

## **Anti-Money Laundering and Counter-Terrorism Financing Supervision Reform: Duties, Powers and Accountability Consultation**

### **Response by the Chartered Institute of Taxation**

#### **1 Introduction**

- 1.1** We are pleased to provide comments on the [HM Treasury Consultation: Anti-Money Laundering/Counter Terrorist Financing \(AML/CTF\) Supervision Reform: Duties, Powers, and Accountability](#)<sup>1</sup>
- 1.2** The Chartered Institute of Taxation (CIOT) strongly supports the UK's drive to combat money laundering and terrorist financing and recognises the need to make changes to the model of AML supervision to combat financial crime and meet the requirements of the Financial Action Task Force.

#### **2 About us**

- 2.1** The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 2.2** Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.
- 2.3** The objects of the CIOT include the requirements:
- (i) to prevent crime and
  - (ii) to promote the sound administration of the law for the public benefit
- by promoting and enforcing standards of professional conduct amongst those engaged in the provision of advice and services in relation to taxation and monitoring and supervising their compliance with money laundering legislation.
- 2.4** The CIOT is an AML Supervisory supervisor for about 880 firms of tax advisers who provide related accountancy services. Firms vary in size considerably and whilst many see the market as predominantly the larger accountancy firms, a significant number of smaller firms also provide important tax services to a whole range of clients. These firms usually have more limited resources so need additional support and assistance to comply, and have less scope to absorb or pass on additional regulatory costs. More than 40%

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<sup>1</sup> <https://www.gov.uk/government/consultations/anti-money-laundering-and-counter-terrorist-financing-supervision-reform-duties-powers-and-accountability-consultation>

of the firms CIOT supervise have fees of £50,000 or less and are therefore very clearly smaller firms although many with higher fees are also sole practitioners without internal compliance teams.

**2.5** The CIOT has a sister organisation, the Association of Taxation Technicians (ATT). AML supervision of CIOT and ATT firms is carried out by one joint team. You will therefore note that some figures quoted in this response are joint for both bodies.

### **3 Executive Summary**

**3.1** The CIOT accepts that supervisory effectiveness does require attention and that changes are required. It should also be noted that when [responding](#)<sup>2</sup> to the consultation on [Reforming anti-money laundering and counter-terrorism financing supervision](#)<sup>3</sup> our preferred approach would have been for an OPBAS+ model to be adopted. The CIOT still considers that this model was the most feasible and robust solution. However HM Treasury have decided that reform will come in the form of a Single Professional Services Supervisor (SPSS) and the Financial Conduct Authority (FCA) is the chosen supervisory body. Whilst this was not the preferred CIOT option we are committed to working collaboratively with HM Treasury (HMT), the FCA and the Office for Professional Body AML Supervision (OPBAS) to ensure a smooth transfer of supervision for our members and continued effective supervision during the transitional period.

**3.2** There is much to be worked through to understand what the FCA final supervision model for tax advisers will look like. Without a clear indication of the FCA supervision model it is difficult to determine the transitional measures needed. The CIOT continue to urge both HMT and the FCA to provide an early indication of the transition timetable and what will be required from us to ensure a smooth transition.

**3.3** Much of the consultation focuses on changes to the legislation which will ensure either the FCA can use existing powers to supervise the accountancy and legal sectors or that the FCA gains new powers in relation to the accountancy and legal sector which were previously exercised by the professional bodies. We consider these changes are needed to ensure effective supervision is maintained.

**3.4** We have throughout the document commented on individual measures and the importance of there being sufficient support and guidance, especially for tax advisers who operate in the main through small firms. The CIOT experience is that members want to be compliant and whilst there is always a place for enforcement fines and disciplinary action it is proportionate and effective to work with small firms to bring them into compliance before considering whether formal enforcement action is needed.

**3.5** We recognise that the FCA has significant AML supervision experience but our understanding is that in the main this involves large financial institutions. Given the diversity and sector specific issues, we consider it essential that the FCA has tax and AML trained staff embedded in their AML supervisory team to enable effective supervision of tax advisers.

**3.6** The CIOT AML supervisory role works hand in hand with our role in upholding professional standards of our members. Information sharing will be a challenge following transition as the FCA will require information from professional bodies to police the perimeter and identify risks, and the professional bodies will need to receive appropriate information (to which they will no longer have automatic access) from the FCA to enforce professional standards. Information sharing by the bodies will require suitable

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<sup>2</sup> <https://www.tax.org.uk/ref1229>

<sup>3</sup> <https://www.gov.uk/government/consultations/reforming-anti-money-laundering-and-counter-terrorism-financing-supervision>

legislative gateways and must not be burdensome given that no AML supervision fees will be in place to cover the costs and dedicated AML staff may have left or been redeployed to other roles.

- 3.7** Under the proposals OPBAS will be wound down. It is the CIOT view that no additional powers are required for OPBAS during the transitional period. We think they are uniquely placed to work with the FCA on good supervisory practice in the accountancy sector which has been identified (alongside points for improvement) from their supervision of the professional bodies.

#### **4 Notes on Responses to this Consultation**

- 4.1** The CIOT has seen the response prepared by the ATT and supports the comments made in that response.
- 4.2** We have also been pleased to provide feedback to HMT through meetings with them, OPBAS and a recent roundtable.

#### **5 Responses to Consultation Questions**

##### **Registration and gatekeeping - Registration and public registers of supervised entities**

- 5.1** **Q1: Do you agree with our proposal to amend the MLRs to require the FCA to maintain registers of the professional services firms (legal, accountancy and TCSPs) they supervise? Are there any practical challenges or unintended consequences we should consider?**
- 5.2** We agree that registration processes are essential to enable the FCA to maintain accurate records of professional services firms supervised by them. The registration process also provides an opportunity for the collection of data about individual firms, which can be used for risk assessment and to inform supervisory activity.
- 5.3** The CIOT have published details of our supervised firms for several years. The advantages of this approach are in the main that other bodies can easily check whether firms (or individuals) are supervised by the CIOT without the need to email us and check. In particular this has been useful where HMRC have queries about the AML supervision of a particular tax agent or where Companies House are dealing with applications from firms to be Authorised Corporate Service Providers. A publicly available register does therefore provide transparency about regulatory status.
- 5.4** In relation to the challenges of registration and the maintenance of public registers our experience suggests that the FCA will need to consider the following aspects:
- Registration needs to be dealt with promptly as tax advisers cannot get access to HMRC's system without being AML supervised. The FCA system will therefore need to ensure registrations are processed on a timely basis so that new registrants can liaise with HMRC and get agent access set up.
  - Registers must be updated regularly to ensure other authorities are aware of new registrations. We aim to publish updated registers on a weekly basis.
  - Members of the public use the CIOT registers of supervised firms ([published on our website](https://www.tax.org.uk/aml-supervised-members)<sup>4</sup>) to identify CIOT members and contact us with complaints in relation to professional standards issues. Professional standards issues include failure to respond to correspondence, poor quality tax advice etc. The publication of a register will imply that the FCA is responsible for all regulatory matters in

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<sup>4</sup> <https://www.tax.org.uk/aml-supervised-members>

relation to a firm and there needs to be a mechanism for complaints and queries to be passed to the relevant professional bodies for action by way of their disciplinary processes. The FCA should therefore make it a requirement that registrants indicate if they are a member of a professional body when registering.

- 5.5 Q2: Do you agree with our proposal to grant supervisors the explicit ability to cancel a business' registration when it no longer carries out regulated activities? How might these changes affect firms of different sizes or structures?**
- 5.6** Firms which are not providing defined services do not need to be registered for AML supervision and therefore there should be an opportunity for firms and supervisors to cancel registrations where no longer required. Examples might be a supervised tax adviser retiring and ceasing to trade where they should advise their supervisor accordingly. If a supervised member passes away the supervisor clearly needs to be able to close down the registration. If the supervisor has undertaken extensive research and determined a firm does not require supervision (for example in relation to TCSP work) it would also be sensible for them to have the power to close a registration for the provision of TCSP services.
- 5.7** The CIOT's experience as a supervisor is that care needs to be taken when cancelling a business' registration. We require firms to renew with us for supervision each year and a considerable amount of work is required to ensure the renewal process is completed. Members who have retired from their business do not always notify us and assume that when they do not complete the renewal form we will take that as an indication that they have ceased and no longer require supervision. We do however have some members who are continuing to trade but do not complete the renewal process on a timely basis and follow up action is required. An assumption cannot therefore be made that everyone who fails to complete a form has finished trading or has ceased carrying out regulated activities and therefore we ensure every renewal is followed up and members are fined or referred for disciplinary action where they fail to renew. We are unclear how the FCA would be made aware that a firm no longer carries out regulated activities and the circumstances under which they might make a decision to cancel the registration.
- 5.8** We regularly update HMRC in relation to firms who have ceased AML supervision with the CIOT so that they can check their records and withdraw agent codes where necessary. This ensures the agent cannot continue to interact with HMRC through their business.
- 5.9** As tax advice is not a regulated profession cancelling registrations without appropriate follow up and checks with the firms could mean that firms operate without supervision and remain "under the radar". Sharing of information with HMRC to enable a review of agent codes can safeguard against this in some instances but some tax advisers (particularly those undertaking tax advisory work) do not need to interact with HMRC and there is a risk that such agents could continue to trade without supervision where the FCA has decided to cancel a business' registration.
- 6 Gatekeeping: approvals and fit and proper testing**
- 6.1 Q3: Do you support the application of regulation 58 "fit and proper" tests to legal, accountancy, and trust & company service providers? Please explain your reasoning.**
- 6.2 Q4: What are your views on the proposed changes to regulation 58, including the requirement for BOOMs to pass the fit and proper test before acting, mandatory disclosure of relevant convictions, and the introduction of an enforcement power similar to those under regulation 26?**

- 6.3** We consider that tax advisers must be subject to robust professional standards and therefore it is appropriate for fit and proper checks to be applied at the time of application for AML supervision and on an ongoing basis during the life of the business. This should minimise allowing bad actors into the market and ensures those who have breached required standards are removed from supervision and (importantly) some action is taken to prevent them from trading. Having said this, our members must already meet fit and proper requirements to become members initially and at present the only additional checks undertaken at AML registration are the requirement to submit a criminality check certificate for each BOOM. These can usually be obtained within two weeks which assists in ensuring that registrations are processed on a timely basis. We understand that FCA fit and proper checks would take 45 days, which would cause a significant delay in the registration process. We would also query the additional costs of fit and proper checks and whether this would impose additional cost burdens on firms.
- 6.4** CIOT members must report convictions, arrests and cautions to us. The relevant requirements are set out in [Professional Rules and Practice Guidelines](#)<sup>5</sup> section 2.14. We also require members (and BOOMs) to disclose other matters including disciplinary action upheld by another professional body or regulator and bankruptcy. This may not result in registration being denied but we consider this is information the FCA should be aware of in order to appropriately risk assess the firms they are dealing with. If members have to report this to both the CIOT and the FCA, then duplicate reporting is required. Our experience suggests that whilst most members do report matters as required not all of them realise the reporting requirements. The CIOT AML renewal form and Annual Returns do however provide prompts which draw this to their attention. The FCA would therefore need to ensure there was clear messaging about the requirement to report convictions etc and ensure there was a prompt as part of any annual renewal process.
- 6.5** In relation to the suggestion that fit and proper checks must be done before acting, individuals are not always aware of all the requirements of the MLR before they commence in business and there needs to be a recognition of this in FCA policies and procedures especially as it is difficult to get these messages out to all individuals in advance of them setting up in business. CIOT experience is also that firms sometimes overlook updating their supervisor about new BOOMs until completing annual renewal forms. A proportionate response for those who have not undertaken all the fit and proper checks before commencement is to ensure this is dealt with as soon as possible and to confirm the registration swiftly. In all the years since the requirement for criminality checks were introduced we have never discovered any instances of financial crime convictions and only one other conviction which had not previously been disclosed. It should be remembered that tax advice firms are very different in nature to other sectors which the FCA currently supervise given there is no regulation of the tax profession so they may not be going through other licencing processes at the same time.

## **7 Policing the perimeter**

### **7.1 Q5: Should the FCA be granted any extra powers or responsibilities with regards to “policing the perimeter” beyond those currently in the MLRs?**

- 7.2** At present professional bodies such as the CIOT are well placed to police the perimeter because of the work undertaken to enforce professional standards generally. The CIOT requires all members (other than students and retired members) to complete an annual membership return which is in addition to any AML

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<sup>5</sup> <https://www.tax.org.uk/professional-rules-and-practice-guidelines>

related documentation required. For example, approximately 25,000 CIOT (and ATT) members are required to complete 2025 annual returns compared with approximately 1,500 nominated (CIOT and ATT) individuals who register their firms for supervision. On the annual returns members have to indicate whether they are working in tax and what their role is in the firm. Directors, partners, members of LLPS etc have to indicate who their AML supervisor is. This enables us to identify members who indicate they have no supervisor, check against our own records where they indicate the CIOT is their supervisor and share information with other supervisors where they have indicated another professional body supervisor performs this role. The FCA will need to work collaboratively with the professional bodies to ensure that information is passed to them where professional standards checks indicate that no supervisor is in place.

- 7.3** Information required from professional bodies should be limited to basic information. Professional body supervisors currently have staff employed to undertake AML supervision who also deal with intelligence sharing with costs being covered as part of supervision fees charged to supervised firms. Once AML supervision is no longer in place there may be limited internal resources available to deal with information requests and information sharing.
- 7.4** The FCA will also need to develop information sharing arrangements with HMRC. This is particularly important in relation to tax advisers as HMRC will know if individuals are preparing tax returns on the basis they are running a tax business and will have agent access to HMRC systems when dealing with clients. Currently HMRC can share information internally but this benefit will be lost when supervision moves to the FCA.
- 7.5** The CIOT would encourage the FCA to ensure they have tax trained staff embedded in the team dealing with the AML supervision of tax advisers and that they build close links with the accountancy sector bodies in order to support effective supervision of firms. In our policing the perimeter work we come across firms who argue they are not providing defined services in relation to tax and therefore should not be subject to AML supervision. Sometimes these firms have provided limited information to HMRC AML supervision teams when querying supervision in an attempt to avoid a conclusion that they require supervision. The CIOT AML supervision team and senior staff are predominantly tax trained and therefore have the expertise to consider these cases appropriately. Our links internally with our technical teams mean we are also alerted to particular areas of tax evasion risk in relation to tax advisers and emerging issues such as increased use of software as the source of tax advice by many members of the public.

## **8 Risk assessments and supervisory activity**

- 8.1** **Q6: Do you foresee any issues or risks with the extension of regulations 17 and 46 to the FCA in carrying out its extended remit, particularly in relation to how these powers will interact with the FCA's proposed enforcement toolkit (as outlined in Chapter 6)?**
- 8.2** Given that the requirements of Regulations 17 and 46 have applied to accountancy sector supervision to date we see no reason why they should not be extended to the FCA in carrying out their extended remit. OPBAS have had a considerable focus on these existing regulations when undertaking reviews of professional body supervision and it is important that the FCA builds on the improvements in these areas which have been brought in since the formation of OPBAS.
- 8.3** The CIOT consider that the Regulation 17 assessment will need to have separate appendices for different areas of work undertaken by supervised firms. From information gathered from visits and discussions with supervised firms as well as from other external sources the CIOT consider the main areas of risks for our supervised populations to be:

- a. Tax evasion
- b. Unwitting involvement in money laundering owing to lax policies and procedures and a failure to understand the serious regulatory requirements associated with the money laundering regulations 2017 and related legislation

Whilst lax policies and procedures may be a risk factor throughout all supervised sectors those dealing with other areas of accountancy work (such as auditors or bookkeepers) may face other areas of risk and limited exposure to tax evasion. It is also important to note that these risks can be relevant to both large firms of tax advisers and one-man bands so supervisory activity must focus on a wide variety of firms.

- 8.4** As referred to above, in order for the FCA to supervise effectively and meet the requirements of Regulation 46 MLR they will need to ensure expertise in relation to the tax sector is embedded in the AML supervision team dealing with tax advisers. Ideally those with tax and AML supervision experience should be brought in to ensure a seamless transition from current supervision to FCA supervision. Without this there is a risk that current levels of effective supervision will be reduced.
- 8.5** The CIOT supervised population is made up almost exclusively of small firms with one or two principals and small numbers of employees. These firms have limited resources to draw on to meet AML requirements compared with large financial institutions which represent the core of the FCA's current supervised population. Over 40% of supervised firms have fees of £50,000 or less as illustrated in the following table:

**CIOT**

| <b>Fees</b>             | <b>Number of firms</b> |
|-------------------------|------------------------|
| <b>Less than £20K</b>   | <b>226</b>             |
| <b>£20k to £50K</b>     | <b>153</b>             |
| <b>£50,001 to £100K</b> | <b>176</b>             |
| <b>More than £100K</b>  | <b>324</b>             |
| <b>Total</b>            | <b>879</b>             |

- 8.6** Effective supervision of smaller firms and meeting Regulation 46 requirements will involve the FCA understanding how they operate and giving support to enable them to get things right. During the period 6 April 2024 to 5 April 2025 we dealt with over 250 AML queries from CIOT and ATT members. This does not include queries members had during the process of their registration for supervision or queries raised during supervisory reviews. Many of these queries were from members seeking reassurance that they were considering the right guidance in relation to suspicious activity reporting or were obtaining the correct due diligence. This is an important area of supervisory work to minimise the risks in the sector. We are not aware that the FCA provides similar helplines to assist the smaller firms they currently supervise and we consider this support is essential to maintain effective supervision of the sector.
- 8.7** Enforcement of AML requirements is key in the fight against financial crime but our experience is that most firms want to be compliant and to work with their supervisor to achieve that. Enforcement without

support alongside it can leave firms with a tick box approach to meeting requirements for fear of fines etc and those subject to enforcement continue to need help and support to get matters right going forward.

## **9 Additional intervention powers**

### **9.1 Q7: What are your views on introducing new supervisory powers to make directions and appoint a skilled person? If this power is introduced for the FCA, should it also be available to HMRC and the Gambling Commission?**

**9.2** Whilst we can agree that use of directions and skilled person reports may be a useful tool for the FCA, we would expect them to be of limited application to the small tax adviser firms that the FCA will take over from the CIOT.

**9.3** The CIOT supervised population consists almost exclusively of very small firms. Our experience from our supervisory activity is that firms want to comply with the requirements of the regulations but on occasions they misunderstand what is required or the importance of the MLR requirements. With help from the CIOT AML team they are willing to deal with action plans issued although in the small number of cases where they delay in bringing matters up to date we do refer them for disciplinary action. Given the size of the firms, and based on our risk assessment of the population, we have not required them to obtain skilled person reports.

**9.4** We have concerns about the costs for small firms of tax advisers if the FCA require skilled person reports rather than providing guidance and working with the firm themselves to help them understand and meet the requirements of the MLR. There is also a question as to the availability of sufficient numbers of qualified “skilled persons” with an understanding of the sector.

**9.5** It seems appropriate to us that HMRC and the Gambling Commissions should have the same powers as the FCA on the making of directions and appointment of skilled persons but this is a matter for liaison with those bodies.

## **10 Information-gathering and inspections**

### **10.1 Q8: Do you agree with our proposal to extend the information gathering and inspection powers in the MLRs to the new sectors within FCA supervision?**

**10.2** The FCA powers for information gathering and inspection powers will have to be extended to the new sectors within FCA supervision to ensure they can be effective supervisors.

### **10.3 Q9: Do you believe any changes are needed to the information gathering and inspection powers in the MLRs beyond extending them to the FCA in supervising accountancy, legal and trust and company service providers for AML/CTF matters?**

**10.4** A key area which requires consideration is the extent to which the FCA will gather information from both HMRC and professional bodies such as the CIOT. This is covered further in our response to question 13.

**10.5** Sharing information with HMRC will also be important for supervisory effectiveness particularly given the introduction of the register of tax advisers in 2026. We currently advise HMRC on a regular basis about the firms who have ceased supervision with us. About 40 CIOT firms a year cease supervision and are reported to HMRC so they can check that agent codes are closed. This is also part of our policing the

perimeter work as once an agent code is closed firms can no longer interact with HMRC systems and would need to seek AML supervision again if they were continuing to trade.

## 11 Guidance

### 11.1 **Q10: Do you agree that responsibility for issuing AML/CTF guidance for the legal, accountancy and trust and company service provider sectors should be transferred to the FCA?**

11.2 We consider that the issue of formal guidance should sit with the FCA as ongoing supervisors. The FCA will have the supervisory experience to feed into the guidance which the supervised populations need. It is also essential that representatives from the sector are involved in producing the guidance to ensure that the application of the MLR in the accountancy sector is appropriately covered. We would also urge the FCA to continue to produce dedicated tax sector guidance as is currently the case in the [Supplementary AML Guidance for Tax Practitioners](#)<sup>6</sup>. We consider that at first, following the transition of supervision to the FCA, there will need to be the involvement of the current CCAB panel working on the accountancy sector guidance whilst the FCA develops their knowledge as supervisors.

11.3 Small firms have limited resources or expertise to deal with AML related matters and therefore the CIOT provides pro forma documents for members including the firm-wide risk assessment and policies and procedures documents which are available on the [CIOT website](#).<sup>7</sup> We consider that this is an important part of our supervisory provision for small firms and reduces the number who might otherwise not have the documents in place and may then be subject to disciplinary action. This is a proportionate approach when dealing with small firms and the CIOT are concerned that small firms will lose this resource when supervision transfers to the FCA. We would encourage the FCA to make these available as part of their guidance.

11.4 Over time the professional bodies will no longer be close enough to AML supervision to feed into the preparation of guidance nor will they have the staff or resources to devote to this.

11.5 In terms of the more informal and ad hoc guidance process the CIOT considers it important that the FCA has telephone and email helplines to assist our small firms going forward. The CIOT's role in continuing to support members with AML advice remains unclear but if the FCA do not have suitable helplines and assistance for tax advisers they are likely to continue to approach us for assistance. Our ability to assist may be limited if we are unclear on the FCA requirements on firms and over the passage of time it will be a challenge to maintain our AML experience and knowledge. We will also not have the resources to carry out this role. There are also likely to be factors for the bodies to consider in relation to insurance cover for this advice and without AML supervision fees or dedicated AML staff our resources for dealing with queries may be limited.

### 11.6 **Q11: Do you agree that the MLRs should be amended to transfer responsibility for approving AML/CTF guidance to the relevant public sector supervisor, with HM Treasury retaining a 'right of veto' 24 but not having responsibility for approving entire guidance documents?**

11.7 We have no particular view on who should approve the guidance but note that some updates to the CCAB guidance have taken some time to be approved by HMT so our preference is that whichever approach is adopted this is agile enough to ensure guidance is updated on a timely basis.

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<sup>6</sup> [https://www.ccab.org.uk/wp-content/uploads/2022/05/SupplementaryGuidanceTaxPractitioners\\_2019Version.pdf](https://www.ccab.org.uk/wp-content/uploads/2022/05/SupplementaryGuidanceTaxPractitioners_2019Version.pdf)

<sup>7</sup> <https://www.tax.org.uk/practice-risk-assessment-and-policies-and-procedures>

## **12 Information and intelligence - Provision of information to firms**

### **12.1 Q12: Do you agree to the extension of requirements under regulation 47 to the FCA in relation to accountancy, legal and trust and company service providers?**

**12.2** We agree that the requirements under Regulation 47 should be extended to the FCA. This was a requirement on professional body supervisors so we see no reason why the FCA should not be subject to the same requirement.

## **13 Information sharing**

### **13.1 Q13: Do you see any issues with the FCA's information sharing duties and powers in regulations 46, 50 and 52 applying to the professional services firms it supervises for AML/CTF purposes?**

**13.2** As referred to above, a key area which requires consideration is the extent to which the FCA will gather information from both HMRC and professional bodies such as the CIOT. HMRC will have considerable amounts of internal information about firms which they can currently draw on and share across the organisation to feed into risk assessment and supervisory activity. The CIOT collect information from our members about their firms as part of our annual return processes. This is key in our work policing the perimeter and it is difficult to see how the FCA will effectively perform this role without obtaining information from the professional bodies.

**13.3** The professional bodies also currently obtain information which inform risk assessments and supervisory activity from their interaction with members in relation to professional standards. For example, the CIOT undertakes checks each year on a sample of members and requests their record of continuing professional development (CPD). Those with no records, poor records or lack of CPD who are also running one of the supervised firms will cause us to move the risk rating of the firm to high and arrange to visit them. If we see indicators of poor compliance in relation to professional standards it will almost certainly be the case that there are poor levels of compliance for AML.

**13.4** There are potential concerns about future supervisory effectiveness if information is not shared in relation to professional standards failures identified by the professional bodies however it should be noted that going forward:

- The professional bodies will no longer have the funding from supervision fees so will not have AML dedicated staff available to undertake information sharing activities. There may therefore be limited resources or capacity to provide information.
- Information sharing requirements must not act as a deterrent to members approaching their professional bodies for support with meeting their professional standards requirements. There must therefore be clear thresholds on the information required to be shared. These thresholds may naturally therefore reduce the information which is shared with the FCA.

**13.5** It is also important that information flows from the FCA to professional bodies. AML supervisory activity may result in concerns about the professional standards of members and their firms. If the CIOT are required to share information with the FCA then we would also expect a requirement on the FCA to share information with the CIOT. This is in the public interest as it enables us to take remedial action with members and to consider disciplinary action if necessary. The CIOT would also urge the FCA to share information with us in relation to enforcement action taken against our members in relation to AML breaches so we can consider whether a disciplinary referral needs to be made (enforcement action would not be duplicated in relation to the original breach but potentially in relation to bringing the profession and CIOT into disrepute).

- 13.6** The information sharing requirements will also need to be considered in relation to any ongoing AML advice provided by the professional bodies. We have commented further on this above but if the CIOT were to have an ongoing role in providing guidance to members the sharing of information relating to this would need to be carefully considered. This should not act as a deterrent to members seeking advice and therefore a high threshold would need to be set for sharing information.
- 13.7** Sharing information with HMRC will also be important for supervisory effectiveness particularly given the introduction of the register of tax advisers in 2026. We currently advise HMRC on a regular basis about the firms who have ceased supervision with us. About 40 CIOT firms a year cease supervision and are reported to HMRC so they can check that agent codes are closed. This is also part of our policing the perimeter work as once an agent code is closed firms can no longer interact with HMRC systems and would need to seek AML supervision again if they were continuing to trade.
- 13.8** It will be important that any information sharing gateways with the professional bodies are set out appropriately in legislation to avoid the need for documentation such as memorandum of understanding on information sharing to be put in place.
- 13.9** **Q14: Do you agree that the MLRs should be amended to require the NCA to share SARs with the FCA and other public sector supervisors, where these have been submitted by or relate to firms within their supervisory population?**
- 13.10** We agree that the MLRs should be amended to require the NCA to share SARs with the FCA and other public sector supervisors. The accountancy sector have previously provided feedback that this would be a useful tool to improve supervisory effectiveness.
- 14** **Whistleblowing**
- 14.1** **Q15: Do you agree that these existing whistleblowing protections are sufficient and appropriate?**
- 14.2** The CIOT have no comments in relation to this question. The FCA may be better placed to comment given their current role as a prescribed authority. We have received no member feedback in relation to this issue.
- 15** **Enforcement**
- 15.1** **Q16: Do you foresee any issues with our proposal for the FCA to exercise the same enforcement powers already exercised by it in relation to the financial services firms for professional services firms too?**
- 15.2** The CIOT agree that an extension of current FCA enforcement powers exercised to include professional services firms appears to be an appropriate move.
- 15.3** Our experience is that our supervised firms are in general willing to comply with AML requirements provided costs can be kept proportionate and affordable but they need guidance and assistance to do this on occasion. We would urge the FCA to consider carefully the resources to allocate to guidance and support rather than a disproportionate focus on formal enforcement action.
- 15.4** **Q17: Are there any additional enforcement powers that you feel the FCA should be equipped with to ensure non-compliance is disincentivised effectively?**
- 15.5** We are not aware of additional enforcement powers which the FCA would require.

- 15.6** Consideration will need to be given about how to ensure professional body members receive information about enforcement action taken. At present this is given prominence through outcomes published in professional body magazines, emails and websites. For example, the CIOT Tax Adviser magazine includes monthly articles about disciplinary outcomes. Information detailed on the FCA website only may result in CIOT members failing to hear about them which limits the dissuasive power of the information.
- 15.7** **Q18: Do you think any amendments to regulations 81 and 82 would help the FCA issue minor fines for more routine instances of non-compliance such as failure to register?**
- 15.8** The FCA will need the capacity to issue low value fines given the large number of small firms within the accountancy sector. Low value fines will be proportionate enforcement action in relation to the CIOT supervised firms moving across where over 40% have fees of £50,000 or less.
- 15.9** The CIOT issue fines of £350 for administrative failings (£500 for the second instance). These are issued mainly in relation to failure to submit the annual AML renewal form and pay the renewal fee. This often prompts the firm to advise us that they have ceased to trade or have mitigating circumstances. The FCA will need to ensure there is an efficient system to deal with correspondence in relation to low level fines to avoid escalation of enforcement action.
- 15.10** In relation to potential breaches of the MLR identified through monitoring activity we suggest that guidance and assistance to bring firms into compliance should be the appropriate starting point with fines reserved for ongoing failure to put matters right.

## **16 Appeals**

- 16.1** **Q19: Do you have any issues with our intention that decisions made by the FCA in relation to their AML/CTF supervision of professional services firms be appealable to public tribunals, in line with the existing system?**
- 16.2** The CIOT agree that there should be a system to permit appeals in relation to FCA powers. There should however be a simplified system in relation to appeals against minor fines to ensure matters can be resolved quickly and as cost efficiently as possible.

## **17 Fees and funding**

- 17.1** **Q20: Do you have any comments regarding the FCA charging fees, under regulation 102, noting the possible proposed amendments?**
- 17.2** The consultation states that PBSs generally include the cost of AML supervision in annual fees. This is not the case for the CIOT. We do not have a practice assurance scheme and therefore we charge our members a separate fee for AML supervision. Our annual fee is currently £350 and this will rise to £375 for the year from 1 June 2026. The CIOT fee has been broadly kept in line with the HMRC AML supervision fees (and even then some firms raise concerns about the costs). It is important that the FCA ensures fees are not increased above similar levels when they take over supervision.
- 17.3** It is unclear what information the FCA would require from firms unless the fees model is based on the fees of the firms. 25% of CIOT supervised firms have fees of less than £20,000 and these firms would undoubtedly welcome a decrease in their fees if a scale was adopted.
- 17.4** There are risks in setting fees which are not proportionate for small firms of tax advisers which may result in them ceasing to act or passing on the additional costs to clients. In turn this may result in less choice of adviser in the market place and may mean some clients cannot afford tax advice and will attempt to deal with their own tax affairs. Ultimately this may increase non-compliance or tax errors impacting the tax gap. Alternatively some firms may cut other expenditure such as professional body

membership fees and therefore no longer have membership requirements in place which protect the public (such as requirements to have professional indemnity insurance and meet CPD requirements, and the requirement to maintain high professional standards).

## 18 Transition and Supervisory Co-ordination

### 18.1 Q21: Are there any specific powers or transitional arrangements that you believe would help the FCA, current supervisors, or HM Treasury support a smooth and low-burden transition for firms already supervised under the MLRs?

18.2 The CIOT set out clearly in their [response](#)<sup>8</sup> to the consultation on [Reforming anti-money laundering and counter-terrorism financing supervision](#)<sup>9</sup> a number of risks in relation to the transitional period. These are not covered again in this document but instead we have considered suggestions as to how some of these risks can be managed and mitigated.

18.3 The CIOT would urge the FCA to set up and name the transitional team leading the changes at the earliest opportunity so that the professional bodies can start to interact with named individuals and work with them to plan the transitional period. We would also seek to agree at the earliest possible stage:

- Details of the FCA model of supervision for the accountancy sector so we can inform our firms and ensure our training materials, website guidance and communications start to educate them about the approach which will be taken. Whilst we know that the MLR requirements are not changing, different supervisors can take different approaches in relation to onsite or desk based visits, registration processes, materials provided etc and therefore we need to be preparing our supervised firms for this. At present it is unclear what will be put in place to change and improve the operation of AML supervision and how that will translate to changes seen by our firms (other than the fact 22 professional body supervisors and HMRC will be replaced by one supervisor).
- A realistic timetable for the transfer of supervision following input from HM Treasury on the expected dates for legislation. This should include:
  - planned dates for tranches of supervised firms to be transferred taking into account each professional body's renewal period to minimise disruption for firms who could move across at the normal renewal date. The CIOT would like to see a plan developed swiftly on which tranches will move across when to the FCA.
  - the date after which new registrations for CIOT members requiring supervision will be dealt with by the FCA
  - the cut-off date after which supervisory onsite visits and desk based reviews would no longer be arranged by the CIOT.
- The information which will be required by the FCA so we can seek process and software solutions to start collating the details now. If this is not addressed early on it may not be possible or may become prohibitively expensive to extract and transfer data. This may include consideration of whether current regulations in the MLR permit such wide-ranging data sharing.
- Details on resourcing of the data transfer and other transitional requirements on professional body supervisors. It is unclear whether FCA funding for the transitional period will include funding for professional bodies in dealing with transitional work. If it does not, then costs must be minimised to reduce cost burdens on supervised firms and resulting increases to supervision fees in the transitional period.

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<sup>8</sup> <https://www.tax.org.uk/ref1229>

<sup>9</sup> <https://www.gov.uk/government/consultations/reforming-anti-money-laundering-and-counter-terrorism-financing-supervision>

- Clarity on the additional fit and proper checks which may be required for those firms moving to the FCA. The consultation refers to additional checks being required where these have not been conducted previously to the same depth as those typically applied by the FCA.
- Plans on how to share expertise in the supervision of tax advisers and accountants more widely. OPBAS are uniquely placed to coordinate some of this work as they know the strengths of each supervisor and which ones have gold standard operations in different areas which could be shared with the FCA. There will be a huge amount of upskilling of staff required and this could include:
  - brief secondments of professional body staff to the FCA
  - observing professional body AML supervision visits
  - meeting professional body representatives to understand risks and associated assessment processes
  - convening meetings to look at registration requirements.
- Agreements with the FCA on ongoing authority and actions may also be required on a case by case basis where investigations and disciplinary processes have commenced.

**18.4 Q22: Do you agree that a requirement should be placed on the FCA and existing professional bodies and regulators to create an information sharing regime that minimises burdens on firms?**

**18.5** We agree that information sharing should minimise the burdens on firms but this also needs to recognise the costs of information sharing. The CIOT does not have a practice assurance scheme so we would not require firms to provide the detailed renewal information they currently do and if AML supervision fees cease we would not have the resources to update software and collect registration/renewal information on behalf of the FCA.

**18.6 Q23: Are there other legislative measures that would prevent additional regulatory burdens arising?**

**18.7** We look forward to liaising further on this once the model of FCA regulation of the accountancy sector and the transition plans have been fully scoped out. In advance of this it is difficult to identify the additional regulatory burdens on firms currently supervised by the CIOT.

**19 The role of OPBAS and professional services legislation**

**19.1 Q24: Are there any additional powers that would support OPBAS to provide effective oversight of the PBSs during the transition? If so, please provide an overview.**

**19.2** The CIOT will continue to meet the OPBAS sourcebook requirements during the transitional period and to maintain supervisory activity. As a result we see no reason why additional powers would be required to maintain effective oversight.

**19.3** As referred to above we consider that OPBAS are uniquely placed to identify good practice amongst the professional body supervisors and to coordinate information about this to supply to the FCA. We consider that their role during the transitional period should be to support the smooth transfer of firms to the FCA. OPBAS reviews of the professional bodies are time consuming and in a period when the bodies may face resource constraints and additional demands in transitioning firms to the FCA the CIOT consider that the focus for OPBAS should be related to the transition. The CIOT looks forward to working with OPBAS to collaborate on transition priorities.

**19.4 Q25: Are there any wider legislative changes that may be necessary to support the effective implementation of this policy, including alignment with existing statutory frameworks governing professional services?**

**19.5** The tax profession remains unregulated in the UK so at present the CIOT have not identified any other legislative changes necessary to support the implementation of this policy.

**19.6 Q26: Should any changes be made to the economic crime objective introduced for legal regulators by the Economic Crime and Corporate Transparency Act?**

**19.7** The CIOT is not a legal regulator so has no response in relation to this question.

## **20 Accountability and independence**

**20.1 Q27: Do you have any issues with our intention to apply the FCA's existing accountability mechanisms in carrying out its additional supervisory duties?**

**20.2** The CIOT have no comments in relation to this question.

**20.3 Q28: What measures do you think should be taken to ensure a proportionate overall approach to supervision, including prioritising growth?**

**20.4** In this submission we have referred to the help and support needed by small firms from their supervisor in order for them to meet the requirements of the MLR and be effective gatekeepers and financial crime reporters. We consider this approach is proportionate compared with simply fining supervised firms albeit this is required to ensure compliance by a small minority of the supervised population. We hope to be able to work collaboratively with the FCA during the transition period so that they understand how tax advisers operate and how proportionate supervision can be achieved

## **21 Acknowledgement of submission**

We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published. We would be pleased to meet with you to discuss matters further and in the first instance we should be grateful if you would contact [jmellor@ciot.org.uk](mailto:jmellor@ciot.org.uk).

**The Chartered Institute of Taxation**

**23 December 2025**