Spotlight on Corruption's response to HM Treasury's consultation:
"**Anti-Money Laundering and Counter-Terrorist Financing Supervision Reform: Duties, Powers, and Accountability**"
December 2025

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Chapter 2: Registration and gatekeeping, response to questions

Q1: Do you agree with our proposal to amend the MLRs to require the FCA to maintain registers of the professional services firms (legal, accountancy and TCSPs) it supervises? Are there any practical challenges or unintended consequences we should consider?

1. We strongly agree with and support this proposal. An additional benefit of a published register would be to help civil society and investigative journalists identify unregistered firms carrying out regulated activities, complementing the FCA's policing of the perimeter. It would be useful for the wider public too, allowing consumers to check whether firms they engage with are AML regulated.

2. **In addition, we think it will be essential for the government to mandate that professional body supervisors (PBSs) build their own public registers of their AML supervised population during the transition period which can then be transferred to the FCA.** This 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 regulated professional services firms held and managed by the FCA.

Q2: Do you agree with our proposal to grant supervisors the explicit ability to cancel a business' registration when it no longer carries out regulated activities? How might these changes affect firms of different sizes or structures?

3. We agree with this proposal. For it to work effectively, **supervisors must adopt a robust and forensic approach to determining whether a business is no longer carrying out regulated activities to ensure fringe regulated activity does not slip through the cracks**. We cover this in more detail in our response to question 5.

Q3: Do you support the application of regulation 58 "fit and proper" tests to legal, accountancy, and trust & company service providers? Please explain your reasoning.

4. **We strongly support extending the application of fit and proper tests under regulation 58 to the legal and accountancy firms that the FCA will supervise**. Currently, professional body supervisors' application of regulation 26 varies from supervisor to supervisor, raising the risk some entities face less scrutiny before gaining authorisation to undertake regulated activities. Raising the level of scrutiny to that required by regulation 58, and having the FCA apply this consistently across all the firms in the legal and accountancy sectors that it will come to supervise, would be more effective, proportionate and fair.

5. This enhanced scrutiny is also timely in light of the rapid increase in the number of law firms operating as Alternative Business Structures (now more than 13% of firms in England and Wales),[1] whose ownership and management includes non-lawyers. Introducing fit and proper tests would align increasingly commercialised operating models in the legal sector with the safeguards in financial firms, providing better protection for consumers.

6. In addition, to enable independent scrutiny of the FCA's application of regulation 58, **the FCA should at a minimum continue to report annually to the Treasury on the number of applications it receives for AML/CTF supervision**, as well as the number of approvals and rejections, with this information published in the Treasury's annual report on AML supervision. This would ensure continuity with how the FCA currently reports on its assessments of fitness and propriety, as well as the way PBSs report on applications and rejections for BOOM approval under regulation 26.

[1] https://www.sra.org.uk/sra/research-publications/authorising-profession-2022-23/

7. It would also be helpful for the FCA to publish the names of rejected firms and the reasons why their applications were rejected, to inform firms considering applying for approval to do regulated work of any potential hurdles to receiving authorization, as well as enabling civil society, the media, and the wider public to scrutinise the activities of unregulated firms in case they undertake regulated work. An even more effective arrangement would be for the FCA to operate a dashboard for MLR regulated firms, similar to its "*Firm Checker*" tool.[2] This dashboard could also list firms that had applied for authorisation but been rejected as an additional check to protect consumers from unauthorised firms which may continue to offer regulated services.

Q4: What are your views on the proposed changes to regulation 58, including the requirement for BOOMs to pass the fit and proper test before acting, mandatory disclosure of relevant convictions, and the introduction of an enforcement power similar to those under regulation 26?

8. **We agree with the proposed changes to regulation 58** which in our view are essential for ensuring consistency with requirements for BOOMs under regulation 26 in the legal and accountancy sectors, as well as for providing stronger supervision. The loophole allowing new BOOMs in a registered business, or a BOOM whose circumstances have changed (such as being arrested or receiving a criminal charge or conviction), to operate without completing the fit and proper test creates real vulnerabilities and should be closed at the earliest opportunity.

9. The proposed changes are welcome because they would put the onus on the BOOM rather than the supervisor to disclose a change in circumstance and establish clearer grounds for removing BOOMs. It would be helpful to empower supervisors to fine or remove the authorisation to operate of BOOMs which have already been assessed as fit and proper, but who then fail to proactively inform them about a major change in circumstance.

10. We also agree with the proposal to make it a criminal offence to act as a BOOM without having passed the fit and proper test under regulation 58 as this would - if backed up with strong enforcement - create a much stronger deterrent for anyone tempted to ignore the rules. Finally, aligning regulation 58 with the powers under regulation 26 to enable the FCA to apply to the court for an order requiring the sale of a beneficial owner's interest in the firm if they are convicted of a relevant offence under schedule 3 of the MLRs would help protect the integrity of the regulated sector.

[2] https://www.fca.org.uk/consumers/fca-firm-checker/search

Q5: Should the FCA be granted any extra powers or responsibilities with regards to "policing the perimeter" beyond those currently in the MLRs?

11. Yes. Once its new supervisory functions are up and running, the FCA will be well placed to "police the perimeter", drawing on its wide-ranging and cross-sectoral view of the risks faced by the legal, accountancy and financial sectors. Broadly, it is essential that the FCA's supervisory function is adequately resourced so that it can focus not just on delivering effective supervision of its existing population but also remain agile and nimble in identifying unsupervised firms that are carrying out regulated activities. Three issues in particular need to be addressed to ensure the FCA can police the perimeter effectively.

12. First, the consultation document rightly identifies an issue with legal activities that are in scope of the MLRs but are undertaken by individuals or firms which are not supervised by any PBS, or by the relevant PBS. Spotlight on Corruption highlighted this issue in our 2022 report on AML supervision in the legal sector, in particular with reference to wills, estate planning and estate administration.[3] Our more recent report published in March 2025 also pointed out a real issue with certain legal professionals undertaking work that may be covered by different supervisors, but who are only registered with one or who only have the right policies in place for one part of their work, risking them falling between the supervisory cracks.[4]

13. The issue of unregistered individuals who might be carrying out regulated work potentially extends to a range of other independent legal professionals: unregistered solicitors for example who do not have a practising certificate are prohibited by law from acting as a solicitor but may still continue to offer other regulated services without being subject to the SRA's supervisory authority. At the time we called for a "*default*" supervisor to fill this significant supervisory gap, which the FCA is now well placed to fill. **The FCA will need to undertake detailed work to identify unsupervised firms and individuals carrying out regulated work and include them in its register of supervised firms.**

14. Secondly, the dividing line between legal services that fall within the scope of the MLRs and those that fall outside their scope is not clear-cut, with lawyers left to decide for themselves whether their work brings them within the scope of the MLRs. This position is reflected in the Anti-Money Laundering Guidance issued in 2025 by the Legal Sector Affinity Group, which notes that: "*All legal practices must consider whether their business brings them into scope of [the MLRs] through any of the*

[3] https://www.spotlightcorruption.org/wp-content/uploads/2022/11/Privileged_Profession.Full_.pdf, page 40
[4] https://www.spotlightcorruption.org/report/broken-record-legal-sector-aml/, pages 28-29

qualifying activities but particularly those stated in R12. If a legal practice deems itself to be in scope, it is a "relevant person" for the purposes of the Regulations".[5]

15. However, the accuracy of these declarations is open to doubt. 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 that 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.[6]

16. The **job of policing the perimeter could be simplified if the FCA, in close collaboration with the legal sector, issued clear and authoritative guidance on which legal services fall within and outside the scope of the MLRs**, rather than leaving lawyers to reach their own views as to whether their services fall within the regulated sector. At the same time, the FCA, working closely with legal sector professional bodies, will need to **establish processes for checking the accuracy of the self-declarations** from lawyers about whether they undertake any regulated work.

17. The third and final issue concerns where the perimeter should lie. While we welcome proposals for the FCA to police the perimeter in cases where firms are carrying out relevant activities in scope of the MLRs but are not being appropriately supervised, we think this could go further by **making the FCA responsible for identifying, monitoring and reporting on high-risk activities that are *not* currently covered by the MLRs**.

18. The FCA's broad remit and role in policing the perimeter means it is well placed to monitor emerging and evolving risks in unregulated sectors that interface with the financial and professional services sectors. This could include high risk but unregulated sectors identified in the AML/CTF National Risk Assessment such as litigation advice and Strategic Lawsuits Against Public Participation (SLAPPs), and third-party litigation funding (which the the Civil Justice Council has recommended should be subject to AML regulations).[7]

19. Given the holistic view across multiple sectors that will be afforded to the FCA by virtue of its new role, it will be well placed to deploy an intelligence function to

[5] https://www.sra.org.uk/globalassets/documents/solicitors/firm-based-authorisation/lsag-aml-guidance.pdf, page 17
[6] https://www.spotlightcorruption.org/wp-content/uploads/2025/03/Broken-Record-report.pdf, page 26
[7] https://www.judiciary.uk/wp-content/uploads/2025/06/CJC-Review-of-Litigation-Funding-Final-Report.pdf, page 14

horizon scan unregulated sectors and activities that pose a high risk of money laundering to inform a dynamic assessment by HMT of the scope of the regulated sector. It would of course need to do this in close cooperation with other stakeholders including law enforcement agencies including the NCA and the UKFIU, the other statutory AML supervisors, and the professional bodies.

20. Legal sector regulators in particular would need a mechanism to feed into the FCA about sector-specific risks under their statutory duty to detect and prevent economic crime. Such an approach would also support and inform the commitment in the UK's 2025 Anti-Corruption Strategy to "*Take action to mitigate risks in the high-risk sectors identified in the National Risk Assessment*" including by *"consulting on adding new regulated activities to the MLRs over the lifetime of the strategy*".

Chapter 3: Risk-based supervision, response to questions

Q6: Do you foresee any issues or risks with the extension of regulations 17 and 46 to the FCA in carrying out its extended remit, particularly in relation to how these powers will interact with the FCA's proposed enforcement toolkit (as outlined in Chapter 6)?

21. **Regulations 17 and 46 must, in our view, be extended to the FCA to allow it to supervise its new populations effectively**. This would ensure consistency in the supervisory tools available to the FCA, continuity with the supervision to date by the PBSs and HMRC of their populations, and still enable it to take into account sector-specific features that may call for different supervisory approaches.

Q7: What are your views on introducing new supervisory powers to make directions and appoint a skilled person? If this power is introduced for the FCA, should it also be available to HMRC and the Gambling Commission?

22. **We support the introduction of new supervisory powers to make directions and appoint a skilled person in relation to professional services firms.** This would be another way to reduce inconsistencies in the supervisory powers applied to different sectors, and allow the FCA to make early interventions when it identifies regulatory concerns that pose a serious risk to consumers and the public interest. It is important to note that if a firm fails to address the issues for which the skilled person review was commissioned, the FCA will need to follow up with more hard-edged enforcement action. We believe that these powers should also be available to HMRC

and the Gambling Commission to ensure consistency across the entire regulated sector.

23. **Any extension of powers to appoint a skilled person however would need to be preceded by a thorough review addressing serious weaknesses in the existing regime**.[8] Several issues in particular warrant careful consideration.

24. The first issue to address is the perception that **the current skilled person regime is vulnerable to conflicts of interest**. Many skilled persons come from within the financial services industry and therefore may have pre-existing relationships with regulated firms that could compromise the objectivity of their reviews. Skilled persons may also participate in firms' remediation efforts, further undermining the perception of impartiality.[9] At a minimum, the FCA should publish detailed selection criteria for skilled persons and disclose identified conflicts of interest, along the lines recommended by the ICAEW in its guidance for skilled person reviews.[10]

25. Secondly, it is important to note that **extending skilled person reviews to professional services firms risks raising a further conflict of interest** given several firms in sectors which will be supervised by the FCA in due course sit on the FCA's skilled person panel.[11] To mitigate this risk, **only firms which are assessed as fully compliant with the MLRs and which have an unblemished record should be permitted to sit on the panel** (or any future version of it from which HMRC and the Gambling Commission could select skilled persons). Similarly, regulated firms which put forward their preferred choice of skilled person must only be permitted to choose firms with a strong and long-standing track record of being highly compliant with the MLRs.

26. Another issue with the current skilled person regime is the **lack of standardised methodology**, leading to significant variability in review quality. This could be addressed by the FCA issuing clear guidance and standardised methodologies and templates for skilled person reports. In addition, skilled persons are subject to minimal accountability and oversight for their reviews, which may be one reason why the majority of reviews run over budget.[12] **Any extension of the skilled person regime would need to be accompanied by much stronger oversight and accountability mechanisms**, including an annual report on use of the regime and

[8] https://gksbconsultancy.com/the-fca-skilled-person-panel-a-regulatory-tool-in-need-of-review/
[9] https://gksbconsultancy.com/the-fca-skilled-person-panel-a-regulatory-tool-in-need-of-review/
[10] https://www.icaew.com/-/media/corporate/files/technical/technical-releases/financial-services/tech-01-18-fsf-guidance-for-skilled-persons-reviews.ashx, page 10
[11] https://www.fca.org.uk/publication/documents/skilled-person-panel.pdf
[12] https://www.compliancecorylated.com/news/majority-of-uk-regulator-ordered-reviews-run-over-budget-foi-response/

more frequent reviews of the composition of the skilled person panel (as opposed to a every four years as is currently the case) to ensure underperforming skilled persons are removed.

Q8: Do you agree with our proposal to extend the information gathering and inspection powers in the MLRs to the new sectors within FCA supervision?

27. Yes. This will be essential to consistent, fair and proportionate supervision. We particularly welcome extending the FCA's powers under regulation 69 and 70 to enter and inspect the premise of its supervised population without a warrant if they believe that a relevant person is in potential breach of the MLRs, or with a court-issued warrant in a range of circumstances. Applying this power to the professional services sectors supervised by the FCA will ensure consistency with other FCA and HMRC firms and enable the FCA to adopt a more robust approach to supervision than the PBSs which do not have this power.

Q9: Do you believe any changes are needed to the information-gathering and inspection powers in the MLRs beyond extending them to the FCA in supervising accountancy, legal and trust and company service providers for AML/CTF matters?

28. We do believe that one crucial change relating to legal professional privilege (LPP) is needed. Beyond a passing reference in paragraph 3.18 which sets out limits on a supervisory authority's information gathering powers including in relation to legal professional privilege under regulation 72, the consultation paper is almost entirely silent on how the FCA will navigate this sensitive issue. **If the FCA is unable to look at privileged material then it will be seriously hamstrung in its ability to conduct effective supervision of independent legal professionals**.

29. As members of a public profession, lawyers are granted certain rights and benefits which are linked to their role and which rest on an assumption that they uphold standards of professional ethics that ultimately serve the public interest.[13] These benefits include lawyers being entrusted to keep their client's privilege. Where that trust is abused in ways that damage public confidence in the profession, it is essential that the legal regulators are equipped to address and sanction that misconduct. In short, the unique privileges that lawyers are given as members of a public profession mean that their regulator - acting in the public interest - must have unique powers to ensure those privileges are not abused.

30. While LPP undoubtedly has a vital role to play as a fundamental right in securing access to justice, it can also be abused or misapplied. This abuse or misapplication of privilege is most likely to occur in relation to misconduct involving concealment -

[13] https://www.ucl.ac.uk/news/2024/oct/lawyers-claiming-act-public-interest-should-be-more-transparent

such as money laundering or economic crime - where privilege is used to shield scrutiny. It can also be misapplied or incorrectly claimed to resist disclosure - including through failing to file SARs to the UKFIU or handing over information to the regulator - where there are no proper grounds for claiming privilege in the circumstances. As leading academics have argued, judges should be more proactive in scrutinising and blocking abuses of privilege,[14] but it is also vital that the regulator tasked with AML supervision of lawyers is empowered to compel disclosure of privileged material.

31. While regulation 72 of the MLRs suggests that privileged material can be withheld from a supervisor, the SRA has proceeded on the basis that it can compel disclosure of privileged material under section 44B of the Solicitors Act 1974 while maintaining a duty to then uphold privilege in how those materials are used. This position is currently being challenged in the High Court and if the court finds that the SRA is not entitled in law under a section 44B Notice to require production of privileged material, then this **crucial power** to view privileged material **will need to be clarified in primary legislation.** If the High Court upholds the SRA's right to view privileged material, **legislative clarity would be needed in any case to put the SRA's power to view privileged material beyond doubt and grant the FCA powers to view privileged material in specific circumstances for the purposes of fulfilling its responsibilities as an AML supervisor**.[15]

Chapter 4: Guidance, response to questions

Q10: Do you agree that responsibility for issuing AML/CTF guidance for the legal, accountancy and trust and company service provider sectors should be transferred to the FCA?

32. We agree that the FCA - as the AML supervisor for legal, accountancy, and TCSP sectors - should also be responsible for issuing guidance. However, **to ensure the guidance is as detailed, impartial, and useful as possible, we would like to see supervisors be explicitly required under the MLRs to consult a wider group of stakeholders** not just from regulated firms and professional bodies (including the Legal Sector Affinity Group and Consultative Committee of Accountancy Bodies), but from other relevant areas such as professional associations (such as the Institute of

[14] https://postofficeproject.net/wp-content/uploads/WP9-Legal-Professional-Privilege.pdf
[15] https://www.legalfutures.co.uk/latest-news/court-to-rule-on-sras-powers-to-see-privileged-material

Money Laundering Prevention Officers) as well as third sector groups like academics and civil society organisations.

Q11: Do you agree that the MLRs should be amended to transfer responsibility for approving AML/CTF guidance to the relevant public sector supervisor, with HM Treasury retaining a 'right of veto' but not having responsibility for approving entire guidance documents?

33. We agree that the issuance of guidance would be streamlined by removing the requirement for HM Treasury to approve it, while retaining a degree of oversight through the 'right of veto'.

Chapter 5: Information and intelligence, response to questions

Q12: Do you agree to the extension of requirements under regulation 47 to the FCA in relation to accountancy, legal and trust and company service providers?

34. We strongly agree with this proposal and consider it essential to enabling the FCA to act as an effective supervisor of professional service firms. However, to ensure the information on money laundering and terrorist financing is as up-to-date and sector-specific as possible, it will be essential to have a mechanism to consult with and get input from law enforcement and the relevant professional bodies.

Q13: Do you see any issues with the FCA's information sharing duties and powers in regulations 46, 50 and 52 applying to the professional services firms it supervises for AML/CTF purposes?

35. We do not see any issues with this and are of the view that effective information sharing between the FCA and professional bodies, HMRC, law enforcement, and others, is key to effective supervision. A major challenge to address in shifting AML responsibilities from HMRC to the FCA is not to lose expertise and the unique access to its tax records which are an invaluable source of data for AML purposes. It will therefore be vital to ensure effective information- and intelligence-sharing between HMRC and the FCA, including in the pre-investigatory stage so that evidence of suspicious activity that HMRC identifies through its wider work can be shared with the FCA.

36. More generally, the current AML supervisory regime is constrained by poor information-sharing across the board, and any reforms need to focus on system-wide improvement in this area that smooths out inconsistencies in information

sharing gateways between different supervisors and public bodies. **Enhanced information-sharing and communication with regulators in other sectors (FCA, Gambling Commission, HMRC) as well as law enforcement agencies should therefore be a priority**.

37. Splitting AML supervision from the wider remit of PBSs is not without risks, so it will be essential for the FCA to forge strong relationships with all PBSs for the purposes of doing joint work and sharing information and best practice. **Each PBS should be required to have at least one designated individual to act as the point of contact with the FCA on AML-related issues**. This point person would also need to take the lead on continuing to make proactive use of the Shared Intelligence Service (SIS) and the Financial Crime Information Network (FIN-NET) to send and receive information to and from the FCA. This information could concern governance issues in a regulated firm identified by a PBS that indicate wider issues with AML compliance that the FCA would need to investigate, or, vice versa, AML failings identified by the FCA that may encompass wider issues that the professional body would need to examine.

38. These information sharing pathways have been key to PBS identifying AML breaches in their populations. For instance, using disciplinary information from the FCA's information-sharing platform, the Faculty Office of the Archbishop of Canterbury 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.[16] Overall, all stakeholders should work to ensure that the consolidation of AML supervisory function in the FCA delivers significant overall gains for system co-ordination, drawing from the sector-specific knowledge of PBSs while enhancing the consistency and effectiveness of AML supervision across the regulated sector.

Q14: Do you agree that the MLRs should be amended to require the NCA to share SARs with the FCA and other public sector supervisors, where these have been submitted by or relate to firms within their supervisory population?

39. We strongly agree with this proposal and think that it will significantly enhance the ability of the FCA and other supervisors to conduct risk-based, intelligence led supervision. This would also enable the FCA and other statutory AML supervisors to hold their populations to account and ensure robust regulatory enforcement for submitting SARs that are of poor quality, not submitted in a timely manner, or when SARs have not been submitted at all despite a reasonable suspicion of money

[16] https://www.spotlightcorruption.org/wp-content/uploads/2025/03/Broken-Record-report.pdf, page 29

laundering. Once this amendment has been implemented, it will be important for the government to keep under review whether supervisors have enough regulatory powers to ensure that SARs submitted by their populations are of high enough quality to provide actionable intelligence.

Q15: Do you agree that these existing whistleblowing protections are sufficient and appropriate?

40. **We do not agree and believe that the existing whistleblower protections could go much further.**

41. The FCA's position as a prescribed authority under the Public Disclosure Interest Disclosure Act 1998 (PIDA) will provide some professional service sectors such as the legal sector with a much clearer route to raising whistleblower concerns, given for instance that the SRA is not currently a prescribed person under PIDA. However, not applying the same statutory whistleblower requirements under SYSC 18 in the FCA Handbook to the legal, accountancy and TCSP sectors would create a double standard with other firms in the financial sector supervised by the FCA under the MLRs.

42. To ensure consistency across all regulated sectors, **we recommend that the MLRs are updated to reflect requirements under SYSC 18, including for all regulated firms to have effective internal reporting channels, a designated Whistleblowing Champion, staff training, and clear non-retaliation policies**. Also applying this to the firms supervised by HMRC and the Gambling Commission would ensure the requirements are applied in a fair and balanced way across all sectors.

43. This would need to be backed up by effective enforcement by supervisors in cases of whistleblower victimisation, as well as a statutory requirement in line with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 for firms with over 250 employees to publish anonymised whistleblowing statistics, which could then be consolidated by the FCA and other supervisors in a publicly accessible dashboard. While putting these policies in place may represent a short-term burden, the long-term benefits of promoting whistleblowing to detect money laundering and prevent serious harms in the regulated sector would greatly outweigh any initial cost.

44. In addition, it would be essential for any new schemes on whistleblowing incentivisation - which the government has committed to assessing the feasibility of in the Anti-Corruption Strategy 2025 - to apply to the FCA in cases where whistleblowing on economic crime and money laundering leads to actionable intelligence. This should take into account the findings on whistleblower incentivisation from the Independent Review of Disclosure and Fraud Offences by

Jonathan Fisher KC, as well as taking into account lessons from HMRC's recently introduced strengthened reward scheme for whistleblowers.

Chapter 6: Enforcement, response to questions

Q16: Do you foresee any issues with our proposal for the FCA to exercise the same enforcement powers already exercised by it in relation to the financial services firms for professional services firms too?

45. **The FCA exercising the same enforcement powers in relation to professional services firms that it already wields for financial services firms would be key to addressing a major criminal enforcement gap**. It would also ensure regulated professional services firms are subject to the same enforcement powers as opposed to the fragmented approach under the current regime.

46. The criminal enforcement powers under the MLRs have rarely been used, with Ministry of Justice data showing that just three convictions have been achieved so far under the MLRs 2017 where it was the principal offence prosecuted, and just 20 convictions under the MLRs 2007 since 2013/14.[17] This enforcement gap has partly arisen due to a lack of clarity as to whether criminal breaches of the MLRs, as opposed to offences under the Proceeds of Crime Act 2002, fall within the NCA's remit of "*serious and organised crime*". The result has been that professional services firms rarely face a credible threat of criminal prosecution for the most egregious breaches of the MLRs. **Achieving a meaningful deterrent will require the FCA to significantly improve enforcement outcomes, having to date secured just one successful criminal prosecution under the MLRs (against Natwest in 2021).**

47. The FCA also needs to address weaknesses in its enforcement under the Senior Managers and Certification Regime (SM&CR). As Spotlight on Corruption's 2024 report on senior executive accountability in the UK found, there has not been a single money laundering related enforcement action under the SM&CR to date. In addition, neither the FCA nor the PRA publish any breakdown in their annual reports of enforcement or supervisory action under the SM&CR which makes it very hard to get accurate and timely enforcement data on the regime's implementation. Information disclosed through Freedom of Information suggests that the number of investigations opened under the SM&CR has fallen dramatically, from 12 and 11 in

[17] https://www.spotlightcorruption.org/corruption-and-economic-crime-enforcement-tracker/money-laundering-tracker/

2022 and 2023 respectively, to just 1 in 2024.[18] **We would welcome a review into why there have been so few prosecutions using the MLRs which also looks at how the FCA could step in to fill this gap and ensure a meaningful deterrent for money laundering, through both criminal enforcement of the MLRs and stronger use of the SM&CR.**

48. In addition, there are real questions over how the FCA will enforce breaches of the MLRs when both it and some professional body supervisors such as the SRA typically impose sanctions on firms for money laundering-related breaches of the FCA's Principles for Business and the SRA's Code of Conduct and Principles, rather than breaches of the MLRs per se. For instance, of the 22 fines the FCA imposed on firms for AML breaches since 2017, just 4 worth were under the MLRs 2007 and 18 were under section 206 of the FSMA for breaches of either principle 2 or 3 of the FCA's Principles for Business.[19]

49. Given the Principles for Business will not apply to professional services firms, **the FCA will need to develop an enforcement strategy for enforcing breaches of the MLRs directly.** Overall, it is of paramount importance that the FCA is adequately resourced and capable of carrying out an increased number of investigations and enforcement action under the MLRs with both its existing and new powers.

Q17: Are there any additional enforcement powers that you feel the FCA should be equipped with to ensure non-compliance is disincentivised effectively?

50. In addition to enforcing criminal breaches of the MLRs, **the FCA will in its new role be well placed to receive and share intelligence on potential criminal offences under the Proceeds of Crime Act 2002 (POCA), including offences committed by professional enablers** for whom there has long been a major enforcement gap.

51. The Cross-System Professional Enablers Strategy will expire in 2026 and has yet to meaningfully shift the dial on enforcement against enablers; a new, more ambitious strategy should look at how the FCA's new supervisory role and remit could be used to ramp up enforcement against enablers. The strategy should also look at how to improve the calibre of actionable intelligence the regulated sector submits to the UKFIU, and how prosecutions under POCA Section 330 for failing to disclose knowledge or suspicion of money laundering could disincentivise non-compliance.

52. The FCA's uniquely detailed insight into the regulated professional services sector, enhanced by its access to the SARs database, will put it in a strong position to help

[18] https://www.fca.org.uk/freedom-information/information-investigations-breaches-under-smcr-november-2024
[19] https://www.fca.org.uk/freedom-information/information-money-laundering-regulations-mlrs-august-2025

plug the gap of self-standing s.330 prosecutions which have to date been extremely rare. The Supreme Court has confirmed that the FCA is able to prosecute POCA offences, and the FCA describes the scope of its powers to prosecute offences other than those specified in the Financial Services and Markets Act 2000 as the power to "*prosecute criminal offences*" that are "*consistent*" with its "*statutory objectives*".[20] The government could further empower the FCA by amending section 402 of the FSMA to explicitly include POCA section 330 in the list of offences for which the FCA has powers to institute proceedings.

53. At the same time, the FCA will need to step up to a proactive information sharing role to help other law enforcement agencies secure substantive money laundering prosecutions under POCA. One example would be where the FCA through its supervisory work establishes that a firm has failed to file a SAR - leaving the UKFIU in the dark about potential money laundering - despite the firm or its client engaging in a substantive money laundering offence that warrants criminal prosecution.

54. **In our view, the FCA should also be equipped with the power to suspend or cancel a firm's registration under the MLRs when a serious breach occurs**. To avoid duplication with the powers and remit of the PBSs, this sanctioning power would need to tightly correspond with the FCA's supervisory remit. In other words, the FCA should have powers to remove a firm's right to operate in the regulated sector when there is a MLR-related breach (and consequently remove the firm from its public register of regulated firms), but it would be for the relevant professional body to decide what should happen to the firm's registration or licence for any other breach of professional standards. It would be important for the FCA to establish a clear pathway to sharing information about regulatory breaches with professional bodies, in case the breach encompassed wider issues than the MLRs and warranted further action by the relevant professional body.

Q18: Do you think any amendments to regulations 81 and 82 would help the FCA issue minor fines for more routine instances of non-compliance such as failure to register?

55. **We agree that the FCA should be able to issue smaller fines for more routine instances of non-compliance.** The FCA in the last 8 years has only issued a small number of high value fines (25 overall), and has addressed routine instances of non-compliance through a range of other actions such as warnings and action plans. It is possible that imposing low value fines, in tandem with other enforcement actions,

[20] https://www.casemine.com/commentary/uk/fsa's-authority-to-prosecute-money-laundering-under-poca:-supreme-court-clarifies-jurisdiction/view;
https://www.kslaw.com/attachments/000/007/647/original/ca030420.pdf?1583419304

would provide a stronger deterrent for minor MLR breaches for FCA supervised firms (including professional services firms). This will also provide much greater consistency in how MLR breaches by professional services firms are addressed, in contrast to the fragmented approach currently taken by professional services supervisors.

56. By contrast, over the last 8 years HMRC has issued a far higher number of relatively low value fines (3,630) but continues to see high levels of non-compliance (60% of firms subject to a desk based or onsite review were non-compliant in 2024/25). **It is therefore crucial that both the FCA and HMRC strike the right balance by ensuring that high value fines are imposed in cases of serious non-compliance as well as robust enforcement action for individual wrongdoing, to prevent non-compliance becoming an acceptable cost of doing business.**

Chapter 7: Appeals, response to questions

Q19: Do you have any issues with our intention that decisions made by the FCA in relation to their AML/CTF supervision of professional services firms be appealable to public tribunals, in line with the existing system?

57. We support this proposal and strongly agree on the importance of judicial appeal and oversight.

58. For it to work effectively, proportionately, and fairly, it will be essential for judges sitting in the Upper Tribunal to receive training and develop specialist skills to hear appeals arising from the FCA's expanded remit.

59. On very rare occasions, there may be parallel processes relating to overlapping conduct, where AML complaints dealt with by the FCA and appealed to the Upper Tribunal run concurrently to broader complaints of professional misconduct pursued by a professional body. However, we consider that this is unlikely to occur often in practice, given that most of the FCA's enforcement action following MLR breaches would result in a fine, without additional action being taken by relevant professional bodies.

Chapter 8: Fees and funding, response to question

Q20: Do you have any comments regarding the FCA charging fees, under regulation 102, noting the possible proposed amendments?

60. **We agree with the proposal for the FCA to recover the day-to-day costs of AML/CTF supervision through annual fees charged to firms under its supervision**. The FCA must be able to gather the necessary information to calculate fees and impose sanctions on firms that either do not pay the fees or provide the FCA with the right information to enable fees to be calculated.

61. More broadly, **it is absolutely essential that the FCA is able to charge fees at rates which provide adequate, sustained resourcing for its operations** and allow it to **attract and retain staff with appropriate technical expertise as well as sector-specific and jurisdictional knowledge.**

62. In addition, **fees paid by professional services firms for AML/CTF supervision must be ringfenced for spending only on AML supervision of those firms**, and not on wider FCA work. The FCA should issue a comprehensive annual report that includes details on how it has spent the fees gathered from the professional services sectors that it will supervise.

63. We also agree with the proposal to enable the FCA to deduct its enforcement costs from penalty receipts remitted to the Treasury. However, **if the FCA is permitted to deduct enforcement costs from penalty receipts we do not believe it should operate in the same way as the current financial penalty scheme** (FPS).

64. Under the FSMA, the FCA is statutorily required to prepare and operate a scheme (the FPS) for ensuring that retained penalties covering enforcement costs are applied "*for the benefit of regulated persons*".[21] In practice, this means that the FCA uses retained penalties not to cover its enforcement costs but to give a rebate to the periodic fees paid by firms.

65. We are not aware of any equivalent arrangement in other sectors. For instance, the Information Commissioner may keep some civil monetary penalties to cover certain litigation costs, while Ofcom can retain sums received in connection with its functions under Wireless Telegraphy Act 2006 including financial penalties, which

[21] https://www.legislation.gov.uk/ukpga/2000/8/schedule/1ZA/part/3

amounted to £32.9m in 2024/25.[22] Several PBSs - particularly those in the accountancy sector - also retain AML fines and use them to pay the costs of enforcement or other supervisory activities.

66. While we understand the rationale that regulated firms should not have to pay the enforcement costs of the firms on which penalties are imposed, **we believe that there is a strong public interest in permitting the FCA to use receipts from penalties imposed on professional services firms to directly cover its enforcement costs and/or contribute to the costs of its supervisory work**. This would in turn free up further resources that could be used to boost the capacity of the FCA team working on AML supervision, which would also result in an indirect benefit for supervised firms due to the improved supervision the FCA could deliver with more resources.

67. In addition, in our view **the government should reinvest a proportion of the FCA's penalties for money laundering breaches into an economic crime fighting fund** dedicated to boosting economic crime enforcement resourcing for UK enforcement agencies, a proposal that we explored in detail in a 2024 report.[23]

Chapter 9: Transition and Supervisory Co-ordination, response to questions

Q21: Are there any specific powers or transitional arrangements that you believe would help the FCA, current supervisors, or HM Treasury support a smooth and low-burden transition for firms already supervised under the MLRs?

68. Transitional arrangements will be key to the effectiveness of AML supervisory reform – not just in setting the FCA up for success, but also for ensuring continued improvements in supervisory effectiveness in the interim period. Transitional arrangements should therefore not simply be seen as a stepping stone to structural reforms affecting the professional services, but as a dynamic plan to roll out system-wide improvements that will benefit firms by clear and effective supervision that promotes high compliance with the MLRs.

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[22] https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2022/06/ico-funding-update-fine-income-retention-agreement/; https://www.ofcom.org.uk/siteassets/resources/documents/about-ofcom/annual-reports/2024-25/section-400-licence-fees-and-penalties-accounts-2024-2025.pdf?v=400015&utm_source=chatgpt.com

[23] https://www.spotlightcorruption.org/wp-content/uploads/2024/11/SoC_FAVC_041124.pdf

69. The consultation notes that implementation of the new supervisory structure will "*inevitably take several years*" and the response to the 2023 AML supervisory reform consultation admits that the "*date at which the FCA will commence supervision of the professional services sector*" will be "*heavily dependent on the availability of parliamentary time*". **The PBSs, the FCA and the government therefore cannot afford to be complacent about addressing real deficiencies in the current supervisory regime, and ensuring improvements are then carried across to and built on at the FCA.**

70. **It is absolutely essential that sectoral and jurisdictional expertise at the PBSs is not lost in the transition, and that the FCA offers attractive terms and conditions to experts working at PBSs to encourage them to move to the FCA and minimise the risk that those working at the PBSs seek alternative employment, leaving critical vacancies in AML supervisory roles**. At the same time, the transferring of any PBS staff to the FCA needs to be managed very carefully, to avoid PBS losing their staffing resource and expertise before the transition period is over and the FCA is in a position to fully assume its new responsibilities. Any PBSs which take their foot off the pedal during the transition phase, for instance by cutting staff or wider resources dedicated to AML supervision and providing weaker supervision must be robustly held to account by OPBAS (covered in more detail in our response to question 24).

71. To prevent the serious risk that PBSs fail to cooperate productively with the FCA and create critical gaps in supervision and enforcement, **the Government should legislate to impose a duty on PBSs to cooperate with the FCA during the transition period**. The FCA could also set up a transition working group to lay the groundwork for assuming AML supervisory responsibilities in relation to the professional services.

72. While sector-specific expertise is important, the concerns cited in the consultation document by the legal services sector that the FCA will have insufficient sector-specific expertise should not be overstated. For example, it is essential that a supervisor of the legal sector has a thorough understanding of legal professional privilege and its implications for the AML obligations of lawyers under its supervision. However, there is no reason why these nuances cannot be appreciated and observed by the FCA with a wider remit than only the legal sector. On the contrary, the FCA could be better placed than a generalist PBS to explore and provide guidance on particular areas of AML compliance, such as the implications of legal professional privilege in the AML context.

Q22: Do you agree that a requirement should be placed on the FCA and existing professional bodies and regulators to create an information-sharing regime that

minimises burdens on firms?

73. We agree. **A single registration gateway between the FCA and the professional bodies would avoid duplication and help minimise the compliance burden on firms**. These mechanisms should be introduced as part of the transitional arrangements.

Q23: Are there other legislative measures that would prevent additional regulatory burdens arising?

74. None that we have identified.

Chapter 10: The role of OPBAS and professional services legislation, response to questions

Q24: Are there any additional powers that would support OPBAS to provide effective oversight of the PBSs during the transition? If so, please provide an overview.

75. **There is a major risk that a poorly managed transition will set the UK's AML regime back years if there is backsliding in the quality of supervision of the professional services.** OPBAS therefore needs to hold PBSs who will lose their AML supervisory responsibilities accountable during the transition. We agree strongly with the proposed additional powers for OPBAS during the transition, especially the introduction of a fining power for PBSs that fail to adequately supervise their populations during the transition period. We **would advocate for a further power to remove AML supervisory responsibilities from PBSs who continue to perform poorly during the transition**, and transferring these at an early stage either to the FCA or to one of the more effective sectoral supervisors.

76. **At the same time, PBSs should be encouraged not just to maintain, but to improve, their supervisory effectiveness during the transition period.** OPBAS itself must be properly resourced and supported so that it can carry out its critical work, and the skills and expertise of OPBAS staff should where possible be absorbed into the FCA's new, wider AML responsibilities to avoid key staff leaving OPBAS itself during the transition due to the prospect of being left jobless after OPBAS shuts down. This should come in the form of a PBS engagement team in the FCA which will lead its interactions with the PBSs and ensure they maintain a close working relationship and regularly share information and intelligence with each other.

77. **We believe that a phased approach, rather than an abrupt cut-off, would better mitigate the risks inherent in the transition**. Existing cases should be seen through to completion by PBSs where OPBAS has confidence that they will deal with those cases through effective, proportionate and dissuasive enforcement action. Where OPBAS does not have this confidence, it should be empowered to invite the FCA to assume responsibility for the case.

78. New enforcement action initiated during the transition period should be subject to a clear case management plan setting out the lines of responsibility. In this regard, the challenges of a transition should also be seen as an opportunity for the FCA to gain sector-specific expertise and develop strong information-sharing mechanisms with PBSs going forward. In this sense, these transitional arrangements should not be conceived of as stop-gap measures, but rather as the phasing in of new ways of working between PBSs and the FCA that will mature into the fully-fledged reforms.

Q25: Are there any wider legislative changes that may be necessary to support the effective implementation of this policy, including alignment with existing statutory frameworks governing professional services?

79. In our view, a new offence of failure to prevent (FTP) money laundering along the lines of similar offences for bribery, facilitation of tax evasion, and fraud would support effective implementation of this policy. Given the serious difficulties law enforcement agencies have faced prosecuting the MLRs, with just one corporate conviction achieved so far, a new FTP money laundering offence would make it easier to hold companies that fail to prevent money laundering to account.

80. This would complement the offence under the regulation 86 of the MLRs by requiring the company to prove it had put in place reasonable procedures to prevent money laundering, rather than requiring the prosecutor to prove it did not have reasonable procedures in place. Proposals for such an offence have previously received strong parliamentary support, and the government could introduce it through secondary legislation via section 200 of the Economic Crime and Corporate Transparency Act (ECCTA), which permits the Secretary of State to add to relevant money laundering offences to the list of offences under the FTP fraud in section 199.

81. In addition, such an offence would apply to all companies, not just those regulated under the MLRs, incentivising businesses and organisations which are currently left unregulated for anti-money laundering purposes but still pose a high risk (see our response to question 5 for details) to put reasonable anti-money laundering procedures in place to avoid criminal prosecution. In order to prevent disproportionate burdens being put on businesses outside the regulated sector that pose a low risk of money laundering, the FTP money laundering offence could have a

similar defence to the FTP fraud and facilitation of tax evasion offences, whereby it may not be reasonable to expect the company in question to have any prevention procedures in place.

Q26: Should any changes be made to the economic crime objective introduced for legal regulators by the Economic Crime and Corporate Transparency Act?

82. **We do not believe any changes should be made to the statutory economic crime objective for legal sector regulators**. This new statutory objective clarifies and crystallises, for the avoidance of doubt, what could be inferred from the other pre-existing regulatory objectives set out in section 1 of the Legal Services Act 2007.[24] These include objectives to protect and promote the public interest, to support the constitutional principle of the rule of law, and to promote and maintain adherence to professional standards. The economic crime regulatory objective therefore identified a specific implication of these other more general objectives to resolve any lingering doubt that identifying and preventing the involvement, unwitting or otherwise, of lawyers in economic crime falls within the appropriate remit of legal sector regulators.

83. However, the expectations of what is required under the economic crime objective in practical terms may need to change given the removal of AML supervisory responsibility from legal sector PBSs. For example, the LSB guidance on the economic crime objective proposes rating legal sector supervisors on how well they "*Monitor authorised persons' compliance*" and "*Regularly evaluate standards and procedures for addressing economic crime*". At present and through the transition period this would include legal sector PBSs conducting their routine AML supervisory work, such as onsite visits and desk-based reviews for AML compliance. But once the FCA takes over AML supervision for the legal sector, the relevant PBS will of course no longer be expected to undertake this kind of work.

84. Nevertheless, legal sector professional bodies' coordination and cooperation with the FCA and law enforcement agencies responsible for AML supervision and economic crime enforcement will continue to be important even after these PBSs are no longer responsible for AML/CTF supervision. For instance, where the SRA has evidence of a serious breach of their code of conduct or principles, they will need to share this information with the FCA as it may indicate governance issues that would be highly relevant to AML compliance.

85. Moreover, economic crime as defined in Schedule 11 of the ECCTA is much broader than money laundering, and includes fraud, bribery, tax evasion, and sanctions

[24] https://www.spotlightcorruption.org/wp-content/uploads/2025/02/Final-LSB-consultation-on-economic-crime-regulatory-objective-Spotlight-on-Corruption-submission.pdf

offences. It is worth noting that the EU's new AML framework sets out a new obligation to implement a sanctions compliance program as part of a firm's AML internal policies, procedures and controls, acknowledging the overlap between AML and sanctions.[25] This is something the UK's AML regime could consider and would benefit from the FCA's experience of supervising the financial sector for sanctions compliance.

86. While we remain convinced that the legal sector regulatory objective should remain unchanged, the FCA will need to work closely with professional bodies to minimise the risk of duplication. For instance, the FCA will need to create a feedback loop with the wider work of professional bodies which might cover economic crimes and make use of existing information sharing mechanisms to ensure this is passed on to the FCA.

87. Professional bodies in both the legal and accountancy sectors will also still need to support the FCA in its supervisory work, for instance by contributing to the development and dissemination of AML sectoral risk assessments and guidance, and the regulatory objective will play a key role in requiring the legal sector to pay close attention to its responsibilities to prevent and detect economic crime.

Chapter 11: Accountability and independence, response to questions

Q27: Do you have any issues with our intention to apply the FCA's existing accountability mechanisms in carrying out its additional supervisory duties?

88. **We believe the FCA's existing accountability mechanisms could be significantly strengthened to reflect its new beefed-up role as AML supervisor for the professional services.** For the FCA to be an effective supervisor, its governance arrangements must be free from conflicts with the interests of the supervised population, and it must also be protected from other influences which may interfere with the performance of its supervisory functions. This includes mitigating the risks of regulatory and policy capture through governance arrangements and board appointments, and addressing potential conflicts of interest arising from the revolving door between the FCA and firms in the professional services sector.

89. In addition, while it is positive that the FCA must already appear before Parliament's Treasury Committee three times per year for a general accountability hearing, we are concerned that its important role as an AML supervisor will not be given

[25] https://www.bakermckenzie.com/-/media/files/insight/guides/2025/eu-aml-framework-guide-to-key-changes-for-financial-institutions.pdf

sufficient attention in these hearings given the range of other work the FCA does. We believe **senior officials in charge of AML supervision at the FCA should appear at least twice a year before the Treasury Committee in sessions dedicated to AML,** alongside routine scrutiny as part of Select Committee inquiries. In addition, we believe the FCA's independence would be greatly strengthened if the **Treasury Committee was given a statutory veto on appointments and dismissals of the Chief Executive**, as is the case currently for the Office for Budget Responsibility and as recommended by the Treasury Select Committee for the Chief Executive of the FCA and Governor of the Bank of England.[26]

Q28: What measures do you think should be taken to ensure a proportionate overall approach to supervision, including prioritising growth?

90. **It is important to emphasise that strong AML supervision goes hand in hand with promoting sustainable economic growth.** Concerns raised in some consultation responses that the proposed reforms are "*anti-growth*" (due to the possibility that firms pay increased fees) lose sight of the bigger picture that more effective and streamlined AML supervision will strengthen the UK economy by making the UK a more trusted place to do business.

91. The International Monetary Fund's (IMF) annual Article IV Consultations with the UK Government which assess how the Government's policies are "*fostering orderly economic growth*" consistently highlight the importance of strong AML supervision.[27] The IMF's 2025 Article IV report noted that the UK's AML supervisory regime "*could be further strengthened*", encouraging the UK government to continue with reforms to "*bolster risk-based supervision*".[28] The 2024 Article IV report meanwhile highlighted the UK's "*high exposure*" to the "*laundering of proceeds of foreign crimes*" while the 2023 report highlighted money laundering risks in non-bank financial institutions.[29]

92. The UK's role as an international financial centre makes it a particularly attractive destination for illicit financial flows (IFFs), making strong AML supervision that prevents criminal finances from entering the economy all the more important. International expert bodies including the IMF, World Bank, OECD, the UN and the FATF all highlight the damaging effects IFFs have on economic growth.[30] IMF

[26] https://publications.parliament.uk/pa/cm201516/cmselect/cmtreasy/811/81104.htm#footnote-027-backlink
[27] https://www.imf.org/external/pubs/ft/aa/pdf/aa.pdf
[28] https://www.imf.org/-/media/files/publications/cr/2025/english/1gbrea2025001-source-pdf.pdf
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research notes the damaging effects of money laundering on comparable economies to the UK, with AML failings in the Nordic-Baltic region resulting in large drops in stock prices of 11% for the most directly affected banks, as well as declines in share prices of other lenders which simply happened to be in the same country, and for banks in the wider region with cross-border exposures.[31]

93. The IMF also points to the wider, indirect costs of being on the receiving end of IFFs, which include fuelling boom-and-bust cycles and making home prices unaffordable. They can also have an impact on wider financial stability, causing bank runs and lost foreign investment.[32] It is also crucial to remember that IFFs ending up in the UK from less developed jurisdictions fuel inequality, poverty, illegal immigration and environmental harm. One study estimates that $1.3 trillion in IFFs has left sub-Saharan Africa since 1980, draining domestic revenues that should have been used for development.[33] With the UK set to host a global summit on countering illicit finance in June 2026, evidence that the government is prioritising strong AML supervision will be key to being seen as a credible partner on the world stage that is committed to global economic growth.

94. However, **as highlighted by numerous domestic and international expert bodies, including the FATF, OPBAS, and of course HM Treasury, the UK's AML supervision - especially of the professional services sectors - is seriously deficient.** HM Treasury's 2023 consultation document on AML supervisory reform accepted that "*significant weaknesses remain in the UK's supervision regime*", while the FATF in its 2018 MER similarly highlighted "*significant weaknesses*" in supervision by the professional body supervisors, as well as acknowledging "*weaknesses in the risk-based approach to supervision even among the statutory supervisors*".

95. Despite some efforts to improve supervision, OPBAS in its 2023/24 report on the PBSs found a "*lack of full and consistent effectiveness across the PBSs*", with not a single PBS "*fully effective in all OPBAS sourcebook areas*".[34] And the latest HM Treasury report on AML supervision underlined the fact that the majority of supervised firms continue to fall short in their compliance, with 49% of FCA reviewed firms, 81% of Gambling Commission reviewed firms, 81% of HMRC

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https://one.oecd.org/document/DCD(2024)29/en/pdf; https://www.worldbank.org/en/news/factsheet/2020/02/19/anticorruption-fact-sheet; https://www.unodc.org/corruption/en/about.html;https://www.fatf-gafi.org/en/pages/frequently-asked-questions.html#tabs-36503a8663-item-6ff811783c-tab

[31] https://www.imf.org/en/Publications/CR/Issues/2023/09/01/Nordic-Baltic-Regional-Report-Technical-Assistance-Report-Nordic-Baltic-Technical-538762?cid=bl-com-1EUREA2023003, page 69

[32] https://www.imf.org/en/Blogs/Articles/2023/12/07/financial-crimes-hurt-economies-and-must-be-better-understood-and-curbed

[33] https://www.brookings.edu/articles/illicit-financial-flows-in-africa-drivers-destinations-and-policy-options/

[34] https://www.fca.org.uk/publication/opbas/opbas-report-progress-themes-supervisory-work-2023-24.pdf

reviewed firms, 76% of firms reviewed by accountancy sector PBSs, and 71% of firms reviewed by legal sector PBS still not fully compliant.

96. **Achieving a proportionate overall approach to supervision that prioritises growth, therefore, depends on major improvements in supervision to ensure that a far higher proportion of regulated firms are fully compliant with the MLRs and are able to demonstrate an effective approach to identifying and preventing money laundering**. Any effort to ease the burden on regulated firms by weakening AML supervision would be ill-judged and short-sighted. The stark truth is that the UK remains extremely vulnerable to money laundering and any let up in supervision will only make the economy more vulnerable and risk jeopardising growth.

97. The proposed reforms to strengthen AML supervision of the professional services sector detailed in this consultation document are therefore very welcome, but **it is of the utmost importance that the reforms genuinely lead to improvements both in professional body supervisors' performance during the transition period, as well as at the FCA when it picks up their mantle**. Moreover, resolute and sure-footed reforms to consolidate AML supervision, including a clear transition plan for winding down the AML responsibilities of professional body supervisors, will provide a stable platform to ensure the predictability in long-term regulatory expectations that is essential for growth.