HM Treasury consultation on improving the effectiveness of the Money Laundering Regulations

General Features



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The CIOT and ATT have responded to the HM Treasury consultation published in March on improving the effectiveness of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations. The Money Laundering Regulations place requirements on a range of businesses, including tax advisers, and therefore potential changes to the regulations are of interest to all supervised members and their firms.

The CIOT and ATT broadly agreed with the suggested measures and areas for change that were identified in the consultation document (see tinyurl.com/mrz4p3zc) and that were of relevance to the tax advice and accountancy sector. The opportunity was taken to raise points which have previously been fed back by the

accountancy sector but which had not been addressed in the consultation as follows:

- It would be helpful if the Money Laundering Regulations (MLR) explicitly stated that relevant persons need to be supervised.
- Amendments should be made to allow HMRC to consider professional body exclusion, or anti-money laundering misconduct, as a relevant factor to refuse supervision and prevent the member from continuing to trade.
- Changes to the wording on director verification would help to ensure consistency across all regulated sectors.

In relation to the main areas covered by the consultation, a summary of the main points set out in the responses are:

Making customer due diligence more proportionate and effective

The consultation covered several questions about client due diligence and the response included points on the following:

- The triggers for client due diligence (CDD) in regulation 27 could be improved by being split into two sections: ‘on-boarding CDD’ and ‘ongoing CDD/monitoring’.
- No changes to the Regulations are needed regarding source of funds checks but the guidance could be improved, particularly in relation to work of limited scope (such as VAT only engagements).
- Digital identity guidance is welcomed but it was noted that members have concerns about the quality of providers and the potential abuse of artificial intelligence. Guidance from the government on standards for digital identity would give firms greater confidence when selecting a provider.
- In relation to enhanced due diligence, there was support for the proposal to remove the mandatory checks under High Risk Third Country requirements.

Strengthening system coordination

The CIOT and ATT were in support of extending information sharing gateways that would strengthen existing information sharing undertaken (for example between supervisors and companies house).

The responses indicated that the MLRs were clear on how firms should complete and use their risk assessments and the required information sources.

Providing clarity on scope and registration issues

The consultation queried whether additional areas of company formation related work should be included in the scope of the MLR. The CIOT and ATT responses were supportive of this to mitigate risks in relation to this work.

Reforming registration requirements for the Trust Registration Service

The CIOT and ATT were supportive of proposed simplification measures for the two-year period following a death and the introduction of a de minimis which will reduce the compliance burden for some low-risk cases.

The full response CIOT response can be found here: www.tax.org.uk/ref1311 and the full ATT response can be found here: www.att.org.uk/ref458.

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