



# ***AML for the small practice***

**SANDY PRICE**

**AML MANAGER, ICAEW AML SUPERVISORY TEAM**

# ***Content***

- Suspicious activity reports – SARs portal changes
- Approach to AML supervision
- Verification tools
- Emerging risks and red flags
- Economic Crime Bill

# ***Poll***

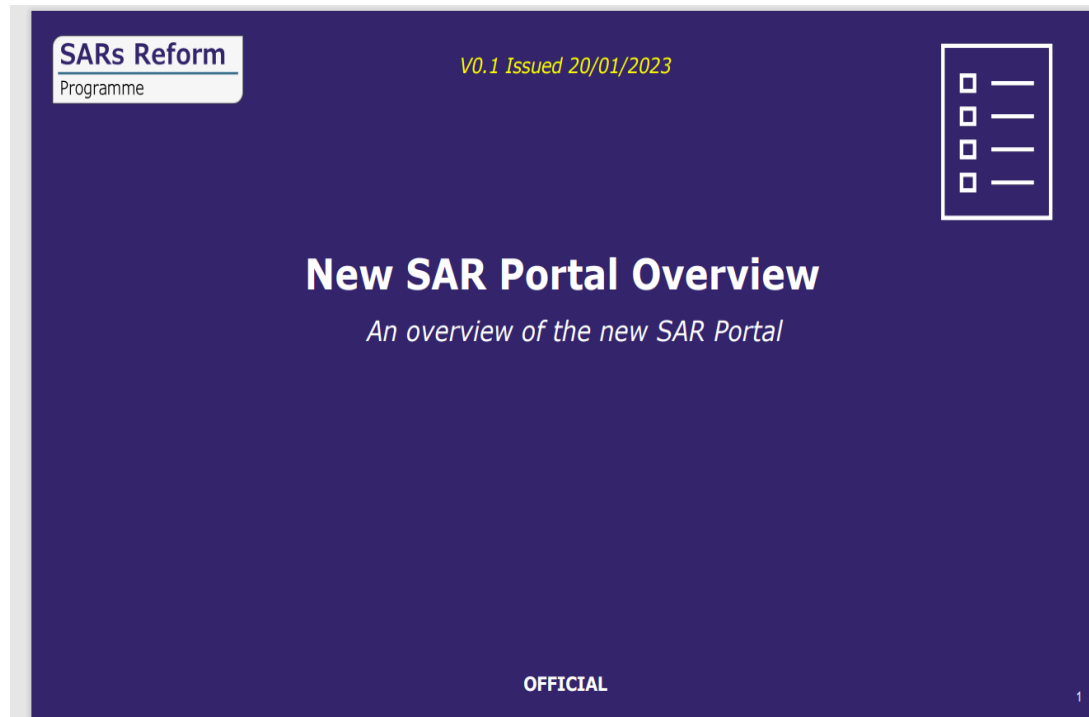
Last year UKFIU received 901,255 SARs, how many were from accountants (43,000 firms)?

- 5,863
- 11,835
- 24,893
- 92,132

## [SARs Annual Report 2022 v1.0 \(nationalcrimeagency.gov.uk\)](https://nationalcrimeagency.gov.uk)

Industry	April 20-March 21	% of total	% comparison to 2019-20	April 21-March 22	% of total	% comparison to 2020-21
Credit institution - banks	551,015	74.23%	27.46%	637,776	70.77%	15.75%
Credit institution - building societies	29,838	4.02%	-2.42%	56,931	6.32%	90.80%
Credit institution - others	10,236	1.38%	26.68%	14,113	1.57%	37.88%
Financial institution - money service businesses	24,186	3.26%	36.64%	27,397	3.04%	13.28%
Financial institution - others	100,211	13.50%	70.05%	113,246	12.57%	13.01%
<b>Accountants and tax advisers</b>	<b>4,673</b>	<b>0.63%</b>	<b>-12.61%</b>	<b>5,863</b>	<b>0.65%</b>	<b>25.47%</b>
Independent legal professionals	2,215	0.30%	-26.31%	2,859	0.32%	29.07 %
Trust or company service providers	91	0.01%	193.55%	140	0.02%	53.85%
Estate agents	680	0.09%	-21.02%	780	0.09%	14.71%
High value dealers	330	0.04%	-10.81%	304	0.03%	-7.88%
Not under Money Laundering Regulations (MLRs)	12,711	1.71%	18.64%	35,494	3.94%	179.24%
Gaming/ leisure (incl. casinos and some not under MLRs)	6,131	0.83%	19.05%	6,352	0.70%	3.60%
<b>Total</b>	<b>742,317</b>	<b>100%</b>	<b>29.53%</b>	<b>901,255</b>	<b>100%</b>	<b>21.41%</b>

# ***New SAR portal***



- Transition commenced in March 2023
- Phased over the course of 2023
- The National Crime Agency will contact your firm using existing contact details in the current portal
- NCA provide guidance – videos and support
- [Suspicious Activity Reports - National Crime Agency](#)
- **MAKE SURE YOU ARE REGISTERED**
  - and ensure your contact details are accurate

# Why use the portal?

1 2 3 4 5



## Introduction to the SAR Portal (1)

The new SAR Portal is a secure, web-based system through which you can submit suspicious activity reports to the UKFIU.

### Why and when to submit a SAR

Submitting a SAR provides law enforcement invaluable information about potential criminality that may otherwise not be available. It protects you, your organisation, and UK financial institutions from money laundering and terrorist finance. For guidance on when to submit a SAR, please refer to the NCA website.

### Who can use the SAR Portal

The SAR Portal can be used by anyone, including members of the general public and/or regulated and unregulated organisations.

Before you can use the SAR Portal, you will need to register. Please view the '**SAR Portal – How to Register**' user guide for more detail and guidance on registration.

### Why use the SAR Portal

The SAR Portal is the NCA's recommended method for the submission of SARs. This is because it:

- provides you with an automated acknowledgment of successful submission
- assists you in structuring your SAR to be comprehensive, improving processing time for law enforcement
- offers you the opportunity to request a DAML or DATF

### Key Benefits of the new SAR Portal

- The new SAR Portal will make it easier for you to submit structured, meaningful and comprehensive SARs.
- Increased data quality of submissions will provide enhanced intelligence to the UKFIU, law enforcement agencies and government departments in their fight to disrupt criminal activity.



## Introduction to the SAR Portal (2)

The new SAR Online Portal has been designed to increase the quality and utility of SARs, and enhance the user experience for reporters, law enforcement, and government departments. The new online portal...

*Is simpler and more intuitive, enabling reporters to submit high quality SARs.*

*Has help text and explanations throughout the submission process, providing guidance to reporters.*

*Has more detailed and targeted data fields, providing more intelligence to law enforcement and government departments and increasing the potential utility of the SARs.*

*Is aligned to Government Digital Standards, with embedded guidance to support reporters through their submission*



***Questions?***



# ***Poll***

Have you had an ICAEW review that included a review of your AML procedures?

- Yes
- No
- N/A

# ***Visit types: cycle linked to AML risk score***

## **AML telephone**

Higher risk score

[AML telephone monitoring reviews: a two-way process | ICAEW](#)

## **Practice Assurance**

Visit Cycle Linked to turnover

# AML supervision

- Move to effectiveness of policies/procedures
- Increased focus on effectiveness of customer due diligence
- [Client Due Diligence Case Studies – CCAB](#)



# Verification tools

## CLIENT SOURCED INFORMATION

- Identity documents
- Evidence of address
- Trust documents
- Power of Attorney
- Probate documents
- Other personal documents
- For overseas docs:
- [Council of the European Union - PRADO - Home \(europa.eu\)](http://europa.eu)

## PUBLIC SOURCES

- Open source media (newspapers, civil society bodies, internet searches)
- Companies House (but note that reliance may not be placed on this for beneficial ownership information)
- Professional registers
- Trade registers
- Share registers
- Other public registers or records (eg, OFSI Consolidated List)

## PROPRIETARY SOURCES

- Electronic sources of verification
- Sanctions and politically exposed persons (PEP) screening software
- Subscription services to fraud alerts
- Subscription media services
- Company data services
- Credit reference agencies

# ***Open source searches – Google/online***

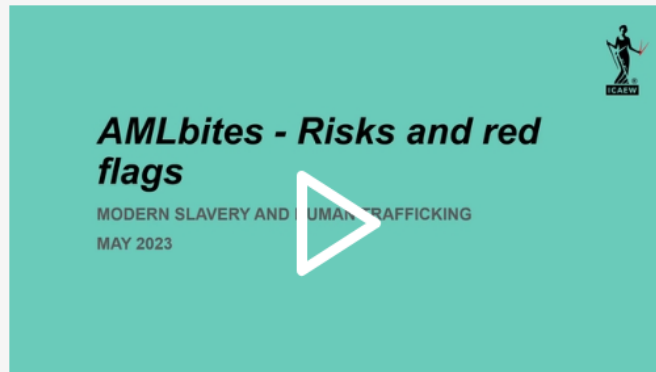
- ‘Client Name’ and ‘crime’
- ‘Client Name’ and ‘money laundering’
- ‘Client Name’ and ‘corruption’

## Companies House

- [Find and update company information - GOV.UK \(company-information.service.gov.uk\)](https://find-and-update.company-information.service.gov.uk)
- <https://find-and-update.company-information.service.gov.uk/>

# Emerging risks and red flags – ICAEW guidance

[icaew.com/AMLbites](https://icaew.com/AMLbites)



## AMLbites: Risks and red flags - Modern slavery and human trafficking

Video 15 May 2023

Produced by the anti-money laundering supervision team, this video focuses on the red flags linked to modern slavery and human trafficking and where to get guidance.



## AMLbites: Risks and red flags - Chinese underground banking

Video 24 Mar 2023

The video is produced by the anti-money laundering supervision team, focussing on Chinese underground banking.



***Questions?***

# ***Poll: sanctions***

Can I perform an audit on UK subsidiary undertaking (as defined in the Regulations) that is owned by a Russian parent undertaking?

- Yes
- No
- No idea



# **Audit sanctions - what it means in practice / ICAEW**

- There are specific exemptions to the ban.
- **The first exception relates to a UK subsidiary undertaking (as defined in the Regulations) that is owned by a Russian parent undertaking. UK companies in this situation are still permitted to be audited by a UK auditor in fulfilment of its legal obligations, irrespective of any indirect benefit to the Russian parent undertaking.**
- The second exception relates to the audit of a UK parent undertaking with a subsidiary undertaking that is 'a person connected with Russia', where the UK parent undertaking is a credit institution (as defined in the Regulations). In this situation, a UK auditor is permitted to provide services to that UK credit institution, for the purposes of the audit of the consolidated group account.
- Finally, if an audit firm signed an audit engagement letter prior to 16 December 2022, the firm has until 31 May 2023 to complete the audit. However, the firm must notify the Secretary of State that they will be completing the work by 15 March 2023.

# ***Risk landscape: sanctions***

- Russian sanctions – Trade and Financial
- Financial sanctions
  - Sanctions against Russian individuals and entities
  - Check [OFSI](#) list for sanctions or [ICAEW screening service](#)
  - Licences in place issued by the Office of Financial Sanctions Implementation (OFSI)
  - [Sanctions thematic review](#)
- Trade sanctions
  - Restrictions on providing accountancy services to ‘Persons connected with Russia’ (directly or indirectly). In place since July 2022
  - Audit. Appointed < 16 December 2022; informed secretary of state < 15 March 2023 and signed off before 31 May 2023

## EXPOSURE TO SANCTIONED INDIVIDUALS/ENTITIES

### SANCTIONED INDIVIDUALS



**58% (11/19)** of firms have identified clients (individuals) subject to sanctions. The number of such clients varied from one to six, although the six included those sanctioned in other jurisdictions.



**27** sanctioned individuals had been identified. Most of these individuals were subject to asset freezes. Five were subject to directions to cease business.

### SANCTIONED ENTITIES



**(9/19)** of firms have identified entities within their client base that were subject to financial sanctions.

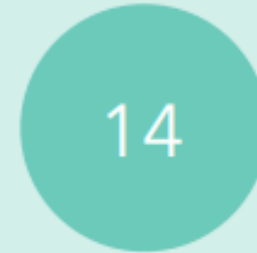
Overall...



sanctioned entities were identified.



of these entities were subject to asset freezes.



were subject to both asset freezes and financial restrictions on access to financial markets.



were subject to directions to cease business.

# ***Sanctions: red flags***

- Firm's derisking
  - New clients from larger firms that don't fit profile of your typical client
  - Obscurity of control
  - Trusts and complex business structures
  - Recent changes in beneficial owners
  - Reducing control to under 50%
  - [file \(nationalcrimeagency.gov.uk\)](https://www.nationalcrimeagency.gov.uk)
  - Transfer of assets
- OFSI and open source checks – Google names and page down lists

# ***Modern slavery and human trafficking red flags and typologies: client***

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High risk work sectors (some traditionally cash based) – construction, nail bars, hand car washes, agriculture, cleaning, hospitality, factory work.

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Business output not proportionate with size and staffing level.

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Businesses on the brink of insolvency – these are vulnerable to manipulation by exploiters and traffickers.

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Adverse media on the client and linked individuals.

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Unclear source of funds/wealth.

# ***Red flags: payroll services***

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Deductions are taken directly/indirectly from staff wages for other 'expenditure'.

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Pay may seem low or below minimum wage.

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Working hours for staff which may seem excessive or indicate that they have few or no days off.

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Multiple and excessive value payments to the Construction Industry Training Board (CITB) for health and safety tests or construction cards.

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Potential victims are paid wages in rounded amounts, for example £500 for 30 days work.

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Payments to all employees are identical, no variation in payments depending on the hours each employee works.

# ***Chinese underground banking***

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There are strict regulations in China around the amount of funds a Chinese citizen can transfer out of the country for personal use.

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This is limited to around \$50,000.

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To avoid restrictions Chinese citizens have been known to use Informal Value Transfer Systems known as 'underground banking'.

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The NCA have stated that Chinese underground banking is abused for the purposes of laundering money derived from criminal offences.

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Currently no legal means for Chinese citizens to transfer money out of China for the purposes of property investment.

# *Other risks*

- High risk third countries
  - United Arab Emirates, Cayman Islands, Turkey
  - South Africa and Nigeria added to Financial Action Task Force grey lists
- High risk businesses
  - Property investment (overseas links)
  - Transport/freight
  - Cash intensive
  - Crypto
- Politically exposed persons
- High net worth
- Trust and company service provision



# ***Red flags***

Overseas ownership/control

Complex business structures – obfuscate ownership/control

Nominee shareholdings/directorships

Business rationale does not stack up

Golden visas/passports

Change of accountants - who were previous advisors?

Use of client account



***Questions?***

# ***Economic Crime Plan***



Register of Overseas Entities

Persons of significant control – report discrepancies for existing clients

Companies House reform

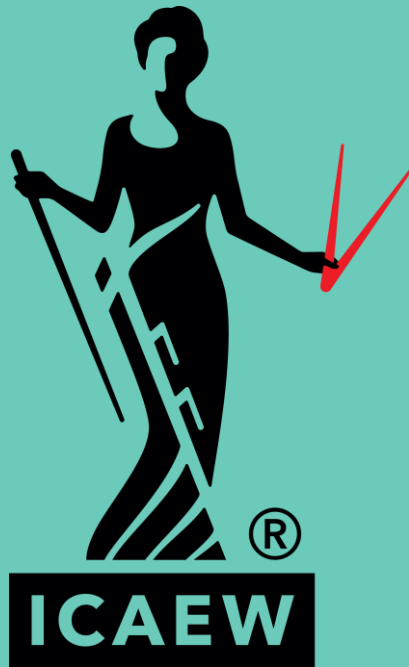
Failure to prevent fraud offence

# ***Resources***

- [All Too Familiar](#)
- [AMLbites](#)
- [Anti-money laundering webinar: firm-wide risk assessments](#)
- [Audit sanctions - what it means in practice](#)
- [AML resources | AML supervision](#)
- [Client screening | Guide to services | Library](#)
- [Regulation & Conduct LinkedIn](#) and [Regulatory News](#)
- Technical helpline – 01908 248250



***Questions?***



[icaew.com](https://www.icaew.com)