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Dear all

Office for Professional Body Anti-Money Laundering Supervision (OPBAS) supervisory update: Risk identification and verification

All Professional Body Supervisors (PBS) are required to effectively monitor their supervised populations and must adopt a risk-based approach, informed by risk assessments. These are specific regulatory requirements¹.

Given the fundamental importance of the risk-based approach to anti-money laundering (AML) supervision, OPBAS asked PBSs for responses to a questionnaire focused on risk identification and verification. We want to share our summary views, so that PBSs can reflect on any opportunities to increase effectiveness.

Observations on risk identification and verification

Responses indicate that:

- PBS assessment of risk was broadly aligned with the 2020 UK National Risk Assessment (NRA)². Most PBSs support even greater granularity in the next NRA to capture legal and accounting sector specific risks.
- In some cases, limited engagement from supervised populations and issues with general levels of risk awareness in supervised populations continues to be a challenge for some PBSs to overcome.
- PBS supervisory strategies for verifying the information received from their supervised populations include assessments, periodic returns, thematic and project work, and ongoing engagement.

Key risks: Opportunities for future focus and action

¹ See Regulation 17, 46(1) and 46(2)(a) of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the 'MLRs 2017').

² <https://www.gov.uk/government/publications/national-risk-assessment-of-money-laundering-and-terrorist-financing-2020>

PBSs reported a wide range of risks specific to their work and supervision activity. We have focused here on the more prevalent points raised in PBS responses and which may apply across sectors.

PBSs reported Trust and Company Service Providers (TCSPs) as driving the top current AML risks facing their supervised populations. Many PBSs have undertaken and published TCSP supervisory work. OPBAS has already focused on TCSPs in our multi-PBS work and have recommended next steps³. We encourage continued progression of related actions.

Other AML risks identified by PBSs include those relating to client money accounts, payroll services and conveyancing. Client money accounts were flagged as having the potential to be misused as an unauthorised banking style facility on behalf of clients. Payroll services were referenced as having the potential to provide criminals with an appearance of legitimacy in relation to money movement. Risks related to conveyancing were noted as typically involving multiple parties and spanning AML supervisors.

Through horizon scanning, crypto (or cryptoassets) was cited as an emerging risk area but based on hypothesis more so than evidence at present. This could benefit from future focus as and where specific typologies emerge.

We note these risks may not be equally applicable to all PBSs, and that inherent and residual risk will vary, dependent on systems and controls.

Next steps

We strongly encourage PBSs to examine whether and how these risks apply to their own supervised populations and determine the most effective means of addressing them, through respective risk-based approaches. We expect there to be further opportunities for coordinated activity within and across PBSs, such as training and thematic work. That could further demonstrate PBS subject matter expertise on their supervised populations and across sectors.

OPBAS will use insights obtained in ongoing proactive engagement with individual PBSs, and to inform our future work. Content will also be supporting information for the next suite of PBS assessments conducted by OPBAS under the revised OPBAS Sourcebook⁴.

Linking our supervisory work to the most material current and emerging risks will help us focus on the areas where there is greatest potential for harm resulting from money laundering. OPBAS will continue work with a desired outcome of reducing money laundering and making the UK an increasingly hostile environment for financial criminals to operate.

Yours sincerely

OPBAS

³ <https://www.fca.org.uk/publication/multi-firm-reviews/opbas-multi-pbs-project-tcsp-risk.pdf>

⁴ <https://www.fca.org.uk/publication/opbas/opbas-sourcebook.pdf>