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Anti Money Laundering Webinar

Wednesday 16 October 2019

10.00 am

Disclaimer

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Chair

John Roberts, former chair of the Joint Professional Standards
Committee

Speakers

Charlotte Ali, Professional Standards

Jane Mellor, Professional Standards

Tim Lindberg, Member Services

Anti-Money Laundering and you



What will we be talking about today?



- A reminder of basic requirements
- Frequently asked questions in relation to practical application of the requirements
- Money Laundering risk areas
- The 5th Money Laundering Directive
- Questions and answers

Anti-Money Laundering

Basic requirements



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In summary these are the areas we as your AML Supervisor check:

- Customer due diligence (CDD)
- Risk assessment
- Ongoing monitoring of CDD and risk
- Record keeping and destruction of documents
- Written practice wide risk assessment
- Written policies and procedures
- AML Training



Remember the potential implications of getting it wrong!

Customer due diligence (CDD) and risk



Your supervisor will expect to see:

- CDD records
- Evidence of risk assessment of clients



An awareness of risk is necessary when considering whether the appropriate CDD is enhanced, standard or simplified.

Both CDD and risk must be monitored on an ongoing basis – how does your practice evidence these requirements?

Customer due diligence (CDD) and risk



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A reminder to take care with:

- Financial sanctions checks
- Politically exposed persons
- Companies
- Trusts
- Company formation work
- Undertaking work for other accountancy firms or lawyers
- Reliance on third party CDD
- Persons purporting to act on behalf of clients



Customer due diligence and risk



How do members make the processes easier?

- Consider how to integrate the review of CDD and risk with other procedures.
- Many members review annually when preparing each set of accounts or tax returns
- Others deal with this as an exercise during a quiet period
- Consider how to evidence it:
 - Spreadsheets
 - Notes on the software
 - Notes on the new client take-on form
 - Written on the inside cover of the file



Record keeping and record destruction



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Personal information must be destroyed five years after the end of the business relationship unless a firm is required to retain it because of:

- statutory obligations, or
- legal proceedings, or
- alternative agreements with the customer.



Is your policy clear? Can records be identified for destruction?

Written risk assessment and policies & procedures



The 2017 Money Laundering Regulations made it mandatory for all practices to have:



- A written risk assessment document
- A written policies and procedures document.

A risk based approach is required under the regulations so you need to know the risks faced.

Your supervisor will expect to have sight of these documents. They should reflect what actual procedures are and should be kept up to date.

Written risk assessment and policies & procedures



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Most common errors we find:

- Lack of supporting evidence for practice risk assessment
- Pro forma not tailored to the practice
- Policies and procedures (plus forms) used not referred to.
- Forms are referred to which aren't used
- Risks are identified but no procedures set out for mitigation
- No reference to risk assessment or ongoing monitoring of individual client CDD/risk
- Records requirements/destruction of records procedures are unclear



Training



It is a requirement to:



- Undertake regular AML training (this includes the MLRO as well as staff)
- Have a written record of training

Again your supervisor will expect to see records.

Frequently asked questions



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Now for the practical bit!

What frequently asked questions do we get about how to implement the requirements and what do we see when out on visits?

FAQ – written documents



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Q. I am a sole practitioner with no staff. Do I have to have a written practice risk assessment and written policies and procedures? I cannot see the point in this.

FAQ – CDD and risk



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Q. I know all my clients really well and they all live locally. Why do I have to bother to have CDD on my files? Do I really have to have noted down whether each one is high, medium or low risk? Why is ongoing monitoring necessary?

FAQ – CDD and risk



Q. I know clients with cash takings are higher risk but what more can I do to manage and mitigate the risks? I have to rely on what my clients tell me.

FAQ – Suspicious activity reporting



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Q. Do I have to do a suspicious activity report where I have knowledge or suspicion about an individual but I don't end up taking them on as a client or where I develop a suspicion about a client who has left?

FAQ – Suspicious activity reporting



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Q. Do I have to do a suspicious activity report where there are errors in relation to the client's tax affairs and the client has underpaid tax?

FAQ – Suspicious activity reporting



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Q. What are the staff's responsibilities in relation to reporting matters and what are the responsibilities of the MLRO in relation to those reports?

FAQ – AML Training



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Q. We did training a while ago and nothing much has changed. How often do we need to do it and what sources of training are there?

FAQ – Record keeping



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Q. I like to be helpful in case my clients ever need documents in the future so I have kept all my records since I set up in practice 20 years ago. Is that a problem in relation to AML requirements?

CIOT and ATT Assistance

- The website includes:

Links to AMLGAS

FAQs

Pro forma risk assessment and policies and procedures documents

- Remember you can contact us with queries or to talk through issues.



Money Laundering Risk Areas



- Typically for our sector we would be looking at tax evasion but what else?
- Government information – National Risk Assessment (NRA)
- Supervisory information - Supervisors supplement the findings in the NRA with their own detailed assessments of risks in their own sectors.

Money Laundering Risk Areas



In May 2018, the National Crime Agency (NCA) released their National Strategic Assessment of Serious and Organised Crime. In it they highlighted a number of areas of money laundering including:

- UK companies as they can be easily opened and can provide an appearance of a legitimate business for criminal activity.
- Accounting and legal professionals were noted to be a continued threat, particularly those involved with trust and company service providers.
- Trade deals involving items, such as gems and precious metals are used to launder the proceeds of crime by hiding funds within businesses that have a naturally high turnover.
- Cash-intensive businesses and Money Service Businesses as cash still provides anonymity to criminals by breaking the audit trail.

Money Laundering Risk Areas



Modern Slavery

In the same report, modern slavery and human trafficking was categorised as a significant threat.

Red Flags:

- Clients linked to particular high risk work sectors – construction, nail bars, hand car washes, agriculture, cleaning, hospitality, factory work.
- Deductions are taken directly/indirectly from staff wages for other 'expenditure'.
- Pay may seem low or below minimum wage.
- Working hours for staff which may seem excessive or indicate that they have few or no days off.
- Potential victims are paid wages in rounded amounts, for example £500 for 30 days work.
- Payments to all employees are identical, no variation in payments depending on the hours each employee works.

Money Laundering Risk Areas



What is indicative of money laundering? What things do you need to look out for?

The Serious Fraud Office gives 3 tell-tale signs of money-laundering:

1. A long term client starts making requests that are out of character
2. A client repeatedly asking for services outside your or your firm's area of expertise
3. A client requesting arrangements that do not make commercial sense

Money Laundering Risk Areas



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- Do you know your clients and their business?
- Keep an eye out for red flags.
- Ignoring suspicious activity puts you and your firm at risk and fuels further crime.

5th Money Laundering Directive



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Proposals on:

- Enhanced Due Diligence
- Regulating virtual currencies and prepaid cards
- Registers of Beneficial Ownership
- Extension of sectors

Further Details

The AML guidance can be accessed on the Professional Standards Sections of the CIOT and ATT websites:

<https://www.tax.org.uk/membership-and-events/anti-money-laundering-and-counter-terrorist-financing>

<https://www.att.org.uk/members/anti-money-laundering>

If you have any queries or want to talk through potential suspicious activity reports where we are AML supervisors please email standards@ciot.org.uk or standards@att.org.uk