

# Anti Money Laundering Newsletter - Issue Ten

July 2012



## Changes to the Money Laundering Regulations 2007 - HMT response to consultation

After a fairly lengthy consultation process, HMT has published a response to its consultation on changes to the Money Laundering Regulations 2007 (“MLR”) and an impact assessment of the proposed changes ([http://www.hm-treasury.gov.uk/fin\\_review\\_laundering\\_regs.htm](http://www.hm-treasury.gov.uk/fin_review_laundering_regs.htm)). The consultation follows a post-implementation review of the MLR which was undertaken in 2009-10. HMT’s draft amendments to the MLR are proposed to take effect from 1 October 2012 and they hope that the changes will reduce the regulatory burden imposed by the current MLR, making them more effective and proportionate, whilst strengthening the overall anti-money laundering regime.

However, this is only stage 1 as these changes are separate from the revisions to the MLR which are expected to occur following the current EU review of the Third Money Laundering Directive (“Third Directive”) and the Financial Action Task Force’s (“FATF”) publication of its Recommendations earlier this year. It is anticipated that this will lead to new EU legislation later on in 2012 which will inevitably result in further amendments to the MLR.

For now, the proposed changes include some of the requests we made in our response to the consultation in August 2011, specifically in connection with 'reliance' under Regulation 17 of the MLR. Going forward, it will be possible to rely on customer due diligence carried out by any firm which is supervised by any Supervisory Body listed in **either** Part 1 or 2 of Schedule 3 to the MLR. Previously, you could only rely on firms supervised by Supervisory Bodies listed in **Part 1** of Schedule 3 whereas CIOT and ATT are listed in **Part 2**.

There are also changes affecting supervisory bodies, for example, clarifying the position regarding the exchange of relevant information between the supervisory bodies.

What HMT has decided not to progress is a de minimis exclusion from the obligation to comply with the MLR for small businesses with a very low turnover as they felt without supervisory scrutiny, such businesses could become conduits for illicit activity. Also, HMT has decided not to remove the criminal penalties for breaches of the MLR, leaving only a civil penalty regime, as Supervisory Bodies in their responses to the consultation had stated that they found the criminal penalties a useful enforcement tool for compliance with the MLR.

Other issues have been postponed until the EU review is finalised, such as amending the definition of 'Politically Exposed Persons' and introducing a requirement to keep identity records of beneficial owners as well as those relating to clients.

In conclusion, these current changes may not necessarily ease the burdens of the MLR for tax advisers but on a positive note, they do not make matters worse. Any further changes

to the MLR following the EU review are not expected to fundamentally change the UK AML framework but we will keep you updated as and when they arise.

## London 2012 and AML threats

We reported in our last Newsletter that as a number of Suspicious Activity Reports (SARs) made to SOCA are Olympics related, they created a specific Olympic Glossary Term and Prefix. However, following feedback from industry professionals on the potential for inaccuracy of SAR Glossary Terms including an alpha zero or numeric zero, it has been agreed that the recent new SAR Glossary Term for the London 2012 Olympic and Paralympic Games be changed from **XXLO2012XX**.

The revised Glossary Term and Prefix is now:

**London Olympic and Paralympic Games**  
**XXLYMXX**

For further information on SAR Glossary of Terms, please visit the SOCA [website](#). Any enquiries concerning the SAR Glossary of Terms, please email [ukfiusars@soca.x.gsi.gov.uk](mailto:ukfiusars@soca.x.gsi.gov.uk)