

Anti-Money Laundering (AML) Supervision FAQ

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Glossary

The following are referred to throughout the FAQ and, where relevant, links to the original documents are provided below.

MLTPF – Money Laundering, Terrorist Financing and Proliferation Financing

MLR - [The Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#)¹ as amended.

[Anti-Money Laundering Guidance for the Accountancy Sector](#) (AMLGAS) previously known as the CCAB guidance. This updated version of AMLGAS now covers Anti-Money Laundering, Counter-Terrorist and Counter-Proliferation Financing Guidance for the Accountancy Sector.

Accountancy AML Supervisors' Group (AASG). CIOT and ATT participate in this group which is a sub-committee of the UK Anti Money Laundering Supervisors Forum. It provides a forum in which professional bodies work collaboratively to develop accountancy sector supervisory policy to promote consistency in standards and best practice.

The AASG consists of the accountancy professional body supervisors listed in [Schedule 1](#) of the Money Laundering Regulations 2017.

UK AML Supervisors Forum (AMLSF) – This is a forum for all AML supervisors including HMRC and the FCA. It is also attended by representatives of OPBAS, HM Treasury, the Home Office, NCA and other relevant law enforcement agencies.

[Joint Money Laundering Steering Group](#) (JMLSG) – The Joint Money Laundering Steering Group is made up of the leading UK Trade Associations in the Financial Services Industry. Its guidance can be a useful source of information for tax advisers.

¹ https://www.legislation.gov.uk/uksi/2017/692/pdfs/ukxi_20170692_en.pdf

Who needs to register for AML supervision?

Q1. Who needs to be AML supervised?

If you are carrying on a business in the tax and accounting sector you or your firm must be supervised. In essence this means sole practitioners and principals in partnerships/limited liability partnerships and companies.

Q2. Who does not need to be AML supervised?

You will not need to be AML supervised if you:

- are an employee (but you will need to register if you provide tax or accounting services on a self-employed basis outside your employment, e.g. paid weekend and evening work)
- are a **fully** retired member
- work entirely outside the UK (but you should check the AML requirements in the country where you are working)
- Do not work in the tax and accounting sector (or other regulated sectors as set out in MLR).

Q3. Does my firm need to be supervised for AML compliance purposes?

If your firm 'by way of business provides material aid, or assistance or advice, in connection with the tax affairs of other persons, whether provided directly or through a third party when providing such advice', the firm will need to be supervised by an AML supervisor.

The meaning of 'advice' is widely interpreted and AMLGAS states that tax advice 'includes any specific tax advice given to clients, including completing and submitting tax returns, advice on whether something is liable to tax, or advice on the amount of tax due'.

The CIOT and ATT set out in the AML scheme rules that: "advice about the tax affairs of other persons means the preparation and submission of tax returns, advice on tax planning, representation and defence of taxpayers before authorities and courts and the provision of overall advice in the area of taxation and complementary accounting and legal services."

Q4. How do I know if I am providing tax or accountancy services 'by way of business'?

Under most circumstances, it should be easy to tell whether the services you offer are carried out by way of business. If you are unsure, you need to be aware that if you receive any fees or payment for

the tax or accountancy services provided then you are considered to be carrying out a business and need to be registered for AML supervision.

Q5. What is the position if I provide services through virtual or automated services, or provide software or hardware tax solutions?

Where tax services are provided through virtual or automated services AMLGAS indicates that these are services which should be AML supervised.

Businesses offering hardware or software solutions for accountancy, bookkeeping, payroll or tax are not providing services requiring AML supervision provided they do not prepare or analyse any financial information themselves for clients. When considering a service or product which involves software or hardware a business should consider the quantity and nature of the human input that it may need to supply as part of the service. More guidance is given in section 1.2.5 of AMLGAS.

Q6. What are the implications if I provide trust or company services (even if only as a one-off) as well as provide tax services?

The definition of trust or company services (TCSP) is very broad in the MLR and your firm could easily and unwittingly come within scope.

In MLR a trust or company service provider "means a firm or sole practitioner who by way of business provides any of the following services to other persons, when that firm or practitioner is providing such services:

- a. forming companies or other legal persons;
- b. acting, or arranging for another person to act:
 - i. as a director or secretary of a company;
 - ii. as a partner of a partnership; or
 - iii. in a similar capacity in relation to other legal persons;
- c. providing a registered office, business address, correspondence or administrative address or other related services for a company, partnership or any other legal person or legal arrangement;
- d. acting, or arranging for another person to act, as:
 - i. a trustee of an express trust or similar legal arrangement; or
 - ii. a nominee shareholder for a person other than a company whose securities are listed on a regulated market."

All firms which provide TCSP services must be entered on an HMRC register. Where you are supervised by ATT/CIOT we will ensure that your firm is included on the HMRC TCSP register. Because there may

be doubt about whether you provide these services either now or in the future, our present practice is to include all firms registered with us on the TCSP register. HMRC TCSP Register Q&As are included on the CIOT website [here](#)² and the ATT website [here](#).³

Q7. I only have a few clients/my turnover is very low, do I need to register for AML supervision?

Yes. If your firm

- provides 'material aid, or assistance or advice, in connection with the tax affairs of other persons'; and
- if you take any money or fees for the services provided,

the firm must be supervised. There is no de minimis limit.

Q8. I am retired, do I need to register for AML supervision?

Members who are **fully retired** do not need to register for AML supervision. Members who consider themselves 'retired' but still provide tax services to a small number of clients on a paid basis are still in business as tax advisers and as such come within the scope of MLR and need to be supervised.

Q9. I sub-contract for another firm, do I need separate AML supervision?

If **all** your customers are accountancy service providers (ASP) who are supervised by HMRC or a professional body, or banks supervised by the FCA you do not need to register so long as:

- you do not do business directly with the supervised accountancy service providers' or the banks' own customers
- you are included in the supervised Accountancy Service Providers' or banks' AML controls and procedures, suspicious activity reporting, and training programmes
- you have a written contract with each of your customers confirming that every aspect of the relationship between you meets all AML requirements.

If you do not meet **all these conditions** then you must be registered for AML supervision. Once you are registered you will need to consider the Customer Due Diligence (CDD) to be undertaken on the

² https://assets-eu-01.kc-usercontent.com/220a4c02-94bf-019b-9bac-51cdc7bf0d99/b793ba77-676a-44dc-8788-2607b0f957d9/HMRC_TCSP_register_Q&A_for_businesses%5b1%5d.pdf

³

https://www.att.org.uk/sites/default/files/HMRC%20TCSP%20register%20QA%20for%20businesses%20v1.0_0.pdf

firm you are working for and their clients. Sections 5.4.9 to 5.4.10 of [AML Guidance for the Accountancy Sector](#) (AMLGAS) provides further advice here.

If as a subcontractor you simply speak to the clients of the ASP or bank to obtain answers to queries etc that is not considered to be doing “business directly”.

Guidance for firms in relation to outsourcing, subcontracting and secondments is in Appendix A of AMLGAS.

Q10. I do not work in the UK, do I still need to register with the CIOT/ATT for AML supervision?

No, you do not. However, please check the AML regulations for the country you work in and make sure you are compliant. The CIOT/ATT cannot supervise firms working wholly outside the UK.

Q11. I do only pro bono work, do I need to register for AML supervision?

No. Providing you are not receiving any payment for your services you do not need to be registered for AML supervision. If you do not charge for your services you are not considered to be in business and therefore you are not within the regulated sector for AML purposes.

Q12. I don't handle clients' money, why do I need AML supervision?

The requirement to be supervised under the MLR relates to the services being provided by the firm. Supervision is required where tax advice is provided whether the adviser has a client account and handles client money or not. However, where a firm has client accounts and handles client money this can be an additional AML risk factor as criminals are known to seek opportunities to launder proceeds of crime through these means.

See also Q67 in relation to client money.

Q13. I am an employee at a firm, do I need to register for AML supervision?

No. As an employee you will be covered by your firm's AML scheme.

Q14. I am an employee at a firm, but I also have a few private clients, do I need AML supervision?

If you receive payment for your services to those private clients, then yes you do require separate AML supervision of your own.

Q15. I work in another regulated sector, does this advice apply to me?

Please remember that this advice only covers members working in the tax and accounting sector. Members working in other professions or industry sectors may also need to be supervised and they should seek further guidance where necessary.

Who can register for the CIOT/ATT AML Supervision Scheme?

Q16. I am a member of the CIOT/ATT providing tax services on a sole practitioner basis. Can I register for AML supervision with the CIOT/ATT?

Members of the CIOT or ATT providing tax services as sole practitioners must register for AML supervision with these bodies unless you are also a member of another AML supervisor professional body. In that case the professional bodies will agree which body should act as AML supervisor.

Q17. I am a principal in a firm which includes CIOT/ATT members and non-members among its principals. Can the CIOT/ATT supervise the firm?

To be supervised by the CIOT or ATT at least one principal in your business must be a member of the CIOT or ATT. (Principal for these purposes means sole practitioner, equity partner, member of an LLP or company director at Companies House.) If the non-member principals are members of other professional body AML supervisors then the professional bodies, including ATT/CIOT as applicable, will agree which body should act as supervisor.

Q18. As a member of the CIOT/ATT am I not automatically supervised by you for AML?

No, you need to apply for AML supervision. If you have not registered with another professional body AML supervisor, you must do so without further delay. It is an offence to be in practice as a tax adviser without being registered with an AML Supervisor. Please see Q28 regarding the penalties for not registering promptly.

Q19. I have AML supervision with another professional body, do I also need AML supervision with the CIOT/ATT?

No, you do not, provided tax work is covered under that body's supervision. Please use the membership Annual Return to inform us of your AML supervisor. If you have historically been registered for supervision with the ATT/CIOT and your firm has been accepted and registered for supervision by another supervisor, please send us a letter or email stating that you no longer require supervision as you are now supervised by another body. Supervisors are required to liaise and we will need to confirm the position with that body.

Q20. I am a member of the CIOT/ATT, a sole practitioner and have AML supervision with HMRC, do I need to be supervised by the CIOT/ATT instead?

Yes, as a member you should register with the CIOT or ATT for supervision unless you or your firm is supervised by another professional body. In such a case you should notify the CIOT or ATT of your supervisor (you can do this through the Annual Return). If you have registered with HMRC in error, please advise the CIOT/ATT and register with the CIOT/ATT rather than renewing your registration with HMRC at the end of the period of supervision.

Q21. I am a student of the ATT or CIOT, can I register for AML?

No. If you are providing tax services you must be registered for AML supervision. However, we can only supervise current members of the CIOT or ATT. If you are a member of another professional body you should register through them, otherwise you will need to register with HMRC. Once you have finished your exams and been admitted to membership you should switch your AML supervision from HMRC (if that is who you are supervised by) to us at the renewal date.

Q22. How do I let my clients know I am supervised by the CIOT or ATT for AML purposes?

The firm may use the following wording on its practice stationery or website:

'Registered with the Chartered Institute of Taxation for the purposes of anti-money Laundering legislation.'

Or

'Registered with the Association of Taxation Technicians for the purposes of anti-money Laundering legislation.'

Q23. Can I describe my firm as Chartered Tax Advisers?

Registration with the CIOT for supervision does not enable the firm to describe itself as Chartered Tax Advisers. This may be applied for separately [here](#).⁴ Alternatively, if you are a member of the ATT and wish to apply to use the ATT badge, please click [here](#).⁵

⁴ <https://www.tax.org.uk/ciot-practicemark>

⁵ <https://www.att.org.uk/att-members-logo>

Q24. The only CIOT/ATT principal has left the firm; can we still be registered for AML supervision?

The firm should notify the CIOT/ATT straight away (and in any event no later than 14 days after the principal leaves). When the firm is de-registered with CIOT/ATT it will have to register with another AML supervisor. HMRC are the default AML supervisor for tax practitioners.

Q25. If my firm cannot be registered with the CIOT/ATT, which other supervisor can supervise me?

HMRC is the default AML supervisory authority for tax advisers, however, HMRC will not supervise any practitioner who is a member of an AML supervisor professional body.

If you are a member of another professional body, you may be supervised by them under your membership or practising certificate conditions. Please check with your other membership organisation(s) if you are unsure.

The full list of professional bodies is listed in the regulations [here](#).⁶

It is possible that your firm may potentially have more than one possible AML supervisor. The relevant supervisors will agree between them who the appropriate supervisor is in such cases.

The CIOT and ATT may carry out spot checks on members who are not registered with them to ascertain which supervisor is monitoring those tax advisers.

Q26. How do I remove my firm from the register as I no longer require AML supervision?

If you no longer require AML supervision, please notify us by emailing aml@tax.org.uk or aml@att.org.uk explaining the reason. Reasons might include:

- retirement
- becoming a member of another Professional Body, thus requiring a review of the appropriate AML supervisor by the Professional Bodies
- cessation of trade

If you advise us that AML supervision has commenced with another professional body we will liaise with them to confirm the position and agree which is the most appropriate supervisor.

We routinely notify HMRC when supervision has ceased to ensure their records do not show us as supervisors when we no longer act in that capacity.

⁶ <http://www.legislation.gov.uk/ukxi/2017/692/schedule/1/made>

Q27. What happens with my AML supervision if I cease to be a member of the CIOT/ATT?

The CIOT and ATT can only be the AML supervisor of a member. If you cease to be a member then we can no longer supervise you unless you are in business with other principals who are members, and AML supervision of the firm continues because of their membership. Where we are no longer able to supervise, you will need to register for AML supervision with HMRC unless you are a member of another professional body and can register with them.

Q28. What happens if the firm does not comply with the requirement to register with the CIOT/ATT for AML supervision?

Assuming the firm is not registered for supervision either with another professional body or with HMRC, registration with the CIOT/ATT should be brought up to date immediately. Please also refer to the late registration policy and guidance notes on the website as regards the penalties and sanctions for failure to register (see the CIOT website [here](#)⁷ and the ATT website [here](#)⁸).

Q29. What happens if the firm does not comply with other requirements under the MLR and the CIOT/ATT AML Scheme?

Where the CIOT/ATT is your AML supervisor, and in cases of relatively minor non-compliance, the CIOT and ATT would hope to be able to resolve such matters on an informal basis consistent with approved practices applying to the tax and accountancy sector. More serious and/or repeated failures to comply will be referred to the Taxation Disciplinary Board, which will investigate and take disciplinary action as appropriate.

⁷ <https://www.tax.org.uk/anti-money-laundering-aml-overview-and-registration>

⁸ <https://www.att.org.uk/online-anti-money-laundering-scheme-registration>

What are the firm's obligations and CIOT/ATT's obligations under the CIOT/ATT AML Supervision Schemes?

Members should refer to the [CIOT Scheme Rules⁹](#) and the [ATT Scheme Rules¹⁰](#).

Q30. What are my firm's obligations in regards to the CIOT/ATT AML Supervision Scheme?

Your firm must:

- comply with the UK AML/CTF legislation.
- conduct its practice in accordance with the laws of the CIOT and/or the regulations of the ATT with particular regard to the Professional Rules and Practice Guidelines and Professional Conduct in Relation to Taxation.
- comply with the CIOT/ATT AML Scheme Rules which include the following requirements:
 - complete and submit an AML registration form, which will include questions about your firm's compliance with the AML legislation. You will be contacted in April-May each year about renewing this;
 - permit and co-operate with inspection visits by the CIOT/ATT or its authorised representatives;
 - if a sole practitioner firm, obtain and disclose to the CIOT/ATT a criminal history check in support of the application for registration;
 - if a firm with more than one principal, obtain and disclose to the CIOT/ATT a criminal history check for all beneficial owners, officers and managers in support of the application for registration;
 - notify the CIOT/ATT of any relevant changes in the details supplied about the firm within 14 days of the changes taking place. For example, if there is a change in the principals of the firm, particularly if the firm no longer has a principal who is a member of CIOT/ATT.

⁹ <https://www.tax.org.uk/ciot-anti-money-laundering-scheme-rules>

¹⁰ <https://www.att.org.uk/anti-money-laundering-scheme-rules>

Please ensure that you familiarise yourself with all of the Scheme Rules for the CIOT/ATT. For further details in relation to criminality check requirements please refer to the separate FAQ which can be found [here](#)¹¹ for CIOT and [here](#)¹² for ATT.

Q31. What are the CIOT/ATT's obligations in regards to the AML Supervision Scheme?

CIOT/ATT must:

- provide guidance on the practical application of the UK AML legislation. Please refer to the AML sections on our websites. AML Guidance for the Accountancy Sector has been drafted by the Consultative Committee of Accountancy Bodies and can be found [here](#)¹³ The supplementary AML guidance for tax practitioners is available on the CCAB website [here](#)¹⁴.
- provide up to date information on money laundering, terrorist financing and proliferation financing risks faced by tax advisers. The up to date supervisory risk assessment can be accessed [here](#)¹⁵ for the CIOT and [here](#)¹⁶ for the ATT.
- provide helpline support by telephone on 020 7340 0550, or email at aml@tax.org.uk or aml@att.org.uk. Please note that the helpline cannot and will not provide definitive legal advice.
- issue and review an AML annual registration form to be completed by the registered firm.
- the CIOT/ATT may visit a firm with a view to discussing and inspecting its AML compliance procedures and records.
- participate in the Accountancy AML Supervisors' Group and AML Supervisors' Forum (see glossary at the start of the document) to keep abreast of new developments and share best practice with fellow supervisors.

¹¹ <https://www.tax.org.uk/anti-money-laundering-aml-overview-and-registration>

¹² <https://www.att.org.uk/online-anti-money-laundering-scheme-registration>

¹³ <https://www.ccab.org.uk/wp-content/uploads/2023/08/AMLGAS-update-June-2023-APPROVED.pdf>

¹⁴ https://www.ccab.org.uk/wp-content/uploads/2022/05/SupplementaryGuidanceTaxPractitioners_2019Version.pdf

¹⁵ <https://www.tax.org.uk/ciot-supervisory-risk-assessment>

¹⁶ <https://www.att.org.uk/attciot-supervisory-risk-assessment-money-laundering-terrorist-financing-mltf>

How do I make sure my firm meets the requirements under the MLR and associated AML legislation?

The details provided below are not a substitute for familiarising yourself with the MLR, the Anti-Money Laundering Guidance for the Accountancy Sector (AMLGAS) and undertaking training as required under MLR.

While the CIOT/ATT have provided further guidance on questions which members regularly ask, this has not been approved by HM Treasury and is based on our current understanding of the operation of the regulations. This briefing note is based on the legislation applying as at 1 August 2022 which is the law on which the current version of AMLGAS is based. While every care has been taken in the preparation of this guidance, it does not purport to be a comprehensive statement of the relevant law. The CIOT and ATT and all those involved in the preparation and approval of this guidance shall not be liable for any direct or indirect loss, consequential loss, loss of profits or loss of reputation occasioned by reliance on it.

Responsibilities at Firm Level

Q32. We have recently set up in practice and registered for AML supervision. What do we need to do next?

As well as ensuring that you are familiar with the requirements of the CIOT/ATT AML Supervision Scheme you should take some time on the following:

- appointment of a Money Laundering Reporting Officer (MLRO). Sole practitioners will need to perform this role and chapter 3 of AMLGAS covers what is required of an MLRO.
- in firms other than sole practitioner firms the requirements under regulation 21 MLR (see Q 34 below) will need to be considered and the business may need to appoint a board member or member of senior management to be responsible for the business's compliance with the AML regime.
- AML training – make sure this is up to date for you, any staff and agents, so you are aware of current requirements under MLR and will be in a position to identify potential incidences of money laundering, terrorist financing and proliferation financing. See Q60 in relation to the training of agents.
- [AMLGAS](#) – ensure you and your staff are familiar with this.
- written practice risk assessment – this must be in place.
- AML policies and procedures – these must be put in place in the practice and should incorporate actions required to mitigate and manage the AML risks identified in the practice risk assessment. The policies and procedures must be set out in writing.

Further guidance on all of these areas is included in AMLGAS and please refer to the other questions and answers below.

Q33. What are the responsibilities of a Money Laundering Reporting Officer (MLRO)?

The term MLRO is not defined in the regulations. While responsibility for compliance with MLR and associated legislation may be split between a nominated officer and a member of the board in larger organisations, in most cases CIOT or ATT supervised firms appoint one individual as MLRO with responsibility for managing all areas of AML compliance by the business. The MLRO is responsible for receiving internal reports of suspicious activity from staff members and for making external Suspicious Activity Reports (SARs) to the NCA. They may also be responsible for ensuring staff are trained, policies and procedures are kept up to date and adhered to, and so on. Sole practitioners are responsible for ensuring the MLRO's responsibilities are met by their firms even where they have staff supporting them with AML compliance.

A considerable amount of further guidance on the responsibilities of senior management and the MLRO are set out in chapter 3 of AMLGAS.

Additional information regarding MLRO responsibilities in relation to SARs are set out in Q64 below.

Q34. We are a firm with more than one principal. What additional requirements might there be under regulation 21 MLR and how do we know when these apply?

Under regulation 21 MLR firms must put in place additional controls 'where appropriate with regard to the size and nature of its business'. There is no definition of what size of firm this applies to and a firm which is not a sole practitioner will need to consider their own business arrangements. If they consider that additional controls are not required they should document in writing the factors considered and why they have reached their decision. Possible examples might include:

- a. a practice where husband and wife are directors of the business and work in an open plan office with two employees. A small business such as this where the directors are in one location with their employees may reach a conclusion that regulation 21 does not apply to them.
- b. a practice with 10 partners with 50 staff based on multiple sites. This size of firm almost certainly needs more controls than a small practice and would need to meet the requirements of regulation 21.
- c. a 2 partner firm with 10 staff across two offices. Careful consideration of the position would be needed here. Additional controls may be appropriate based on the size and nature of the business but the partners should ensure they review their business arrangement and document their conclusions in relation to regulation 21 requirements.

Where regulation 21 MLR does apply, the additional controls required are:

- the appointment of a director or senior manager responsible for AML compliance. This is in addition to the MLRO, although the same individual can undertake both roles.

- screening of employees before appointment and during employment. This means assessing the skills and knowledge of the individual to carry out their functions effectively as well as the conduct, honesty and integrity of the individual (see FAQ 70 for further guidance).
- establishment of an internal AML audit function.

Q35. I have heard that I have to have a written risk assessment of my practice and written policies and procedures, is that correct?

Yes, that is correct and both are required under the MLR **even if you are a sole practitioner**.

Q36. What should a written risk assessment of my practice include?

Regulation 18 sets out these requirements and chapter 4 of AMLGAS should also be referred to.

Appropriate steps must be taken to identify and assess the risks of money laundering, terrorist financing and proliferation financing to which the business is subject, taking account of the size and nature of the business.

If requested supervised members must provide to their supervisor:

- the risk assessment
- the information on which the risk assessment was based
- the steps taken to produce the risk assessment

The document does not need to be lengthy and members need to step back and consider the risks affecting the firm as a whole. Assessing risk enables the identification of the areas most at risk and then resources can be focused on those areas. The legislation is as yet untested in the courts but one possible approach might be:

Step 1 – consider and identify the money laundering risks faced by the different areas of the business. In order to do this the business should consider the risks based on the factors set out in MLR including

- i. its customers;
- ii. the countries or geographic areas in which it operates;
- iii. its products or services;
- iv. its transactions; and
- v. its delivery channels.

Further details on each of these areas are set out in appendix D of AMLGAS (which sets out the risk factors when considering whether enhanced due diligence is required).

Step 2 – Section 4.3.5 of AMLGAS states that ‘risks should be grouped into categories, such as ‘client’, ‘service’ and ‘geography’. Some risks will not easily fit under any one heading but that should not prevent them from being considered properly. Nor should a business judge overall risk simply by looking at individual risks in isolation. When two threats are combined they can produce a total risk greater than the sum of the parts. A particular industry and a particular country may each be thought to pose only a moderate risk. But when they are brought together, perhaps by a particular client or transaction, then the combined risk could possibly be high’.

Step 3 – Consider risk information provided by the CIOT in its role as an AML supervisor [here](#)¹⁷ and the ATT in its role as AML supervisor [here](#)¹⁸ and the National Risk Assessments (NRA) prepared at intervals by the UK Government. The latest NRA prepared by the government can be accessed [here](#).¹⁹

Step 4 – Having identified risks move on to assess each risk by considering the likelihood of them occurring and the resulting impact if they do. As suggested in AMLGAS (4.4.3) take into account the business’s experience and knowledge of different commercial environments. What might be high risk to one firm owing to lack of experience might be low risk to another.

Step 5 – Set out in writing the risk assessment of the firm overall or particular areas of the firm making sure this draws a conclusion in relation to high, medium or low risk of money laundering, terrorist financing or proliferation financing.

Step 6 – Ensure records are maintained of all the steps taken, the information used and risk assessment itself. Ensure the risk review is updated as and when risks change. Consider revisiting it to ensure it is appropriate at least once a year.

Step 7 – Use the risk assessment to inform what policies and procedures are required to manage risk in the firm. Consider the procedures and controls currently in place and plan for additional actions required to mitigate risk. Make sure where you have staff that they are aware of, understand and put into action the policies, procedures and controls in place.

Supervised firms report to us that they like to use template documents. The CIOT and ATT have prepared further guidance on practice level risk assessments and a pro forma document which members can use and amend for their own practice. It is most suitable for small firms such as sole practitioners or 2 partner/2 director general practice firms and can be accessed [here](#)²⁰ (CIOT) and [here](#)²¹(ATT).

¹⁷ <https://www.tax.org.uk/ciot-supervisory-risk-assessment>

¹⁸ <https://www.att.org.uk/att-supervisory-risk-assessment>

¹⁹ <https://www.gov.uk/government/publications/national-risk-assessment-of-money-laundering-and-terrorist-financing-2020>

²⁰ <https://www.tax.org.uk/practice-risk-assessment-and-policies-and-procedures>

²¹ <https://www.att.org.uk/guidance-pro-forma-documents-use-small-firms-supervised-att>

Larger firms or niche tax practices may prefer to use the pro forma documents supplied by some of the training providers detailed on the websites [here](#)²² (CIOT) and [here](#)²³ (ATT).

Q37. What should my written policies and procedures document cover?

Regulation 19 sets out details on policies, controls and procedures and further guidance is included in chapter 3 of AMLGAS.

Firms are required to establish and maintain policies, controls and procedures to mitigate and manage effectively the risks of money laundering, terrorist financing and proliferation financing identified in the business risk assessment under regulation 18. Records must be maintained in writing as set out below.

The main areas set out in the regulations where policies, controls and procedures are required are:

- risk based approach, risk assessment and management;
- client due diligence (including enhanced and simplified due diligence);
- record keeping;
- internal controls;
- ongoing monitoring;
- reporting procedures;
- compliance management; and
- internal communication.

Full details of the requirements are set out in regulation 19, and section 3.6 of AMLGAS.

The policies and procedures required will depend on the nature, scale, complexity and diversity of the business and they should be easy to understand and follow for all staff. The document does not have to be lengthy if it is not merited in relation to that business.

Businesses should have different risk categories in relation to their clients or areas of work (high, medium and low) and their policies and procedures should indicate the different approach that should be taken in each risk area.

It is recommended that firms should regularly review and update the policies, controls and procedures (considering them at least annually is advisable). Records should be maintained in writing of:

- the policies, controls and procedures;

²² <https://www.tax.org.uk/anti-money-laundering-aml-training-and-id-verification-providers>

²³ <https://www.att.org.uk/anti-money-laundering-training-and-id-verification-providers>

- any changes to those policies, controls and procedures made as a result of the review;
- the steps taken to communicate those policies, controls and procedures, or any changes to them, within the relevant person's business.

Supervised firms report to us that they like to use template documents. The CIOT and ATT have prepared further guidance on practice level risk assessments and a pro forma document which members can use and amend for their own practice. This pro forma is most suitable for small firms such as sole practitioners or 2 partner/2 director general practice firms. The guidance and pro forma documents can be accessed [here](#)²⁴ (CIOT) and [here](#)²⁵(ATT).

Larger firms or niche tax practices may prefer to use the pro forma documents supplied by some of the training providers detailed on the websites [here](#)²⁶ (CIOT) and [here](#)²⁷ (ATT).

Client Due Diligence (CDD) Requirements

A considerable amount of information on client due diligence is included in AMLGAS.

Getting Started

Q38. Why do I need to carry out CDD?

CDD must be undertaken because it is a legal requirement. In addition, it will help you to make informed decisions about the client's business and acceptability.

The purpose of CDD is to know and understand a client's identity, the way in which their business operates and the sources of their funds so that money laundering, terrorist financing or proliferation financing risks can be identified and managed. AMLGAS includes further details on this area in Chapter 5. Clients are generally used to providing CDD documents as these are also required by other regulated businesses such as banks and solicitors. Of course, if you know a client well it may mean you are already aware of a lot of background information about them which you can note down as part of your CDD. You should however also be careful not to turn a blind eye to money laundering, terrorist financing or proliferation financing risks because you know or are related to someone, or use perceived familiarity as an excuse for not updating CDD as circumstances change.

²⁴ <https://www.tax.org.uk/practice-risk-assessment-and-policies-and-procedures>

²⁵ <https://www.att.org.uk/guidance-pro-forma-documents-use-small-firms-supervised-att>

²⁶ <https://www.tax.org.uk/anti-money-laundering-aml-training-and-id-verification-providers>

²⁷ <https://www.att.org.uk/anti-money-laundering-training-and-id-verification-providers>

Q39. Does CDD have to be undertaken before I start work for a client?

You should normally identify and verify the identity of your client (and anyone purporting to act on their behalf and any beneficial owner) before the establishment of a business relationship. Accepting instructions and/or starting work for someone would count as establishing such a relationship.

However, exceptionally regulation 30 allows verification to be completed during the establishment of a business relationship if:

- this is necessary not to interrupt the normal conduct of business, and
- there is little risk of money laundering, terrorist financing or proliferation financing occurring,

provided that the verification is completed as soon as practicable after contact is first established. However, it may be difficult to maintain in many circumstances that tax work meets the first condition.

Q40. I have heard that I should be checking the financial sanctions and proscribed terrorist group lists. Where do I find these?

You are correct. Businesses must comply with any sanctions, embargos or restrictions and you should therefore check the following lists as part of your client due diligence processes:

[Who is subject to financial sanctions in the UK?](#)²⁸

[Proscribed terrorist groups or organisations](#)²⁹

If you come across a client who is on the financial sanctions list, you should refer to OFSI guidance. The article [here](#)³⁰ gives additional information.

The financial sanctions lists provide an indication of clients based in high risk countries. For further details on high risk third countries please refer to Q50.

You should also note the increased level of sanctions in relation to Russia and the ban on the provision of accountancy services to Russia. Further information is included on the CIOT website [here](#) and the ATT website [here](#).

New measures have been introduced to make it easier for the Office for Financial Sanctions Implementation (OFSI) to impose significant fines on those who do not comply with the sanctions. OFSI will also be able to publicly name organisations that have breached financial sanctions, even if they have not received a fine.

²⁸ <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>

²⁹ <https://www.gov.uk/government/publications/proscribed-terror-groups-or-organisations--2>

³⁰ <https://ofsi.blog.gov.uk/2018/05/22/reporting-to-ofsi-how-working-together-helps-makes-sanctions-more-effective/>

This underlines the importance of checking the sanctions list and complying with the sanctions obligations including reporting to OFSI as soon as practicable if they know or have reasonable cause to suspect, in the course of carrying out their business, that they have encountered a person subject to a financial sanction or who has committed a financial sanctions offence. Details of reporting information to OFSI can be found [here](#).

Q41. Can I use electronic ID when doing CDD?

Electronic verification can be relied on for identity verification. It can be a convenient means of carrying out CDD particularly where you cannot meet clients. Note that use of electronic ID packages is not mandatory under the regulations although the CIOT and ATT have been aware that some of the providers have suggested this to be the case in their marketing material.

Lists of some of the electronic ID providers available can be found on the CIOT website [here](#)³¹ and the ATT website [here](#)³². When choosing an electronic verification service provider you should note the guidance included in [AML Guidance for the Accountancy Sector \(AMLGAS\)](#).

Further guidance on meeting CDD requirements where not meeting clients face to face can be found under question 45. Note that it is considered to be a high risk factor where you are not meeting clients face to face AND not performing electronic ID checks.

Q42. Do I have to get documentary evidence of the source of funds or source of wealth for all my clients?

AML CDD requires a risk based approach. If a client is subject to enhanced due diligence (EDD) then you should consider asking for more documentary evidence of the sources of funds and wealth. If simplified due diligence is appropriate to the client and the source of funds for a transaction are understood and consistent with what you know about the client it may not be necessary to obtain copies of documentation. The following examples may be helpful:

- an overseas client is looking to invest in UK property and you have not met them face-to-face. This is a potentially higher risk situation where EDD is likely to apply therefore there is a need to undertake further checks and obtain relevant documentary evidence.
- a client had told you the previous year that the reason for the delay in providing his tax return information was because he has been looking after his father who was seriously ill but had now passed away (the return was submitted and tax paid on time). The next year the client indicates that they are buying a holiday home and when the source of funds is queried the client states that it comes from money inherited from their father. Depending on the

³¹ <https://www.tax.org.uk/anti-money-laundering-aml-training-and-id-verification-providers>

³² <https://www.att.org.uk/anti-money-laundering-training-and-id-verification-providers>
<https://www.att.org.uk/members/anti-money-laundering/id-verification-training-providers>

circumstances you may still want to check the documentary evidence but where you consider the AML risk to be low the explanations provided might be sufficient.

- a company asks for VAT advice on a property transaction they are undertaking. You have acted periodically for this company for a number of years and see copies of their accounts. While the advice relates to a small part of the overall transaction it is still important to understand the company set up sufficiently to determine that there is no MLTPF risk. For example, you need to be happy that it is not a shell company being used to launder money.

Q43. If my client has been introduced to me by another firm, do I still need to do CDD on them?

You can rely on the CDD undertaken by the other firm but there are strict criteria which must be met including the requirement for a **written reliance agreement**. Further details are set out in regulation 39 and there are also details in section 5.4 of AMLGAS.

Reliance on CDD should not be entered into lightly. Even though you are relying on another's CDD you remain liable for any failure to comply. For this reason, many advisers obtain certified copies of CDD from the original adviser instead in order to fulfil their CDD obligations.

You should also be aware that even if a reliance agreement is in place the client still has to be risk reviewed and you are still required to do ongoing monitoring.

Q44. I often obtain certified copies of client due diligence documents. What requirement is there in relation to the person certifying?

An appropriate person in relation to the certification of documentation is someone in a position of responsibility, who knows, and is known by, a customer, and may reasonably confirm the customer's identity. There is not a definitive list but it may be helpful to refer to the Passport Office guidance list of those who may countersign passport applications: <https://www.gov.uk/countersigning-passport-applications/accepted-occupations-for-countersignatories>.

The Passport Office list includes the "member, associate or fellow of a professional body" so this includes a wide range of professionals and would extend to fellow members of the CIOT and ATT.

If a client has their documents certified overseas, you would need to do a check on the status of the certifying individual in the relevant country and do any necessary verification.

Q45. What CDD should I do when not able to meet a client face to face?

One of the high risk indicators included in MLR is where the situation involves non-face-to-face business relationships or transactions, without certain safeguards, such as an electronic identification process meeting certain conditions. Where there is high risk then enhanced due diligence is required.

It does not follow that every circumstance where a client cannot be met face to face is high risk. This needs to be looked at in the round together with other risk factors. As a starting point remember that The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as amended (the Regulations) require a risk based approach and the assessment of risk has an impact on the level of CDD required.

There are multiple approaches to meeting the CDD requirements with a growing number of firms using electronic identification verification and others sticking to more traditional methods. Guidance is set out below in relation to both and members should remember that an appropriate record of the steps taken and/or copies of the evidence obtained to identify the client should be kept.

A number of firms require clients to come into their office with the identification documentation in order to meet CDD requirements. Where face to face contact is not possible members might want to consider the following options:

- Use of Zoom, Microsoft Teams and similar programmes video call packages enable you to interact with a client in much the same way as a physical meeting. If a client emails you a copy of their identity documentation etc they could show you the originals during a call and of course having sight of the client as part of the Zoom video call will enable you to confirm the passport does relate to that individual. Ensure you are particularly mindful of GDPR and data protection requirements in your handling of documents emailed to you.
- This could be the time to explore use of electronic ID verification packages. For further guidance on factors to consider when choosing and using electronic verification packages please see below.
- It is acceptable to have certified copies of client due diligence so if another professional such as a solicitor is involved with the client, they may be able to provide certified copies of CDD and email this to you.
- The Post Office also provide an identity document certification service.
- If other forms of identity verification are not possible you might want to consider asking the client to email copies of their documents and undertake additional checks such as:
 - Google searches identifying any public information about the client.
 - References or other confirmatory information from trusted professionals who have worked with the client.
 - making telephone contact with the client on a home or business number which has been verified electronically.
 - requiring the client to pay you through an account held in their own name with a UK or EU regulated credit institution or one from an equivalent jurisdiction.

- Ensure you are checking to make sure the client is not on the list of organisations and individuals subject to financial sanctions. The lists can be accessed on the [Treasury website](#)³⁷ or the Home Office's [Proscribed terrorist groups or organisations](#)³⁸.

The use of electronic verification

Electronic verification can be relied on for identity verification provided the electronic process is free from fraud and provides sufficient assurance of the identity of the individual. Therefore, those members using an appropriate electronic ID provider may find it considerably easier to meet CDD requirements in circumstances where they are unable to meet clients. Note that use of electronic ID packages is not mandatory under the Regulations although the CIOT and ATT have been aware that some of the providers have suggested this to be the case in their publicity literature.

Lists of some of the electronic id providers are available on the CIOT/ATT websites [here](#)³⁵ (CIOT) and [here](#)³⁶(ATT). When choosing an electronic verification service provider you should note the guidance included in section 5.4.18 of AML Guidance for the Accountancy Sector (AMLGAS):

Enhanced due diligence considerations

Members are reminded that enhanced due diligence may be necessary for some clients and in these cases more due diligence is required and the member may need to use more than one of the above methods to ensure they have obtained adequate CDD. Relevant clients include those who are Politically Exposed Persons, where there is a transaction and either of the parties is established in a high risk third country or where clients are high risk of being involved in money laundering, terrorist financing or proliferation financing based on the high risk factors set out in the Regulations.

There are a number of risk factors set out in the Regulations which should be considered when deciding if there is a high risk of the client being involved in money laundering, terrorist financing or proliferation financing. Following the changes in January 2020 this includes a high risk factor which relates to clients not met face to face and not subject to electronic identification verification. Enhanced due diligence (covered in question 48) may be required in these cases although the circumstances would need to be considered alongside other risk factors. Firms should make sure they are risk assessing individual clients and can explain the assessments reached.

Simplified due diligence (SDD), Enhanced due diligence (EDD) and Standard due diligence

³⁵ <https://www.tax.org.uk/anti-money-laundering-aml-training-and-id-verification-providers>

³⁶ <https://www.att.org.uk/anti-money-laundering-training-and-id-verification-providers>

Q46. Requirements on EDD and SDD are set out in the regulations does that mean that Standard Due Diligence no longer applies?

Standard due diligence continues to be required as before. This is the required level of due diligence unless you are aware that the EDD requirements apply or where SDD cannot be justified.

Remember that the CDD required must be considered on an individual basis for **each client**.

Q47. I understand that it is possible to do simplified due diligence (SDD) under MLR. When are you able to do this?

The application of simplified due diligence is set out in regulation 37.

SDD can be applied where there is considered to be a low risk of money laundering, terrorist financing and proliferation financing having taken into account risk assessments available and risk factors set out in the regulations. The risk factors are also included in appendix D of AMLGAS.

If challenged members will need to justify why SDD was appropriate and will need to maintain suitable records.

Q48. What is enhanced due diligence (EDD) and when do I need to consider doing it?

Chapter 5 of AMLGAS sets out what EDD must include (5.3.9) and the additional measures which may be taken on top of the requirements (5.3.10).

As set out in MLR and in AMLGAS, EDD “must be applied in the following situations:

- where there is a high risk of MLTPF;
- in relation to an occasional transaction or business relationship where either the client or another of the parties to the transaction are established in a high risk third country. This would predominantly apply to services other than accountancy apart from where the business is handling client money or client assets;
- in any occasional transaction or business relationship with a person established in a high risk third country;
- if a business has determined that a client or potential client is a PEP, or a family member or known close associate of a PEP;
- in any case where a client has provided false or stolen identification documentation or information on establishing a business relationship; in any case where a transaction is complex or unusually large, or there is an unusual pattern of transactions which have no apparent economic or legal purpose;
- in any other case which by its nature can present a higher risk of MLTPF.”

Q49. Should I do EDD on businesses where a high percentage of their turnover is received in cash?

One of the customer risk factors set out in MLR relates to where ‘the customer is a business that is cash intensive’. Therefore, you do need to consider the risks relating to cash intensive businesses and ensure appropriate CDD and ongoing monitoring is undertaken. You may also want to consider whether these clients should have an individual risk rating of ‘high’. Additional monitoring on cases such as this could include:

- regular discussions with the client about ensuring all cash transactions are recorded and explaining the implications if a tax return is not complete
- querying unexplained payments into the bank account
- checking whether income looks to be in line with other businesses in the same sector

This not an exhaustive list.

Members are reminded of the requirements in Professional Conduct in Relation to Taxation (PCRT) (see [here](#)³⁴ for CIOT and [here](#)³⁵ for ATT) where they come across an irregularity in a client’s tax affairs.

Q50. I understand that I should do enhanced due diligence (EDD) on clients based in high risk third countries. Which lists should I check to identify which country is a high risk third country?

You are correct. EDD must be undertaken where a client is established in a high risk third country or in relation to a transaction where either of the parties to the transaction is established in a high risk third country. For these purposes the regulations state that “high risk third country” means a country named on either of the following lists published by the Financial Action Task Force as they have effect from time to time—

- (i) High-Risk Jurisdictions subject to a Call for Action;
- (ii) Jurisdictions under Increased Monitoring

Both lists can be found [here](#).

Other lists of high risk countries are also available and you should also refer to the following when considering the geographical risks in relation to clients:

- [financial sanctions listings](#)³⁶

³⁴ <https://www.tax.org.uk/professional-conduct-in-relation-to-taxation-pcrt>

- countries identified by Transparency International as having a high score on the [corruption perceptions index](#)³⁷.

Companies and Trusts

Q51. What due diligence is required in respect of companies?

CDD requirements in relation to companies are set out in appendix B of AMLGAS and in particular sections B2 and B3.

Listed Companies

The MLR sets out the details required:

- company name and number
- address of registered office and, if different, place of business

Note you are not required to obtain details of the beneficial owner.

Unlisted Companies & LLPs

For unlisted companies and LLPs the following information must be obtained and verified:

- company name and number
- address of registered office and, if different, place of business
- articles of Association or other governing documents and the law it's subject to
- names of board members and senior persons responsible for operations
- shareholders/members who own or control 25% of the shares or voting rights or any individual who otherwise exercises control

Before establishing a relationship with a UK company, unregistered company, LLP or Scottish Limited Partnership a business must obtain proof of their client's registration on the People with Significant control (PSC) register or an excerpt of the register.

For PSC discrepancy reporting see Q52.

As set out in AMLGAS B 2.6 "businesses should take care when using information relating to directors held on company registers – these are populated by the company and could be contain unintentional or deliberate errors. For this reason, company registers of people with significant control may be used as a source of information and verification but not solely relied upon. Since the purpose of client

³⁷ <https://www.transparency.org/en/cpi/2020/index/nzl>

verification is to check the client identity information already gathered, it is important that the information used at this stage is drawn from independent sources (such as government issued identity documents) and any identity evidence used should be from an authoritative source. Businesses may wish to use electronic verification methods (see chapter five of this guidance).”

Q52. What if I find a discrepancy in the People with Significant Control (PSC) register?

If a material discrepancy is discovered with the PSC register, Trust Registration Service (TRS) or Register of Overseas Entities (ROE), when undertaking CDD this should be reported to Companies House, or to HMRC in respect of trusts, as soon as reasonably practicable. You should refer to the [Companies House guidance](#)³⁸ and section 5.6 of [AMLGAS](#) which gives details on how to make a report.

A material discrepancy is defined as a discrepancy that, by its nature, may reasonably be linked to money laundering, terrorist financing or proliferation financing, or to conceal details of the business of the customer. Discrepancies will relate to:

- a difference in name
- an incorrect entry for nature of control
- an incorrect entry for date of birth
- an incorrect entry for nationality
- an incorrect entry for correspondence address
- a missing entry for a person of significant control or a registrable beneficial owner
- an incorrect entry for the date the individual became a registrable person.

When initially brought in discrepancy reporting was only required when establishing a new business relationship, The legislation has been amended and discrepancy reporting is now also required during ongoing monitoring or updating customer due diligence.

The guidance now includes the requirement to obtain an excerpt of the ROE for any overseas entity which is subject to registration under Part 1 of the Economic Crime (Transparency and Enforcement) Act 2022. Further guidance on discrepancy reporting is set out in section 5.6 of [AMLGAS](#).

Q53. What due diligence is required in relation to trusts?

(For further details refer to regulations 6 and 44 MLR)

There are tougher rules on checking the beneficial owners of trusts. The definition of the beneficial owner for AML purposes has been expanded and includes the settlor, trustees, beneficiaries and anyone with control of the trust (Regulation 6). Where all the individual beneficiaries have yet to be

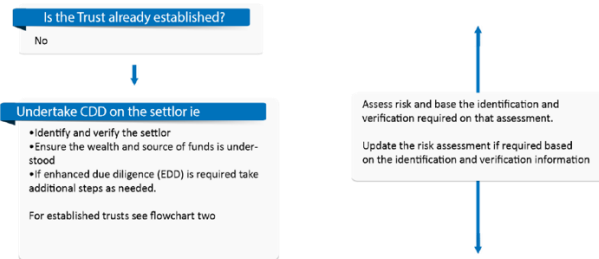
³⁸ <https://www.gov.uk/guidance/report-a-discrepancy-about-a-beneficial-owner-on-the-psc-register-by-an-obliged-entity>

determined the beneficial owner includes the class of persons in whose main interest the trust is set up or operates. Where it is not possible to identify all the beneficiaries it may be acceptable to establish the class of persons who are beneficiaries or potential beneficiaries under the trust.

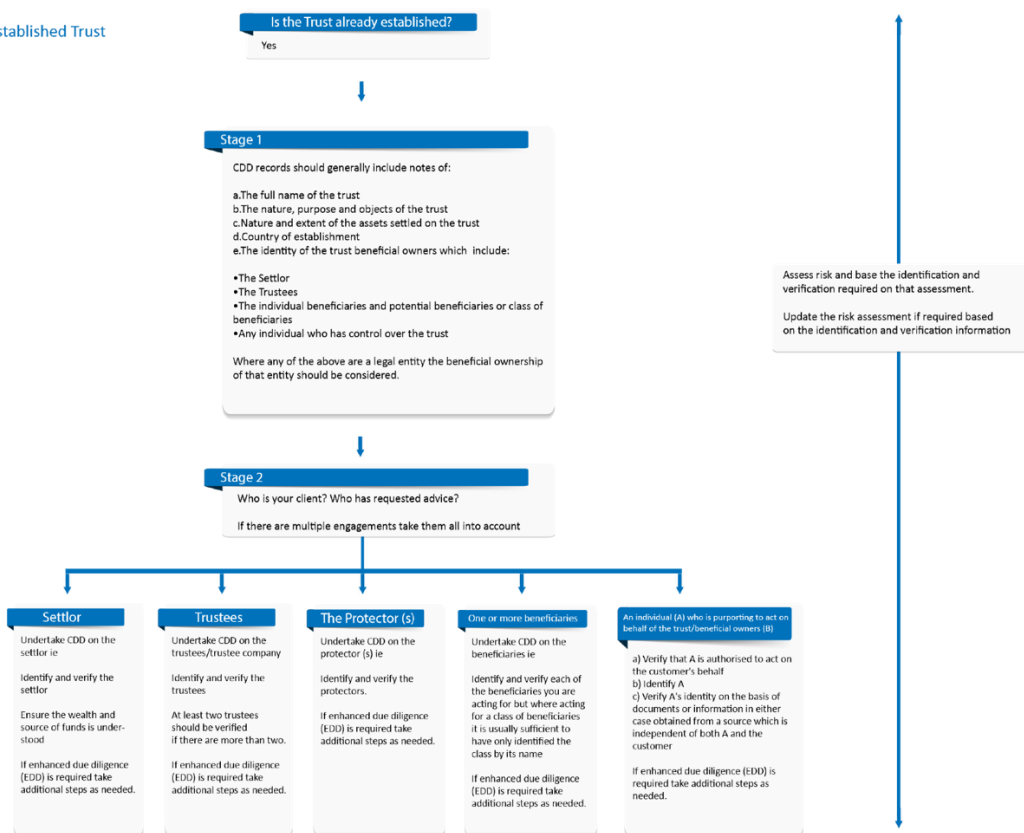
Firms must take reasonable measures to verify beneficial ownership. Trustees will have to keep a record of the beneficial owners and they must provide details if requested where a business relationship has been entered into. Where during the course of the business relationship these details change then trustees must notify the relevant person within 14 days.

A register of trusts is maintained by HMRC. Where a trust has a tax liability in respect of income tax, CGT, IHT, SDLT, land and buildings transaction tax or stamp duty reserve tax the trustees have to supply specified information to HMRC for inclusion on the register. This is similar to the register of people with significant control (PSC register) introduced for companies. The flowcharts below aim to set out an approach to obtaining appropriate CDD for trusts.

Flow chart One - The establishment of a trust



Flow Chart two - An established Trust



Q54. The company formation agent which I use asks me for certified copies of client due diligence. Why is this?

Under Regulation 4 (2) CDD must be undertaken where a company is being formed for a customer. This is the case even where that is the only transaction required for the customer. This is the reason why company formation agents request certified copies of documents.

Ongoing monitoring of CDD and risk assessment

Q55. My clients have been with me for years, do I still need to perform CDD on them?

You need to keep CDD up to date for all your clients. You may well already have sufficient documentary ID details on your files but if there has been any subsequent change to their circumstances or risk profile, you should update your CDD. You should review clients' CDD on a regular basis and need to be able to evidence this regular review.

Guidance on the ongoing monitoring of the client relationship is set out in sections 5.2.5 to 5.2.8 of AMLGAS. This guidance refers to event driven and periodic reviews. There does not necessarily need to be a full refresh of CDD at the time of the review but there should be a consideration of whether the CDD is up-to-date.

Q56. If a client's passport has expired, do I have to get a new copy to fulfil my CDD requirements?

No, it is not necessary to obtain a copy of a client's current passport if the one used for original identification purposes has expired. You have already identified them using the original passport. However, if the individual has, for example, changed their name you should consider asking for updated documentation for your CDD records.

Q57. I know all of my clients very well and consider the AML risk in relation to each one. Do I have to have a written risk assessment for each one?

Yes, the risk review of clients is an important part of client due diligence and managing MLTPF risk.

AMLGAS sets out the three stages of CDD - identification, risk assessment and verification. Each of these stages interact as information gathered will inform the risk assessment, which may in turn indicate whether further identity information is required or more verification is needed etc. Documenting the initial risk assessment of the client, and the undertaking of subsequent reviews, provides evidence that the risk on that individual client has been both considered and taken into account, and that the requirements of the regulations are being met.

Members can record CDD in the way they consider most helpful (subject to data protection restrictions). Members advise us how they record risk reviews and these include:

- specialist AML risk review software
- spreadsheets recording initial risk assessment and dates of review
- notes on the permanent file
- notes on the inside cover of the tax return files updated on an annual basis.

There may be alternative methods which are more appropriate to your individual practice.

Q58. How often should CDD and risk assessments be reviewed?

Guidance on the ongoing monitoring of the client relationship is set out in sections 5.2.5 to 5.2.8 of AMLGAS. This guidance refers to event driven and periodic reviews. It is helpful to consider both CDD and risk reviews together when undertaking any review.

There does not necessarily need to be a full refresh of CDD at the time of the review but there should be a consideration of whether the CDD is up to date. It is advisable to periodically consider the risk associated with each client and note that review/any changes in risk assessment.

Some members find it helpful to do these reviews once a year during a quiet period while others like to deal with it on a case by case basis when an annual piece of work is being completed or the next piece of advisory work is started.

Training

Q59. What are my responsibilities for training new members of staff, one of whom claims to have already received AML training at their previous employment?

As it is your responsibility under regulation 24 of MLR to train all your staff you should ensure that your new member of staff receives adequate training from you. Also, your internal AML policies and procedures may be different to those of the previous firm of your new member of staff. Not only should staff receive training at their induction but they should also be given refresher training – Regulation 24 states that training should be given ‘regularly’. This is particularly important where AML legislation is amended or an individual’s job changes.

A written record must be maintained of training provided.

Q60. What are the AML training requirements for agents used by a firm? Who is included in the definition of agent?

The regulations require that all relevant employees and agents involved in the provision of defined services are made aware of MLTPF law and are trained regularly. Defined services include activities performed in the course of business as external accountants (providing accountancy services) or tax advisers. AMLGAS provides further guidance on these areas of work as follows:

- accountancy services are not defined but are considered to include any service which involves the recording, review, analysis or reporting of financial information and which is provided under arrangements other than contract of employment.
- tax adviser is defined in the regulations as including both direct and indirect provision of material aid, assistance or advice on someone's tax affairs.

For example, employees and agents working on tax advice, tax compliance, accounts work or bookkeeping would be considered as involved in the provision of defined services. Employees and agents should be trained even if they undertake work only for the business and have no direct contact with the clients of the business.

The training of employees is a longstanding requirement but the training of agents is a new requirement introduced in the January 2020 amendment to the regulations. The regulations do not define an agent and therefore the latest update to AMLGAS sets out a suggested definition:

"8.2.1 Agents include any person who, whilst not an employee of the business, is engaged to carry out work or provide services on its behalf. In general, an agent is likely to carry out such work or services under the supervision of the business. The work or services will be closely integrated with those carried out by the business itself. The agent will frequently be working closely with employees of the business.

8.2.2 Agents for this purpose do not include a person of independent standing who acts for or on behalf of a business to provide a defined service. This may include an independent legal adviser or a professional services firm overseas. Typically, the business will not supervise the provision of such services and the third party will work independently to deliver the agreed services. Such services may form part of the output to be delivered by the business to its client."

An agent who is not an employee should be AML registered in their own right unless they come within the exemption from registration which is covered in FAQ 9: "I sub-contract for another firm, do I need separate AML supervision?" The agent should therefore have undertaken relevant training as part of their own AML compliance requirements. Paragraph 8.1.2 of AMLGAS states that "businesses may rely on evidence of this training provided by the agent."

It is mandatory to have a written log of training. When undertaking AML visits the CIOT and ATT will expect firms to have considered any subcontract arrangements they have in place and:

- have a clear record of which subcontractors come within the definition of agents and which do not (and why); and

- have provided training to agents and included a record of the training in the firm's written record; or
- obtained evidence of the training which the agent undertook as part of their own AML compliance and have this available for inspection.

Firms should also note the AMLGAS guidance in relation to internal reporting by agents. Chapter 6 of the guidance relates to Suspicious Activity Reporting. While relevant employees are required to make internal reports to their MLRO the regulations do not specifically mention the requirements on agents and a business may wish to apply internal reporting requirements to them as well. The business should have policies and procedures which specify their expectations of agents. Where agents are expected to report to the MLRO of the business their training should include these internal requirements and the relevant procedures.

Where a subcontractor is not separately registered for AML supervision because the exemption from registration applies they should be provided with training and adhere to the firm's internal reporting procedures.

Q61. Where can I get AML training from?

Contact details of various AML training organisations mentioned to us by members can be found on our websites [here](#)³⁹ (CIOT) and [here](#)⁴⁰ (ATT). Please note that the CIOT and ATT do not recommend or endorse any external products or organisations.

Suspicious Activity Reporting

Q62. How do I make a Suspicious Activity Report (SAR)?

In order for the MLRO/nominated officer or a sole practitioner to make a SAR they need to register with the National Crime Agency (NCA) using the following [link](#).⁴¹

The new SAR Portal was launched on 18 September 2023. Members should reregister on the new portal as the previous SAR Online System has been decommissioned.. It is a good idea to register even if you are not currently considering making a SAR, as this ensures you are ready if a SAR ever needs to be made. There is also additional guidance available within the portal on AML related issues.

³⁹ <https://www.tax.org.uk/anti-money-laundering-aml-training-and-id-verification-providers><http://www.tax.org.uk/members-area/anti-money-laundering-and-counter-terrorist-financing/id-verification-and-training>

⁴⁰ <https://www.att.org.uk/anti-money-laundering-training-and-id-verification-providers>

⁴¹ <https://sarsreporting.nationalcrimeagency.gov.uk/register>

The following links include SAR guidance and notes prepared for the accountancy sector to assist with the completion of a SAR form, as well as FAQs on the new SAR Portal:

New SAR Portal Overview (User [Guide A](#))

[New SAR Portal - How to Register \(Guide B\)](#)

[New SAR Portal FAQs](#)

[New SAR Portal Guidance Signpost](#)

[Guidance on Submitting better quality SARs](#)

Further SAR related publications can be found [here](#).

Q63. What are the responsibilities of staff in relation to making a SAR?

Staff must report suspicious activity to their MLRO and this should be done in accordance with the firm's policy and procedure on making reports. The legislation is not prescriptive about the format for making internal reports. The staff member may want to discuss the client's circumstances with their manager or a colleague to understand if their suspicions are reasonable but this in itself is not sufficient to comply with the legislation. Where applicable several staff members can make one joint report to an MLRO.

Further guidance about suspicious activity reporting is available in chapter 6 of AMLGAS.

The CIOT and ATT pro forma policies and procedures document includes an example of an internal reporting form which firms can adopt. Any staff member making a report may wish to keep a personal record of this to protect their own position and so they can evidence they have met the requirements on them.

Staff members should not expect to receive feedback from the MLRO about the outcome of their report.

Q64. What are the MLRO's responsibilities once they have received an internal suspicious activity report from staff?

Once an MLRO has received an internal report it is their responsibility to undertake any further investigation required, decide whether the matter needs to be reported to the NCA and make the report if required. The MLRO should also decide whether a Defence Against Money Laundering (DAML) needs to be sought from the NCA in relation to a client relationship or transaction (previously referred to as consent to continue to act) and how the client relationship should

proceed while a DAML decision is awaited. A considerable amount of further guidance is available for MLROs in chapter 6 of AMLGAS.

The staff member has met their responsibility by reporting to the MLRO and should not have any expectation that they will receive feedback from the MLRO on whether a report has been made to the NCA.

Documenting reporting decisions is important, as set out in section 6.5.20 of AMLGAS.

Q65. Several other parties are acting for a client in relation to a transaction. As one of the other parties is likely to be making a SAR do I need to do one as well?

If you have knowledge or suspicion of money laundering, then you need to fulfil the legal requirement on you to make a report. The NCA may get several reports about the same issue but these may all provide additional information to assist them with their case. You should bear in mind that it may result in additional queries in relation to compliance with MLR if some parties to a transaction report and others do not.

Q66. I have a suspicion about someone who never became a client. Is there a responsibility to do a SAR?

If you have come across information in the course of your business there is still a requirement to make a SAR even if the party involved never became a client.

Similarly, if you come across information after the client relationship has ceased you would still need to consider making a report.

Client Money

Q67. What additional safeguards should I put in place if I handle client money?

Client accounts

Guidance on the requirements when handling client money in general are set out in section 7.6 of Professional Rules and Practice Guidelines which are available on the Professional Standards pages of both the CIOT and ATT websites. You must be alert to the potential money laundering risks associated with handling client money and should make sure you know the source of the funds, the reason why the client's money is being processed through your client account and consider carefully whether there might be money laundering implications if the client wants money paid to a third party.

Client's own bank account

If you have access to a client's own bank account it is essential to have a very clear written agreement with your client on the management of their money. Your authority to access the account should be given in writing to the bank by the client and acknowledged by the bank. Where for example, you are asked to make payments for the client or are a counter signatory on the cheque book you should take care to make sure all payments made are legitimate and that your services are not facilitating money laundering by the client. Where applicable, make sure there is an authorisation process for payments of your own fees to ensure that there is no accusation from the client of unauthorised payments or inappropriate use of client money.

Many online accounts now include fraud protection warnings when payments are being made and set up. Members must always be vigilant to ensure that payments are only made to genuine bank accounts and in relation to valid amounts due by their clients.

Criminal Finances Act

Q68. Do we need to consider the implications of the Criminal Finances Act 2017 and the 'Corporate offences of failure to prevent the criminal facilitation of tax evasion' in addition to AML requirements?

When operating through incorporated bodies (typically companies) or partnerships, members will need to consider what policies and procedures they need in place to address potential issues in relation to the corporate offences of failure to prevent the criminal facilitation of tax evasion. Further guidance is available on the CIOT website [here](#)⁴² and the ATT website [here](#)⁴³.

⁴² <https://www.tax.org.uk/criminal-finances-act-2017>

⁴³ <https://www.att.org.uk/criminal-finances-act-2017>

Whistleblowing

Q69. Does CIOT/ATT have an AML Whistleblowing Policy?

Yes, our Whistleblowing Policy is set out on both the [CIOT](#)⁴⁴ and [ATT](#)⁴⁵ websites.

Employee Screening

Q70. What Employee Screening should I undertake under Regulation 21 MLR?

The skills, knowledge, expertise, conduct and integrity should be considered for all relevant employees prior to, and during their employment. This could include:

- Checks of their qualifications
- Testing during the recruitment process with recorded results
- Conducting criminality checks – DBS or equivalent
- Disciplinary checks
- Ongoing adverse media checks

The appropriate level of employee screening should be proportionate to the employee's role in the business and the MLTPF risks they are likely to encounter. Further guidance can be found in section 3.6.22 of [AMLGAS](#)⁴⁶.

Other financial crime FAQ

What is the Register of overseas entities and where can I find out more information?

UK property purchases, particularly where corporate structures and trusts based in secrecy jurisdictions are involved in the transaction, have been an attractive method to launder illicit funds. The register introduced by Companies House in August 2022 places disclosure obligations on overseas entities owning or wishing to own UK land.

Breach of these restrictions is a criminal offence punishable by a fine of up to £500 per day or a prison sentence of up to five years. In addition to all other AML obligations, members with clients to whom this applies should confirm that the register (once available) has been completed.

There are risks associated with register of overseas entities verification work, The Accountancy AML supervisors have issued a risk alert to provide further guidance which can be found [here](#).

⁴⁴ <https://www.tax.org.uk/whistleblowing>

⁴⁵ <https://www.att.org.uk/whistleblowing-policy>

⁴⁶ <https://www.ccab.org.uk/wp-content/uploads/2023/08/AMLGAS-update-June-2023-APPROVED.pdf>

FAQs relating to the register can be found [here](#)⁴⁷.and general information [here](#)⁴⁸.

⁴⁷ <https://www.gov.uk/government/publications/economic-crime-transparency-and-enforcement-bill-2022-overarching-documents/factsheet-the-register-of-overseas-entities-web-accessible>

⁴⁸ <https://www.gov.uk/government/news/new-measures-to-tackle-corrupt-elites-and-dirty-money-become-law>