



ECONOMIC CRIME

Issued 27 November 2020

ICAEW welcomes the opportunity to submit written evidence to the **Economic Crime** inquiry launched by the Treasury Select Committee on 23 October.

- Chartered accountants are a force for tackling economic crime both domestically and internationally, with evidence that higher numbers of professional accountants in a country is linked with better scores in corruption indexes.
- It is vital for regulated professions and organisations to be vigilant, understand who they are doing business with and report suspicious activities.
- One of the best ways to mitigate the money laundering risks presented by accountants would be to bring their regulation and monitoring within the scope of the professional bodies, and to make 'accountant' a legally protected designation.
- We are supportive of the government's proposed reforms that will require verification of the identity of directors, and those forming companies or filing information on the company's behalf.
- The government needs to bring forward its SARs reform programme at the earliest opportunity, and its objective must be improving the quality of SARs made throughout all parts of the regulated sector, including accountancy.

This response has been prepared on behalf of ICAEW by its Policy and Public Affairs Team. It draws on the expertise of ICAEW's Professional Standards Department, and the knowledge of the Ethics and Economic Crime Team in ICAEW's Technical Strategy Department.

Chartered accountants are talented, ethical, and committed professionals. There are more than 1.8m chartered accountants and students around the world, and more than 186,500 of them are members and students of ICAEW. ICAEW promotes inclusivity, diversity, and fairness.

We attract talented individuals and give them the skills and values they need to build resilient businesses, economies, and societies, while ensuring our planet's resources are managed sustainably.

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Founded in 1880, we have a long history of serving the public interest and we continue to work with governments, regulators, and business leaders around the world. We are proud to be part of Chartered Accountants Worldwide, a global network of 750,000 members across 190 countries, which promotes the expertise and skills of chartered accountants on a global basis.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create strong economies and a sustainable future for all.

1. We are responding to the *Economic Crime* inquiry, launched by the Treasury Select Committee. We understand the Committee is reviewing what progress has been made in combatting economic crime since the publications of its report in this area in the previous Parliament, which ICAEW submitted written evidence to also.
2. Our comments on government policy are stated as of 17:00 on 27 November 2020.

KEY POINTS

3. Chartered Accountants are a force for tackling economic crime both domestically and internationally, with evidence that higher numbers of professional accountants in a country is linked with better scores in corruption indexes. ICAEW works closely and collaboratively with government and other bodies to tackle economic crime. We are a member of the Economic Crime Strategic Board where we represent the wider accountancy profession, and will be chairing the AML Supervisors Forum in 2021.
4. We believe it is vital for regulated professionals and organisations to be vigilant, understand who they are doing business with and report suspicious activities. We continue to support and educate our members in how to perform effective client due diligence, how criminals may seek to misuse the services of accountants, and provide guidance on suspicion and how to report.
5. The government could mitigate the money laundering risks presented by accountants by bringing all advisers into the regulatory scope of the recognised supervisory bodies and OPBAS, and making ‘accountant’ a legally protected designation to help protect both the public and public interest.
6. We welcome the proposed reforms to Companies House that will require verification of the identity of directors, and those forming companies or filing information on the company’s behalf. This will fill a clear gap in the current anti-money laundering regime where the identity of those forming companies that are incorporated without the involvement of regulated service providers are subject to only minimal checks.
7. We support the proposed greater powers to be given to Companies House to enable them to query information and require companies to correct erroneous details.
8. We believe the government needs to bring forward the SARs reform programme at the earliest opportunity, and that its objective must be improving the quality of SARs made throughout all parts of the regulated sector, including accountancy. In our view there are ways that the SARs regime could operate more effectively and provide better intelligence, and would welcome the introduction of sector specific reporting.

COMMENTS ON SPECIFIC AREAS

The work of OPBAS and the professional body AML supervisors

9. ICAEW is the largest accountancy professional body supervisor in the UK, supervising just under 11,000 firms. ICAEW’s regulated functions are delegated to the Professional Standards Department, which is overseen by an independent regulatory board, the ICAEW Regulatory Board (IRB). Further details on how ICAEW approach its supervisory role are available [here](#), and our Anti-Money Laundering Supervision report is available [here](#) (ICAEW is the first accountancy body to publish a supervisory report of this nature).
10. Chartered accountants are a force for tackling economic crime both domestically and internationally, with evidence that higher numbers of professional accountants in a country is linked with better scores in corruption indexes¹. Around 16% of ICAEW members operate outside the UK, and many are at the heart of multinational organisations where their ethics, values and training inform the way these businesses behave both here and overseas.

¹ The accountancy profession – Playing a positive role in tackling corruption, IFAC ([link](#))

11. We believe it is vital for regulated professionals and organisations to be vigilant, understand who they are doing business with and report suspicious activities. We continue to support and educate our members in how to perform effective client due diligence, how criminals may seek to misuse the services of accountants, and provide guidance on suspicion and how to report.
12. We believe that working with government bodies and other parties is essential to tackle economic crime. ICAEW has regular engagement with OPBAS in their role overseeing the regulatory functions of the recognised supervisory bodies, and ICAEW will be chairing the AML Supervisors Forum in 2021. We haven't also recently worked with the International Federation of Accountants (IFAC) on a series of guides for accountants to enhance their understanding of money laundering.
13. We publicly support the government's Economic Crime Plan and are a member of the Economic Crime Strategic Board where we represent the wider accountancy profession. ICAEW and our member firms attend working groups to drive forward positive change in the areas of information sharing and sustainable resource model to help with the success of the Economic Crime Plan. This includes our work with the National Crime Agency to produce red flag documents, as well as other material.
14. We have found OPBAS's oversight to be robust. We have worked closely with them to ensure that our processes are as effective as possible to tackle economic crime. Conversely, we have questioned their proposals around changes to the Sourcebook for professional body anti-money laundering supervisors², and challenged the OPBAS levy structure.
15. We believe that the greatest risk from an economic crime perspective, as well as a consumer perspective lies among advisers who have designated themselves as 'accountants' but do not hold a professional qualification. Around 25% of advisers are not regulated by a professional body, and by extension are not under the oversight of OPBAS. Instead, they are regulated by HMRC.
16. We believe that one of the best ways to mitigate the money laundering risks presented by accountants would be to bring their regulation and monitoring within the scope of the professional bodies, so that these accountants are subject to the wider professional standards expected by those bodies, as well as oversight by OPBAS. This would also have the benefit of allowing HMRC to focus on other core statutory duties.
17. We are strongly of the view that the government should make the term 'accountant' a legally protected designation. The use of comparable titles in other professions, such as 'solicitor' and 'architect', is rightly restricted by law to individuals who have properly qualified, and who are subject to ongoing technical, ethical and disciplinary oversight by a recognised supervisory body.
18. It is anomalous that this level of assurance does not apply to accountancy. It remains the case that anyone can call themselves an accountant and offer financial and business advice to paying customers without any prior training or experience without professional accountability and without insurance. We note that HMRC will be consulting on requiring those providing tax advice to have professional indemnity insurance, and believe that removing the ability for unregulated advisers to represent themselves as accountants would be another significant step forward in protecting the public, and the public interest.

The impact of the FinCEN papers

19. We are not aware that an ICAEW firm, or member, was mentioned in the FinCEN papers. Nonetheless, their release has highlighted the necessity for regulated professionals and organisations to be vigilant, understand who they are doing business with and report suspicious activities.
20. We continue to support and educate our members in how to perform effective client due diligence, and how criminals may seek to misuse the services of accountants. This includes

² ICAEW REP 48/20, FCA Quarterly Consultation No28 (CP20/7) ([link](#))

our recent work to update the Consultative Committee of Accountancy Bodies AML guidance for the accountancy sector which was published in September³.

Corporate liability for economic crime

21. We note that the Ministry of Justice has announced that in response to its call for evidence on reforming the law on corporate liability for economic crime, it has commissioned an expert review by the Law Commission.
22. We welcome the opportunity to input to the Law Commission's expert review, and believe it provides an opportunity to thoroughly assess and consider the wide-ranging impact, both positive and negative, of making such a reform.

The work of Companies House

23. We are supportive of the government's proposed reforms that will require verification of the identity of directors, and those forming companies or filing information on the company's behalf. This will fill a clear gap in the current anti-money laundering regime where companies that are incorporated without the involvement of regulated service providers are subject to only minimal checks.
24. We are working closely with the Department for Business, Energy and Industrial Strategy and Companies House to establish the role accountants could perform in terms of sharing the identity checks our members perform on clients. This collaborative approach can help to close the gap in the UK's money laundering defences and prevent the abuse of UK corporate structures by criminals.
25. We also support the proposed greater powers to be given to Companies House to enable them to query information and require companies to correct erroneous details. The new mechanism by which discrepancies in the people with significant control (PSC) register can be reported is a good example of how accountants are working with Companies House to improve the accuracy and reliability of the PSC register, and the beneficial ownership information within it
26. Given the increased expectations and responsibilities Companies House will need to be properly resourced. However, we are concerned with the plan contained within the *Economic Crime Levy: funding new government action to tackle money laundering* consultation to fund Companies House reform through the AML-regulated sector – this should instead be funded through its users. Incorporation is a privilege and the costs of ensuring it is not abused should be shared among all those who benefit.
27. In our response to this consultation⁴, as well as our response to the government's *Corporate Transparency and Register Reform* consultation last year⁵, we suggested that to the extent that those responsibilities relate to the integrity of the register and its place in crime prevention (principally, verification of directors' identities) we would support proposals to fund through increased fees for registration (and annual fees) levied on companies.
28. We note the announcement in the Spending Review on 25 November 2020 that £20m will be provided to fund reform to Companies House. It is not yet clear whether this is to be from funds raised by the Economic Crime Levy, or other sources.

Other comments

29. An important part of the UK's structures for preventing economic crime which needs reform is the Suspicious Activity Report (SARs) regime. The existing SARs report is primarily designed with banks and financial institutions in mind – the form is not as applicable for accountants, or any section of the regulated sector where suspicions are formed based mainly on patterns of behaviour rather than specific transactions.

³ CCAB, Anti-Money Launder and Counter-Terrorist Finance Guidance for the Accountancy Sector 2020 ([link](#))

⁴ ICAEW REP 92/20, Economic Crime Levy ([link](#))

⁵ ICAEW REP 78/19, Corporate Transparency and Register Reform ([link](#))

30. This has led to a situation where there is an overreporting of SARs by banks, and a perceived 'underreporting' by professional services. In his evidence to the Joint Select Committee on the Draft Registration of Overseas Entities Bill, Donald Toon, then Director of the National Economic Crime Centre, advised parliamentarians that *"our fundamental problem with SARs is that we have a very high proportion from a very small set of reporters...the problem from our perspective is that there is more reporting than is necessary from major banks"* and *"there is a SARs reform programme in place at the moment...that is a real opportunity for reform of the system, to improve the targeting and the quality of suspicious activity reporting"*⁶.
31. We believe the government needs to bring forward this reform programme at the earliest opportunity, and that its objective must be improving the quality of SARs made throughout all parts of the regulated sector, including accountancy. In our view there are ways that the SARs regime could operate more effectively and provide better intelligence. By making it easier for accountants to clearly convey their concerns should go some way to achieving this. We would therefore welcome the introduction of sector specific reporting, and are working with the NCA and wider government to seek to improve the quality of SARs and reduce the number of low-value reports that are made.
32. Alongside this this improved reporting should be a feedback mechanism from the NCA to the reporter, to educate reporters on how useful the SAR has been, and where the NCA's priorities lie. The improvement of intelligence sharing between law enforcement agencies with the UK and overseas must be a priority of any reform, such that duplicate reporting is not required within the regulated sector.

Policy and Public Affairs Team
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⁶ Joint Select Committee on the Draft Registration of Overseas Entities Bill, Corrected Oral Evidence, 18 March 2019 ([link](#))