

Briefing: Fifth Delegated Legislation Committee on the draft Money Laundering and Terrorist Financing (Amendment) Regulations 2026

Background: In March 2026, the UK government brought in significant changes to the rules for how UK firms mitigate and manage money laundering risks.¹ Most of the provisions laid in a statutory instrument are expected to come into force in late June or early July 2026, with the remainder in 2027.²

While many of these changes are welcome and tighten up the rules, others could make the UK more vulnerable to dirty money without the guardrails of robust supervision. Furthermore, with the Financial Action Task Force (FATF) launching a major review of the UK's AML regime next year, the government must go far beyond these measures to show it is seriously addressing the UK's dirty money problem.

Recommendations:

- AML supervisors must have a clear plan for monitoring and holding firms accountable for how they judge what actually constitutes a high risk transaction requiring enhanced due diligence, to avoid giving a free pass to shoddy compliance.
- The government must push ahead with its plans to make the Financial Conduct Authority (FCA) the super-regulator for money laundering.
- The government should urgently follow through on its commitment in its recent Anti-Corruption Strategy to review whether more businesses should be brought into the regulated sector.
- The new [Financial Services and Markets Bill](#) provides a key opportunity to review the barriers that enforcement agencies face when investigating and prosecuting High End Money Laundering offences. The government should conduct and publish a review and plan of action on the state of play on enforcement of these offences.

1. Risky business? Loosening requirements on higher-risk transactions

1.1 The statutory instrument means that the rules that apply to the highest risk transactions – where firms must carry out enhanced due diligence (EDD) procedures – are now set to change in two key ways:

- Firms will no longer have to conduct EDD checks on all “complex or unusually large” transactions. This requirement is now being watered down to apply to only those considered “unusually complex” or “unusually large”.³

¹ UK Government, [The Money Laundering and Terrorist Financing \(Amendment\) Regulations 2026](#), March 2026

² Insolvency Practitioners Association, [Money Laundering and Terrorist Financing \(Amendment\) Regulations 2026 laid in Parliament](#), April 2026

³ [The Money Laundering and Terrorist Financing \(Amendment\) Regulations 2026](#), March 2026

- Firms previously had to do EDD on countries on the FATF's black list (including Myanmar, North Korea and Iran) and grey list (including Venezuela, Syria and the British Virgin Islands). But now these tighter checks will only apply to countries on the black list, not the grey list.⁴

1.2 The government's removal of the requirement to conduct EDD on FATF grey list countries has been supported by regulated firms and is estimated to result in savings of £178m per year.⁵

1.3 However, questions remain around whether the benefits outweigh the risks, when even routine complex transactions in certain industries or circumstances can pose a high risk of money laundering. It should be highlighted that the government's engagement with industry prior to these reforms "*did not unearth concrete examples of significant wasted resources*" under the previous EDD regime on complex transactions.⁶

1.4 These reforms are designed to help regulated firms to focus more resources on investigating genuinely high-risk activity. But it leaves the door open to unscrupulous or less conscientious firms to exploit these changes to cut costs and corners to avoid doing EDD on risky transactions. This could be hugely damaging for the long-term health of the UK economy and fuel criminality and corruption.

1.5 To mitigate against this, AML supervisors must have a clear plan for monitoring and holding firms accountable for how they judge what actually constitutes a high risk transaction requiring EDD, to avoid giving a free pass to shoddy compliance.

1.6 A key metric for the success of these reforms will be whether there are improvements in the quality of suspicious activity reports (SARs) sent to law enforcement and whether this results in increased enforcement.

2. Other key reforms: crypto, Companies House and company formation agents

2.1 It is a significant step forward that under the statutory instrument, the cryptoasset businesses will now be required to carry out counterparty due diligence when starting relationships with other firms. This closes a substantial loophole that has meant cryptoasset firms have been at serious risk of unknowingly transacting with illicit actors.

2.2 However, with crypto fuelling a £1.2 trillion surge in global illicit financial activity between 2023 and 2025 – a rate of nearly 20% each year – it's alarming that this urgent fix won't come into force for another nine months.⁷

2.3 The reforms also mean that AML supervisors will now have a new duty to cooperate with Companies House on information sharing. This could help to transform Companies House into a more proactive and

⁴ Financial Action Task Force, "[Black and grey](#)" lists

⁵ HM Treasury, [Impact Assessment: The Money Laundering and Terrorist Financing \(Amendment\) Regulations 2026](#), March 2026

⁶ *ibid*

⁷ Nasdaq, [Nasdaq Verafin Report Finds the Financial Crime Epidemic Reaching Alarming New Heights as Illicit Financial Activity Surges to \\$4.4 Trillion in 2025](#), March 2026

reliable custodian of company data and prevent money launderers from using and abusing UK corporate structures.

2.4 Another long overdue reform will mean that company formation agents will now have to carry out customer due diligence when selling off-the-shelf companies. These companies – which can be purchased cheaply online – can be key to facilitating money laundering schemes.

3. What else is needed to tackle the UK's dirty money problem?

3.1 The new rules will only strengthen the UK's AML regime if there are adequate accountability mechanisms in place to keep regulated firms compliant. Therefore, the government must push ahead with its plans to make the FCA the super-regulator for money laundering – this will replace the current ineffective and fragmented system of 22 different bodies overseeing lawyers and accountants.⁸ The government has introduced primary legislation through the Financial Services and Markets Bill that is required for the FCA to become the professional services AML regulator. It now needs to respond to a 2025 consultation setting out how it will ensure the FCA has the right powers and resources to fulfill its new role.

3.2 Moreover, the changes still leave many major issues with the Money Laundering Regulations (MLRs) themselves, including the risks posed by sectors that are not currently regulated for preventing money laundering as highlighted in the government's own 'National Risk Assessment of Money Laundering and Terrorist Financing 2025'.⁹

3.3 With FATF due to oversee a major review of the UK's AML regime next year, the government must urgently follow through on its commitment in its recent Anti-Corruption Strategy to review whether businesses not currently being regulated, should be.¹⁰ These include property developers; cultural institutions, schools and universities; professional sports such as football clubs; libel advisory and litigation firms; PR firms and corporate intelligence firms.

3.4 The government also needs to address a major criminal enforcement gap when it comes to prosecuting high-end money laundering – where large amounts of money are laundered through the UK financial system with the help of professional enablers who often use complex corporate structures and offshore vehicles. While some regulators have increased fines in an effort to deter non-compliance with AML rules, there are very limited statistics available about criminal investigations and enforcement of this type of sophisticated money laundering.

3.4 To date, there has been only one corporate conviction under the MLRs (of Natwest in 2021), and vanishingly few prosecutions of professional enablers.¹¹ Convictions under legislation to hold regulated

⁸ Spotlight on Corruption, [A super vision? FCA tapped to become anti-money laundering super-regulator](#), October 2025

⁹ UK Government, [National Risk Assessment of Money Laundering and Terrorist Financing 2025](#), July 2025

¹⁰ UK Government, [UK Anti-Corruption Strategy 2025](#), December 2025

¹¹ Financial Conduct Authority, [NatWest fined £264.8 million for anti-money laundering failures](#), December 2021

professionals accountable for when they fail to report their knowledge or suspicions of money laundering has fallen by 100% since 2013-14 with just 2 convictions in the last 7 years.¹²

Suggested questions:

- Will the Minister set out how the government is engaging with AML supervisory bodies to ensure that they have a clear plan in place for monitoring and holding regulated firms accountable under the new rules?
- Can the Minister provide an update on the government's progress in implementing its plans to make the Financial Conduct Authority (FCA) the money laundering regulator for professional services including lawyers and accountants ?
- Will the Minister consider amending the Financial Services and Markets Bill to give the Office for Professional Body Anti-Money Laundering Supervision fining powers so it can hold failing supervisors to account and effectively oversee AML supervisory reform?
- Can the Minister provide an update on the government's progress in implementing the commitment it made in its latest Anti-Corruption Strategy to review whether more businesses should be brought into the regulated sector?
- Will the Minister use the new Financial Services and Markets Bill as an opportunity to review the barriers that enforcement agencies face when investigating and prosecuting High End Money Laundering offences?

¹²Spotlight on Corruption, [Money Laundering Tracker](#)