



## Clause 14

### Anti-money laundering and counter-terrorist financing supervision

#### Executive Summary

Whilst accepting that supervisory reform is necessary, the CIOT and ATT's preferred model would have been to strengthen the powers of the Office for Professional Body AML Supervision (OPBAS) rather than consolidating professional services AML supervision within the FCA. The vast majority of those we supervise are very small businesses that need guidance and help to get things right. It is unclear to us whether the FCA will provide them with proactive support of the kind and extent we do.

The legislation leaves many questions unanswered. We are calling for early clarity on the proposals, including a realistic timeline for the transition, keeping burdens on the supervised population proportionate, and ensuring that education and bespoke support of the kind currently provided to our members remains available to them. Regulations should be published for consultation.

Non-compliance with AML requirements amongst our supervised population is focused on lack of paperwork and does not indicate that they or their clients are involved in money laundering. We receive little information from law enforcement about our members and despite frequent requests, we and our members receive very little granular feedback on the impact their suspicious activity reports make. We believe better feedback and wider publicity around successes could help AML-regulated firms to see the value and importance of work in this area more clearly, keeping it at the forefront of their minds.

#### 1 Context and overview

- 1.1 The Chartered Institute of Taxation (CIOT) and Association of Taxation Technicians (ATT) are 2 of the 22 professional services anti-money laundering (AML) supervisors whose responsibilities in this area are being transferred to the Financial Conduct Authority (FCA) under this legislation. Further information on what these responsibilities involve is set out in the appendix (section 3) below.
- 1.2 CIOT and ATT strongly support the UK's drive to combat money laundering and terrorist financing. However we do not think the case for consolidation of supervision for accountancy, legal and trust and company service providers into one single professional services supervisor, the FCA, has been proven and we are concerned it could simply introduce more costs and burdens for the already compliant. Our preferred model in

response to the 2023 consultation on reform of AML supervision<sup>1</sup> was strengthened professional body supervision, overseen as now by an independent body (the Office for Professional Body Anti-Money Laundering Supervision, or OPBAS). The key benefits of this approach would have been building on professional bodies' expertise and knowledge of our members' work, our ability to support firms into compliance with clear processes already in place, and efficiencies and simplicity through streamlining with other regulation of professional standards of our members.

- 1.3 Most tax adviser firms operate in a very different way to the large financial institutions which are the focus of the FCA's supervision. The vast majority of our supervised population is made up of very small firms who are seeking guidance and help to get things right but cannot afford the additional costs of specialist advisers. While the FCA do supervise some small firms in the form of independent financial advisers, it is unclear to us whether there is proactive support of this population of the kind that we provide.
- 1.4 The compliance support and education we provide for members, which we are concerned may be lost in the consolidation, includes pro forma documents to help our small firms comply with requirements<sup>2</sup> and an email/telephone helpline for members to talk through AML issues. Everyone in our team answering queries has a background of being tax/accountancy qualified or having worked in a firm of accountants, so we understand the pressures and how they operate, as well as the AML requirements.
- 1.5 Notwithstanding our misgivings about the change, we will of course do all we can to support the FCA and our supervised firms with a smooth transition and the maintenance of effective, proportionate AML supervision for our members.

## **2 Going forward – the transition and areas for clarification**

- 2.1 The legislation tells us little about how the consolidation will happen. CIOT and ATT are calling for early clarity on the proposals, including a realistic timeline for the transition, keeping burdens on the supervised population proportionate, and ensuring education and bespoke support of the kind currently provided to our members remains available to them.
- 2.2 In respect of the timeline, the investment needed, both in money and time, to transition the population and effectively police the new regime with skilled and appropriately knowledgeable personnel should not be underestimated. Moving from a system overseen by professional bodies with commercial understanding and established processes will require significant investment and careful planning. Certainty around timelines and the substance of the new proposals is urgently needed for those whose supervision is moving so they can understand how to remain compliant with AML requirements both in the future and the interim.
- 2.3 We are concerned that the consolidation may impose greater administrative burdens and costs without any convincing evidence that it will deliver improved AML outcomes. Effective

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<sup>1</sup> <https://www.gov.uk/government/consultations/reforming-anti-money-laundering-and-counter-terrorism-financing-supervision>

<sup>2</sup> [Practice risk assessment and policies and procedures | Chartered Institute of Taxation](#)  
[Guidance and pro forma documents for use by small firms supervised by the ATT | The Association of Taxation Technicians](#)

supervision must include minimising burdens on the vast majority who are compliant with their AML requirements and providing education to assist firms to comply.

- 2.4 Since OPBAS was established in 2018 there has been considerable improvement in AML regulation across the professional services sector, including greater information and intelligence sharing. It is important this is built on rather than lost in the transition while new processes are set up.

- 2.5 It would be helpful if ministers could answer the following questions during debate:

*Can ministers commit that the FCA will provide education and bespoke AML support to professional services firms of at least the level provided by the existing professional body supervisors?*

*When will the regulations be published and when will the FCA take on its new powers?*

*Do ministers recognise the merits of AML supervisors having direct experience and understanding of the sectors they are supervising and can they confirm that they will expect the FCA to hire AML supervisors specifically with tax, accountancy and legal sector experience ahead of this transition?*

*Can ministers reassure professional services firms that they will not see significantly higher AML supervision fees as a result of this change?*

*Are there plans to set up or increase the size of FCA offices in locations other than London, Leeds and Edinburgh so that staff are available to undertake supervisory activity across the UK and are familiar with ways firms operate (and associated risks) within the regions?*

- 2.6 The wide-ranging nature of the regulation-making powers held by ministers in this area, and added to by clause 14, is unsatisfactory. Parliament is once again being asked to pass primary legislation giving ministers something close to a blank sheet of paper to fill in as they choose when it comes to the secondary legislation. As a minimum the government should commit that the regulations to implement this consolidation will be published in draft for consultation, enabling those affected by it to propose changes, and that they will be subject to the affirmative procedure, so that both Houses of Parliament will have the opportunity to debate them.

- 2.7 A point we have consistently made during our time as an AML supervisor is that we receive very little granular feedback from law enforcement on areas where the suspicious activity reports made by tax advisers and accountants have had an impact on money laundering or areas where they consider our members should be reporting to them but are not. We regularly ask for this when providing feedback on new initiatives and new legislation. Feedback from our members indicates that they would like to understand more about the impact of the reports they have made as they receive no response from the National Crime Agency in relation to reports and whether they have disrupted economic crime. We believe better feedback and wider publicity around successes could help AML-regulated firms to see the value and importance of work in this area more clearly, keeping it at the forefront of their minds. This applies whether they are being supervised by a professional body or by the FCA.

### **3 Appendix: Current role of CIOT/ATT and other anti-money laundering supervisors**

- 3.1 The Money Laundering Regulations set out requirements on the regulated sector which legislators see as key elements in the fight against economic crime. It is the responsibility of the principals in a supervised firm to ensure the firm has AML supervision and complies with the regulations including when taking on clients (due diligence and assessing risk), ongoing monitoring during the client relationship and reporting knowledge or suspicion of money laundering and terrorist financing.
- 3.2 The CIOT and ATT are 2 of the 22 Professional Body Anti-Money Laundering (AML) supervisors set out in the Money Laundering Regulations and supervise 874 and 641 firms respectively. This represents only a small proportion of the CIOT's 20,000 membership and ATT's 10,000 membership. This is largely due to the fact that many of our members are dual qualified as accountants or lawyers and as such their firm is likely to be supervised by the accountancy and legal professional body supervisors. Those we supervise are generally very small firms, often sole practitioners. About 40% of them have fee income of £50,000 or less per year.
- 3.3 As AML supervisors it is our responsibility to ensure that tax advisory and accountancy firms run by our members:
- a. understand the AML/CFT (combating the financing of terrorism) risks facing their business and how to mitigate them; and
  - b. comply with their AML/CFT obligations (do they identify and verify the identity of their clients? do they risk assess their clients? do they question the source of funds where appropriate? do they report knowledge or suspicion of money laundering to the National Crime Agency?)
- 3.4 Most of the legislative requirements on firms have to be met whether they are a small one-person practice or a large international firm and whilst they can be tailored to the size of the firm there is a disproportionate impact on the smaller firms which make up the majority of the firms supervised by the CIOT and ATT.
- 3.5 We work with the members we supervise to ensure they are equipped to be compliant. To help achieve this we:
- require completion of a detailed initial registration and subsequent annual renewal form
  - follow up with firms which provide non-compliant answers on these forms
  - run an education/information programme to ensure members understand what their obligations are and are up to date on any changes, including newsletters, webinars, guidance on our website and sessions at our conferences
  - provide pro forma risk assessment and policies and procedures documents
  - provide a helpline which members access by telephone or by email.
- 3.6 As a supervisor we carry out a programme of visits to check compliance among those we supervise. We focus our efforts on the businesses which present the greatest risks but also do dip sample checks on the remainder of the population. We judge risk by assessing each firm against a set of criteria such as the type of work undertaken, the turnover, location of offices, prior conduct etc. Visits are also an opportunity to learn about the challenges firms face with AML compliance and to identify particularly good practice which can be shared with other supervised firms. During visits we also check on the quality of any suspicious activity reports which have been submitted by the firm.

- 3.7 At the end of a visit the firm is given a compliance rating of compliant, generally compliant or non-compliant. A firm with a generally compliant or non-compliant rating is given an action plan with a deadline of one month to complete the actions. Failure to do so (in the absence of mitigating circumstances) may result in referral to the Taxation Disciplinary Board (TDB) for enforcement action.
- 3.8 It is important to note that an assessment of 'non-compliant' would not mean we have found evidence of money laundering. This refers to compliance with money laundering regulations, most commonly administrative failings (eg failure to have written policies and procedures, inadequate training records, etc). If we come across knowledge or suspicion of money laundering / proceeds of crime in our role as AML supervisors we would ourselves submit a Suspicious Activity Report to the National Crime Agency as appropriate.
- 3.9 We work with other AML supervisors through the Accountancy AML Supervisors' Group (AASG) and AML Supervisors' Forum (AMLSF) together with HM Treasury and the Home Office. We are ourselves supervised and supported by the Office for Professional Body AML Supervision (OPBAS).
- 3.10 Our latest Annual AML Supervision Report<sup>3</sup> (published October 2025) provides more information on our activity in this area.

## **4 About us**

### **4.1 The Chartered Institute of Taxation**

The Chartered Institute of Taxation (CIOT) is the leading professional body in the United Kingdom concerned solely with taxation. 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. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries. The CIOT's comments and recommendations on tax issues are made in line with our charitable objectives: we are politically neutral in our work.

The CIOT's 20,000 members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation.

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<sup>3</sup> [Annual AML Supervisor Report | Chartered Institute of Taxation](#) and [Annual AML Supervision Report | The Association of Taxation Technicians](#)

#### 4.2 The Association of Taxation Technicians

The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has over 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively

The Chartered Institute of Taxation  
The Association of Taxation Technicians  
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