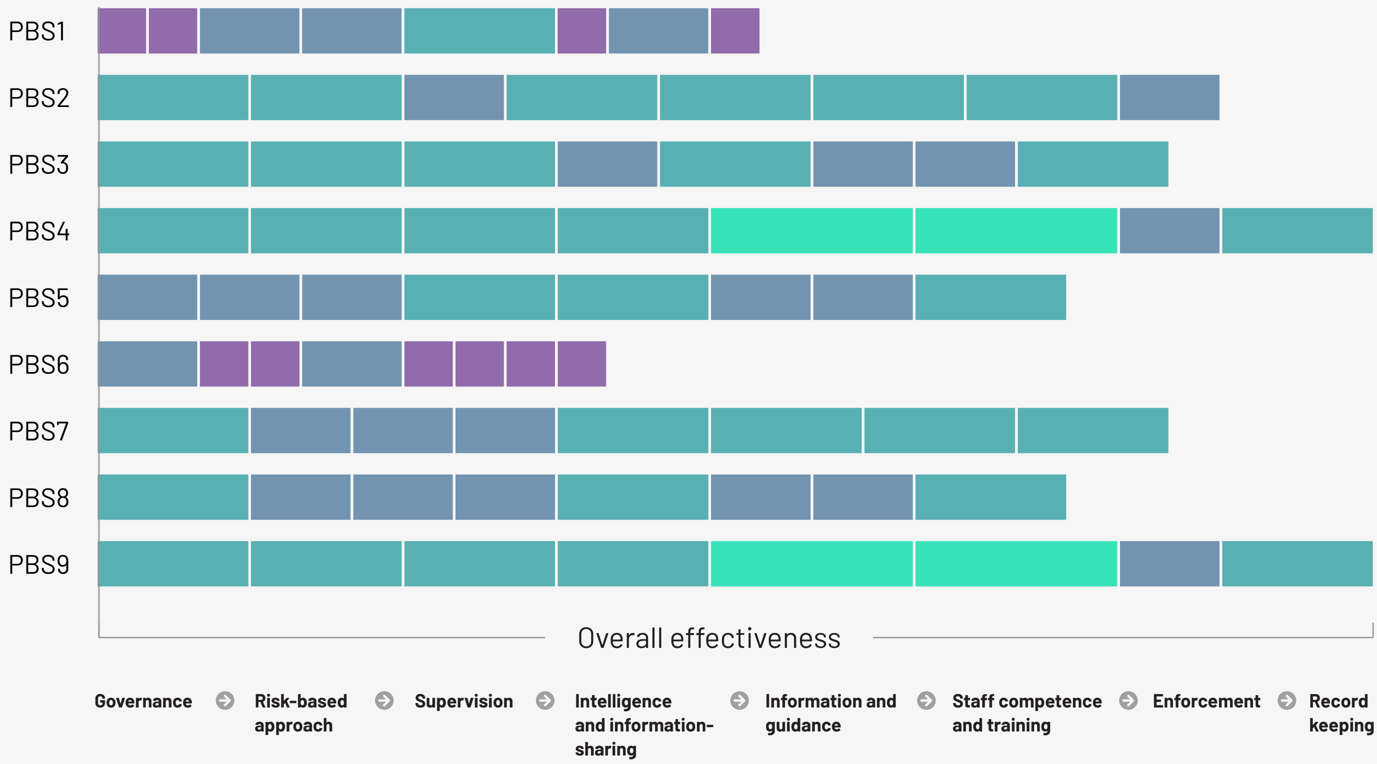

Figure 15

Performance effectiveness ratings for nine legal and accountancy sector supervisors assessed by OPBAS in 2023/24

Source: OPBAS report on *"Anti-money laundering supervision by the legal and accountancy professional body supervisors: progress and themes from our 2023/24 supervisory work".*

Effective
Achieving intended outcomes consistently
Only minor improvement needed

Largely effective
Achieving intended outcomes frequently
Moderate improvement needed

Partially effective
Achieving intended outcomes only occasionally
More major improvement needed

Ineffective
Little or no demonstration of intended outcomes
Fundamental improvement needed

2. Encourage leading supervisors to build on developing best practice

While poorly performing supervisors should have their AML responsibilities removed – and sooner rather than later – it is equally important that better performing supervisors do not lapse into inactivity but in fact help drive forward a successful transition. OPBAS has a crucial role to play in encouraging supervisors to improve their effectiveness – and holding them to account for their performance during the transition period. In the legal sector, building on these bright spots includes more refined risk assessments, better strategic targeting of high-risk areas, and more ambitious enforcement that draws on the full range of sanctions.

3. Lay the groundwork for a consolidated register of the regulated sector

Given the current challenges of policing the many perimeters of the professional services, and the legal sector in particular, supervisors should be required to maintain a public register of their

AML supervised population. Just as the FCA is legally obliged to publish a register of its regulated population, supervisors in the legal and accountancy sector should also be required to develop a publicly accessible database of this kind as a valuable stepping stone during consolidation. It would improve the consistency and coordination of information about the scope of the AML-supervised professionals during the transition period, and lay the groundwork for a consolidated register of the regulated sector.

4. Retain, integrate and build sectoral expertise and regional diversity

Every effort should be made to ensure that the sector- and region-specific AML expertise that currently exists is not lost in the process of consolidating supervision. For example, the latest round of legal sector reports underscore the importance of specialist expertise to understand the distinctive risks in different pockets of their supervised populations and spot inaccurate self-declarations by professionals as to whether they are engaged in regulated work. The new statutory supervisor needs to reflect both the sectoral and regional diversity of the professional services, and these perspectives and expertise need to be integrated during the transition.

5. Expand thematic work and cross-sectoral information-sharing

The recent uptick in thematic supervisory work, particularly in cross-cutting areas of high risk such as conveyancing and TCSPs, will become even more valuable during the transition period. These efforts to break down siloed, sector-specific approaches should be expanded to focus on pooling sectoral insights as part of a more coordinated response to shared vulnerabilities. The government's cross-system enablers strategy offers a valuable opportunity to drive a cultural shift in information and intelligence-sharing across sectors.

Finally, it is important for supervisory reforms to be embedded within the wider context of the UK's international and domestic commitments to tackle money laundering and prevent misuse of UK professional services and financial institutions as a vehicle for money laundering. AML supervision is just part of the overall framework for preventing money laundering. These reforms need to be supported by a robust national policy framework, an accurate national risk assessment, as well as strong criminal and civil enforcement mechanisms to ensure money laundering offences are prosecuted and the proceeds of crime are recovered.

Annex: List of Legal Sector Supervisors

Below is a list of the nine legal sector professional bodies with a link to their annual AML report for 2023/24.

Professional Body Supervisor	AML supervised population
Solicitors Regulation Authority (SRA)	Solicitors in England and Wales
Law Society of Northern Ireland (LSNI)	Solicitors in Northern Ireland
Law Society of Scotland (LSS)	Solicitors in Scotland
Council for Licensed Conveyancers (CLC)	Property and probate lawyers in England and Wales
Bar Standards Board (BSB)	Barristers in England and Wales
General Council of the Bar of Northern Ireland (Bar of Northern Ireland)	Barristers in Northern Ireland
Chartered Institute of Legal Executives Regulation (CILEX Regulation)	Chartered legal executives, CILEX practitioners, CILEX members (paralegals) and CILEX authorised firms in England and Wales
Faculty of Advocates	Advocates in Scotland
Faculty Office of the Archbishop of Canterbury (Faculty Office)	Notaries in England and Wales

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