



**PROFESSIONAL
STANDARDS
DEPARTMENT**



ICAEW RESPONSE

Ref: PSD2025/001

Consultation on Guidance for New Regulatory Objective on Economic Crime

7 FEBRUARY 2025

icaew.com/regulatoryconsultations

CONTENTS

Executive Summary	2
Introduction.....	2
Summary of our position	2
Consultation Questions	3

EXECUTIVE SUMMARY

Introduction

1. ICAEW welcomes the opportunity to respond to the Legal Services Board's (LSB) consultation on its proposed draft guidance for the new regulatory objective of 'promoting the prevention and detection of economic crime' a copy of which is available [here](#).
2. ICAEW is the largest accountancy professional body supervisor in the UK, supervising around 11,000 firms for anti-money laundering (AML) compliance. As a Supervisory Authority, we have established a leading role in supporting the government to prevent economic crime and welcome the measures introduced by the Economic Crime and Corporate Transparency Act 2023 (ECCTA) and the new regulatory objective. ICAEW members were at the forefront of delivering the changes outlined in the Act, working closely with government, Companies House and other key stakeholders on the effective implementation of the reforms. Our Chief Officer, Duncan Wiggetts sits on the Economic Crime Strategic Board, which is the governing board for the Economic Crime Plan 2, co-chaired by the Chancellor of Exchequer and Home Secretary. Michelle Giddings, ICAEW's Head of AML, is the co-chair of the Accountancy AML Supervisors Group, and sits on the Public-Private Steering Group, which developed the Economic Crime Plan 2.0 and provides governance for its delivery.
3. This response dated 7 February 2025, reflects the views of ICAEW as an Approved Regulator and Licensing Authority for the administration of oaths and probate under the Legal Services Act 2007.
4. ICAEW's improvement regulator work is carried out by the Professional Standards Department (PSD). It supervises and monitors over 11,000 firms and around 800 insolvency practitioners. On behalf of ICAEW, PSD undertakes the responsibilities of a regulator under statute in the areas of audit, insolvency, investment business, anti-money laundering and legal services. We also monitor compliance with the ICAEW Practice Assurance scheme. All work carried out by PSD is overseen by the ICAEW Regulatory Board. ICAEW accredits 348 firms to undertake probate activities. Our role as an improvement regulator is to strengthen trust in ICAEW Chartered Accountants and firms. We do this by enabling, evaluating, and enforcing the highest standards in the profession.

Summary of our position

5. ICAEW plays a pivotal role in supporting the government's efforts to address economic crime and tackling the enabling of economic crime by regulated professionals. We are committed to achieving best practice across the sector and have already demonstrated our readiness to comply with the new regulatory objective. We promote the prevention and detection of economic crime through our regulatory framework and by implementing a range of targeted regulatory tools and activities.
6. This includes our [practice assurance monitoring](#) inspections, [thematic reviews](#), [guidance](#), [articles and resources](#) on economic crime and our collaborative work with key stakeholders. For example, ICAEW representatives sit on the board of the Fraud Advisory Panel and work closely with the National Economic Crime Centre to deliver the actions set out in their Professional Enabler strategy.
7. We welcome the LSB's proposed guidance. Overall, the proposals and outcomes provide a helpful framework to guide regulators on how to meet the new objective. We consider that we are already meeting the proposed outcomes, as they are closely aligned with our own risk-based monitoring approach and [practice assurance standards](#).
8. We support the focus on active evaluation of standards to ensure they remain fit for purpose. This also aligns with our approach of continuous improvement under our Practice Assurance

Scheme. We conduct cyclical desk-based and onsite monitoring reviews to assess both probate and non-probate firms' compliance with all applicable laws and regulations. ICAEW has always taken a whole-of-sector and whole-of-firm approach to monitoring firms in relation to economic crime.

9. Given the broad range of offences classified as economic crime under Schedule 11 of the ECCTA, it would be helpful for the LSB to identify any priority areas it considers particularly relevant to the legal profession. The guidance would also benefit from clarifying how compliance with the existing Money Laundering and Terrorist Financing regime contributes to achieving the LSB's outcomes. We believe we are already fulfilling existing requirements that support the prevention and detection of economic crime. However, further clarity on any areas where the LSB sees a need for enhanced regulatory focus within the legal sector would be beneficial to ensure that the new objective is implemented in a targeted and proportionate manner. We remain committed to supporting the government's efforts to combat economic crime and will continue to uphold best practices across the sector.

CONSULTATION QUESTIONS

Q1: Do you agree that guidance with outcomes is the right approach to take to assist regulators to pursue the new regulatory objective alongside the other objectives in section 1 of the Act?

10. Yes, we agree that a guidance-based approach with clear outcomes is the right way to assist regulators. It maintains a degree of flexibility which should mean that regulators can tailor their efforts to the specific risks and circumstances of their regulated communities while promoting consistency across the sector.
11. We also agree that there should be renewed focus around professional enablers who inadvertently facilitate crime. We have been highlighting [this concern](#) with our members for some considerable time. Firms may not see themselves as potentially enabling crime but there is a risk that some could do so inadvertently through poor controls and governance which can be exploited by criminals. This is a key area in which increased targeted awareness raising can support better compliance.

Q2: Are the four outcomes we have identified in the guidance the right ones? Are there any others we have missed?

12. The four outcomes are appropriate and provide a useful framework to focus on understanding, monitoring, and addressing economic crime risks. They offer flexibility to ensure a proportionate approach and are sufficient to meet the aims of the objective. However, the LSB may also wish to consider incorporating within each outcome the need to foster collaboration to address risks and share best practices. For example, working together with smaller regulators may help to develop targeted regulatory strategies in specific areas of legal services.
13. We consider that we are already meeting the outcomes. Economic crime considerations are central to our monitoring activities and the outcomes dovetail into our existing Practice Assurance standards and risk-based monitoring approach. For example, we assess competence, key risk management strategies and quality assurance within firms and maintain compliance through a variety of regulatory tools and enforcement. We believe that this is sufficient to meet the outcomes but would welcome further clarity from the LSB in its guidance.
14. Additionally, further clarity on the LSB's expectations in terms of targeting resources, depending on the level of risk in different sectors would be helpful. As would explicit recognition of existing frameworks, such as the Money Laundering Regulations.

Q3: How might the LSB and regulators better support the sharing of case studies? What other information should be shared to support meeting the new regulatory objective?

15. Effective sharing of case studies can be achieved with mechanisms for collaboration such as the LSB's recent ECCTA roundtables. The LSB could facilitate regular forums or workshops for regulators to share their insights. Alternatively, an online repository for shared anonymised case studies maintained by the LSB could be valuable. For example, the [FCA](#) provides case studies to provide examples of good and poor practice in its online Handbook. Additionally, guidance documents outlining practical examples of effective compliance measures and frameworks could help ensure consistency across regulators.

Q4: Do you know of any case study examples that would assist regulators in demonstrating how legal professionals may knowingly or unknowingly facilitate economic crime?

10. ICAEW's Practice Assurance monitoring activities and [thematic reviews](#) mean that we have an in-depth understanding of how firms may knowingly or unknowingly facilitate economic crime. We share our findings in our regulatory reports, AML bulletins and online guidance. This includes practical guidance on ways to mitigate the risks of inadvertently becoming professional enablers of economic crime.
11. For example, our quality assurance reviewers and case managers are presenting a free webinar for ICAEW members in March 2025. This will explore the role of accountants in 'high-end' money laundering and the steps firms can take to protect themselves against being professional enablers. It will include examples of issues that have arisen during ICAEW reviews and investigations.
12. Additionally, our award-winning anti-money laundering training film, 'All Too Familiar' highlights the risks of firms inadvertently engaging in money laundering by overlooking red flags such as changes within existing clients. The film was produced in collaboration with HM Revenue & Customs and aims to challenge preconceptions and combat complacency around due diligence. The message to remain vigilant is relevant for professionals across the legal and accountancy sector and the Law Society of Scotland has licensed the film for training its members.
13. We would welcome an opportunity to share accountancy sector examples of how firms may knowingly or unknowingly facilitate economic crime. ICAEW reviews recently found that while more than 80% of firms were compliant or "generally compliant" with regulations, non-compliant firms were frequently found to have issues with client due diligence. Scenarios which cut across sectors include firms who have inadequate client onboarding processes or ongoing due diligence procedures for high-net-worth existing clients or linked clients.

Q5: Do you agree that undertaking a risk assessment will enable regulators to target their approaches for their regulated communities most effectively?

14. Yes, undertaking risk assessments is crucial to identifying specific vulnerabilities and risks within each regulated community and ensures regulators take a proportionate and targeted approach to economic crime risk. We conduct a risk assessment of our own sector based on the government's National Risk Assessment (NRA) of Money Laundering and Terrorist Financing.
15. We also use a risk-based approach to monitoring and practice assurance, which means that we can target professionals who knowingly or unknowingly facilitate economic crime. This includes conducting cyclical desk-based and onsite monitoring reviews to assess both probate and non-probate firms' compliance with all applicable laws and regulations ([Practice Assurance Standard 1](#)). The scheme's methodology includes an assessment of whole of firm risk management, including the risk that a firm may enable economic crime in any guise. Every firm we supervise is assigned a risk score. This score is based on the risk profile of the firm's clients, the services provided, the location of clients, and whether the firm handles client money. This enables us to prioritise our resources and tailor our interventions effectively. It also avoids a one-size-fits-all approach that could disproportionately impact smaller entities.

16. We note that there is some ambiguity in relation to how the proposed risk assessment aligns with existing obligations under the 2017 Money Laundering Regulations and the NRA. For example, the NRA classifies probate services as a low-risk activity, and it would be helpful to understand how the LSB guidance corresponds with or diverges from this assessment.

Q6: Do you have any other comments on this proposed outcome?

17. We also suggest the LSB may wish to include guidance on how regulators should document and communicate the results of their risk assessments to promote transparency and consistency.

Q7: Do you agree with the proposed outcome for regulators to help their regulated communities to understand the risks they may face concerning economic crime, and support them to avoid facilitating economic crime?

18. Yes, we agree with this outcome. Raising awareness of risks and providing tools for compliance are essential to ensuring that legal professionals can identify and mitigate risks effectively. We are continually developing guidance and resources for members to make sure that our firms are up to date and have processes in place for areas such as the offence of failure to prevent fraud. We support firms with a range of guidance, articles, newsletters, and resources to help them understand their obligations in relation to economic crime and comply with relevant laws and regulations.

19. This includes access to dedicated online resource hubs to help prevent [economic crime](#), such as a series of 'Insights' podcasts, videos and articles on sanctions, fraud, [bribery and corruption](#) and updates on relevant legislation. Additionally, our anti-money laundering training film, **All Too Familiar**, serves as a vital resource in raising awareness about the risks of economic crime. It challenges professionals to remain vigilant and proactive, reinforcing the importance of effective due diligence. By making resources like these available, we ensure our members are well-prepared to address economic crime risks.

Q8: Do you have any other comments on the proposed outcome?

20. No.

Q9: Do you agree that the proposed outcome relating to monitoring and enforcement will help regulators detect and prevent economic crime?

23. Yes, monitoring and enforcement activities are critical to ensuring that our standards are upheld, and risks are addressed. As the largest accountancy professional body supervisor in the UK, we have comprehensive monitoring and enforcement frameworks in place to detect and prevent economic crime. ICAEW accredited probate firms are within the scope of our Practice Assurance scheme and as such are subject to broader monitoring and oversight from an economic crime perspective. However, as any monitoring and enforcement activities should be targeted and proportionate to the risk, and while we take a whole sector approach, we have assessed probate's risk profile as being low, as has the NRA.

21. ICAEW monitors firms' governance, policies, and procedures in thematic reviews and our practice assurance visits and we consider this meets the proposed objectives. However, some "[failure to prevent](#) offences will only apply to large organisations. Therefore, guidance should avoid creating an expectation that regulators will impose additional requirements on larger firms where they have already put measures in place to guard against committing these offences. Equally it should ensure requirements for smaller firms are proportionate and do not exceed those applicable to larger firms. We suggest including guidance on how regulators can develop proportionate monitoring and evaluation strategies. This would ensure that the guidance avoids creating disproportionate expectations or requirements for the legal sector.

Q10: Do you have any other comments on the proposed outcome?

23. No.

(No Q11)

Q12: Do you agree that an outcome around continued monitoring and evaluation will help ensure any measures regulators decides to put in place are effective to address economic crime into the future?

24. Yes, ongoing monitoring and evaluation are essential to ensuring that measures remain relevant and effective as economic crime evolves. Regularly reviewing and updating implemented standards and procedures will help regulators adapt to changing risks, emerging threats, and new methodologies used by criminals. We believe that the LSB's focus on periodic evaluation aligns with best practices. For example, ICAEW already undertakes periodic reviews of its Practice Assurance framework. This approach ensures that standards remain fit for purpose, especially for new "failure to prevent" offences, and we can extend these practices to our probate firms.

25. To enhance the effectiveness of this approach, we would welcome any examples the LSB considers to be good practice from other regulators in the sector. This would ensure consistency and alignment across the sector while maintaining a risk-based and proportionate approach. We also suggest that the LSB set out expectations for how regulators can document and communicate the results of their evaluations to promote transparency and accountability.

Q13: Do you have any other comments on the proposed outcome?

26. No.

Q14: Do you agree with our proposed plan for implementation?

27. ICAEW is content with immediate implementation of the guidance, as our existing frameworks are already aligned with the proposed outcomes. We are also content for compliance to be assessed under the LSB's Regulatory Performance Assessment Framework.

Q15: Do you have any comments or concerns about the equality impacts of our proposed guidance?

28. No.

Q16: Do you consider we have identified the right groups, or do you have any evidence relating to the potential impact of our proposals on other groups with certain protected characteristics, and any associated mitigating measures that you think we should consider?

29. We agree with the identified groups and have no further comments.

Q17: Are there any wider equality issues and interventions that we should take into account?

30. We have no further comments on equality considerations.

Q18: Do you have any comments on the potential impact of the draft guidance, including the likely costs and anticipated benefits?

31. ICAEW does not anticipate significant additional costs to its operations as the guidance aligns with our current practices and we have established risk-based monitoring systems in place.

Q19: Do you have any other comments about the proposed guidance?

32. No.