

Open Consultation - Anti-Money Laundering/CounterTerrorist Financing (AML/CTF) Supervision Reform: Duties, Powers, and Accountability.

The IFA welcomes the opportunity to this open consultation published on 6 November 2025.

We would be happy to discuss any aspect of our response and to take part in any further consultations in this area.

Established in 1916, the Institute of Financial Accountants (IFA) is an internationally recognised professional accountancy membership body. Our members work within micro and small to medium-sized enterprises or in micro and small to medium-sized accounting practices advising micro and SME clients. We are part of the Institute of Public Accountants (IPA) of Australia Group, the world's largest SME focused accountancy group, with more than 49,000 members and students in 100 countries.

The IFA is a full member of the International Federation of Accountants (IFAC), the global accounting standard-setter. As such, the IFA takes its place alongside the UK and Ireland's six chartered accountancy bodies.

The IFA have been approved by:

HM Treasury to supervise our members for the purposes of compliance with the Money Laundering Regulations, and by the Financial Services Authority in the Isle of Man.

The Charity Commission in England and Wales, for conducting independent reviews of charity accounts below the audit threshold;

The Scottish Charity Regulator, for providing independent examination of Scottish charity accounts; and

The Civil Aviation Authority (CAA) for IFA practising members to join the ATOL Reporting Accountants (ARA) scheme.

The IFA is represented on several UK Government committees and forums alongside other IFAC members, including the HMRC Agent Support Group, HMRC Compliance Reform Forum, HMRC Guidance Strategy Forum, HMRC Charter Stakeholder Group and Companies House Stakeholder group.

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General comments

1. Despite our disappointment with the decision, the IFA remains committed to the fight against financial crime and our role as a supervisor during the transition period. Professional bodies have made considerable progress since OPBAS oversight came into force, as evidenced by the volume of direct supervisory reviews (which is not matched by any of the statutory supervisors in other sectors) and the increased understanding of our firms through our annual risk assessment processes and frequent touchpoints.
2. The majority of firms supervised for AML compliance by the IFA are sole practitioners with limited resources. We provide often compliance support, often daily, to these firms, and we are concerned that the FCA may not have sufficient resources and expertise to provide such bespoke support given the volume of entities it will be regulating.
3. The transition period will be a crucial factor when measuring the success or otherwise of this change in direction. Issues such as review scheduling and enforcement activity will need to be carefully coordinated to ensure smooth transition and prevent gaps in the monitoring process.
4. We are committed to working with the FCA and HMT in tackling economic crime while providing ongoing support to IFA firms.
5. We do however have concerns that the improvements in effectiveness that these reforms are designed to deliver will not materialise.
 - Supervision by professional bodies drew criticism due to the perceived fragmentation of so many different supervisors. However, this was also a strength, allowing supervisors to maintain a thorough understanding of their own populations and the risks they are exposed to. This knowledge was maintained through frequent touch points on a wide range of regulatory and professional issues. Professional bodies updated risk assessments annually through the returns submitted by members and firms as well as intelligence gained through roughly 10% of the population receiving direct supervisory monitoring.
 - To improve the effectiveness of the regime, the FCA must be able demonstrate how it has enhanced these metrics. To achieve this, the FCA will need to conduct in excess of 9,000 supervisory reviews on their new population, as well as successfully solicit information received annually from more than 90,000 firms. This is a prodigious administration burden which currently the FCA is not equipped to manage.
 - We are aware of the FCA's interest in data analytics and emerging technologies such as AI, however at some point, assumptions derived through the collection of self-declared data must be tested in the real world through direct supervisory monitoring across all risk categories.
6. Our responses below are based on the understanding that the reforms will proceed and the rationale behind the decision is unlikely to be revisited.

Responses to consultation questions

Chapter 2 - Registration and gatekeeping

Registration and public registers of supervised entities

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?

7. We agree with the proposal to amend the MLRs to allow the FCA to maintain a register of professional service firms as this is something the accountancy sector has suggested for many years. The register should help facilitate a better understanding for law enforcement to identify firms.
8. The practical challenges may stem from the size of the supervised population and maintaining an accurate list given there will be thousands of new applications and changes to existing entries each year.
9. The register will only be useful to the extent that is able to be kept up to date.

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?

10. We agree with the proposal to grant supervisors the explicit ability to cancel a business' registration when it no longer carries out regulated activities.
11. The main challenge would be in determining the specific circumstances that would warrant cancelling a registration. Will this be reliant on information provided by firms or will the FCA have powers to unilaterally remove registration on the basis of failure to respond to requests for information?
12. A further challenge would be to effectively police firms that have been removed from the register for claiming to no longer provide regulated services. How would cancelling a registration prevent a firm from trading? Consideration should be given to ensuring appropriate gateways are in place between the FCA and HMRC to effectively police the perimeter in relation to tax advisers and practitioners.
13. Where the FCA has had to deregister a firm for AML-related issues, there will need to be an appropriate gateway to share this information with professional bodies to consider any further professional conduct issues.

Gatekeeping: approvals and fit and proper testing

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.

14. We support the application of 'fit and proper' testing of legal, accountancy and trust and company service providers. This builds on the fit and proper testing already undertaken by professional bodies to assess eligibility for membership which went beyond the MLRs.
15. Professional bodies rely upon byelaws and regulations to take appropriate disciplinary action where members fall foul of fit and proper requirements. The consequences of not informing professional bodies of emerging fit and proper issues (as defined in byelaws) may result in removal from membership, which is publicised, and the FCA will require similar mechanisms to ensure such issues are flagged to them in an appropriate timeframe.

16. As the term ‘accountant’ is not a protected title, anyone can set up an accountancy firm regardless of qualifications or suitability, therefore a robust gate-keeping process will be essential to help prevent bad actors from entering the sector without being subject to regulatory oversight.

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?

17. We agree with the proposed changes to regulation 58. It would avoid unnecessary duplication if existing fit and proper checks/declarations undertaken by professional bodies were carried forward to the FCA rather than firms having to do them again.
18. The compulsory sale of a beneficial owner’s interest in a business appears appropriate but what additional measures would be in place to ensure the ‘expelled’ BOOM does not continue to exert control over a firm?

Policing the perimeter

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

19. We agree the FCA should have sufficient power under the MLRs to effectively police the perimeter. HMRC was well placed to police the perimeter through their maintenance of agent codes for tax advisers. For the FCA to be as effective as HMRC the appropriate gateways to share information need to be in place.
20. Currently regulation 56 does not explicitly require accountancy service providers to register. This has caused enforcement challenges when disciplinary action has been taken and therefore tightening this regulation would aid the FCA when policing the perimeter. In such cases, the IFA relied upon the IESBA code of ethics and its byelaws to underpin enforcement action.
21. Need to ensure proportionate enforcement and guard against firms continuing to operate outside the regs – e.g. firms using personal tax credentials to complete self-assessments, may not be picked up in policing the perimeter.

Chapter 3: Risk-based supervision

Risk assessments and supervisory activity

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)?

22. We do not foresee any issues with the extension of regulations 17 and 46 which we agree is necessary to allow the FCA to understand where the risks are concentrated.
23. The challenge will be to maintain such large data sets which will need to be updated regularly to ensure relevance in identifying emerging risks. We are mindful of the requirements in MLR 17 to update risk profiles of firms on a regular basis. This poses a significant administrative burden on the FCA with such a large supervised population. Currently, professional bodies update their risk assessments of firms with information contained in annual returns and frequent touch points.

Additional intervention powers

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?

24. Although this sounds an effective tool for larger firms, we are not sure how practical this would be for small firms and sole practitioners. The majority of IFA firms have between 100 and 200 clients with

turnover between £50k and £100k with less than 3 employees, therefore the employment of a 'skilled person' would need to reflect the size and nature of the firm. If not proportionate it could make them insolvent or be extremely challenging to resource.

25. We wonder why this would be necessary as the initial review will have been conducted by a skilled person employed by the FCA and any follow up remedial actions should be documented and supported by evidence.
26. Yes, if introduced for the FCA it should be extended to HMRC and the Gambling Commission for consistency.

Information-gathering and inspections

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?

Please give reasons for your answer.

27. We agree with the proposal to extend the provisions to the new sectors within FCA supervision. In effect this aligns with the powers under current professional body byelaws and regulations to allow access to information and premises that will be needed to assess compliance and effectiveness.

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?

28. We are not aware of any issues in this area that hamper supervisors in obtaining relevant information and therefore have no additional suggestions.

Chapter 4: Guidance

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?

29. We would welcome this change to speed up the approval process. It would also utilise existing guidance that firms are familiar with and help the transition period.
30. We feel tailored sector specific guidance is essential. We strongly encourage sector guidance that reflects the reality in the accountancy sector where the majority of firms will not have dedicated compliance teams to interpret regulations or high-level guidance.
31. Despite our confidence in existing guidance, our experience is that some firms do require a lot of support to understand, interpret and implement it. Guidance must be complemented with accessible and timely help and support via helplines which they currently have access to.

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' but not having responsibility for approving entire guidance documents?

32. Yes, we agree, although the right to veto from HMT needs to be clear and time sensitive so as not to cause confusion. Delays between approval and subsequent vetoing could create problems with enforcement action due to confusion from different versions of guidance.

Chapter 5: Information and intelligence

Provision of information to firms

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?

- 33. Yes, we support the extension of the requirements under regulation 47 to the FCA in relation to the accountancy, legal and trust and company service providers.
- 34. It is essential that the FCA develops expertise within each sector that caters for small as well as larger firms, and the services they provide.

Information sharing

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?

- 35. We see no issues with regulation 46, 50 and 52 applying to professional services firms supervised by the FCA.

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?

- 36. Yes, we agree that the MLRs should be amended to require the NCA to share SARs with the FCA.
- 37. The NCA providing direct access to the SARs system would be a major step forward and something professional body supervisors have been asking for since 2007.
- 38. The FCA should ensure that this is handled correctly to prevent firms from not submitting SARs due to concerns this may prompt a regulatory review.

Whistleblowing

Q15: Do you agree that these existing whistleblowing protections are sufficient and appropriate?

- 39. Yes, we agree the existing whistleblowing protections are sufficient and appropriate.
- 40. The FCA will need to guard against vexatious claims and have appropriate procedures in place to deal with such cases, as this could become a problem with such a large volume of supervised entities.

Chapter 6: Enforcement

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?

- 41. We do not foresee any issues with the proposal to exercise the same enforcement powers other than in relation to scale.
- 42. Enforcement needs to be risk based and proportionate to the size and scope of the firm.

Q17: Are there any additional enforcement powers that you feel the FCA should be equipped with to ensure non-compliance is disincentivised effectively?

43. We have no other suggestions other than for the FCA to produce a code of expected conduct for firms to follow in relation to its responsibilities. This could serve to bridge the gap between the MLRs and professional conduct.

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?

44. Yes, we agree that the ability to issue minor fines would be a major help to the FCA and firms when dealing with minor breaches with such a large supervisory population.
45. We suggest the need for clear and transparent processes and guidelines will need to be put in place to ensure firms have full visibility of potential sanctions.

Chapter 7: Appeals

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?

46. We would agree with this proposal, however, the FCA should be aware that it may well be inundated with appeals which could cause a backlog and confusion. Process needs to be quick and efficient as well as transparent.

Chapter 8: Fees and funding

Q20: Do you have any comments regarding the FCA charging fees, under regulation 102, noting the possible proposed amendments?

47. The FCA needs a mechanism to establish if firms are under the scope from year to year, i.e., what happens to a firm that states it is not providing ASP services one year but then starts again the following year (or mid-year)? How will a fee structure accommodate such nuances?
48. Fees need to be reflective of the size of firms as some have only a handful of clients. Excessive fees may drive firms out of business or to act outside the scope of the MLRs. Micro businesses rely on small practitioners to remain viable, and therefore the FCA should ensure that its fee structure does not drive firms away from the sector.

Chapter 9: Transition and Supervisory Co-ordination

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?

49. Arrangements will need to be put in place in respect of firms that are partway through implementing AML compliance action plans or going through a disciplinary process at the point supervision is transferred to the FCA. Whatever date is set for the transfer of supervision, there will inevitably be firms that are subject to formal actions following reviews. Will these actions be enforceable once the legislation has been updated?

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?

50. Yes, however this should rely on existing systems used by professional bodies as future IT investment by professional bodies in relation to AML supervision will be limited.

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

51. We are not aware of any further legislative measures required.

Chapter 10: The role of OPBAS and professional services legislation

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

52. Despite our disappointment with the decision, the IFA remains committed to the fight against financial crime and our role as a supervisor during the transition period. Professional bodies have made considerable progress since OPBAS oversight came into force, as evidenced by the volume of direct supervisory reviews (which is not matched by any of the statutory supervisors in other sectors) and the increased understanding of our firms through our annual risk assessment processes and frequent touchpoints. Considering the progress that has been made, we do not believe OPBAS need further powers to provide effective oversight during the transition period.

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?

53. If professional bodies are removed from the MLRs then an appropriate gateway would need to be created to allow the sharing of data and meet the requirements of GDPR.

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

54. Not applicable to accountancy sector.

Chapter 11: Accountability and independence

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

55. We support the intention to apply FCA's existing accountability mechanisms in carrying out its additional supervisory duties.

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

56. Prioritising growth is the purview of government, business leaders and industry and up until this point has not been an overarching aim of supervisors. We would welcome clarity on what is meant by prioritising growth as this terminology is new to the remit of the supervisory sector.

Contact details

Should you wish to discuss this response further, please contact Tim Pinkney, IFA Director of Professional Standards, by email at timp@ifa.org.uk.