

Complying with the new Money Laundering Regulations

As you are no doubt aware, new [Money Laundering Regulations](#) came into force in 2017. The Regulations were laid before Parliament on 22 June 2017 and came into effect on 26 June 2017, leaving those affected with very little time to familiarise themselves with the final, new requirements.

In the accountancy sector, anti-money laundering guidance interpreting the Regulations is published by the Consultative Committee of Accountancy Bodies (CCAB). Once this guidance has been formally approved by HM Treasury it becomes 'relevant guidance' when determining whether an accountant's conduct gives rise to certain offences under either the Proceeds of Crime Act 2002 or the Money Laundering Regulations.

It is therefore this guidance which accountants should consider as authoritative when implementing and complying with anti-money laundering requirements.

As of January 2018, the CCAB had updated the guidance for the new Regulations but this was still in draft form, awaiting appendices for tax and insolvency practitioners and approval from HM Treasury.

The [Mercia Money Laundering Compliance Manual](#) is written around the CCAB guidance for the accountancy sector and, as other relevant guidance relating to firm-wide risk assessments had begun to become available, we published an updated version of our compliance manual based on the final Regulations and the draft CCAB guidance.

There are a number of changes needed to your firm's anti-money laundering policies and procedures under the new Regulations and the checklist below will help you to get started with these if you have not already. A version of this checklist was made available to our Money Laundering Compliance Manual subscribers earlier in 2017.



Changes required to policies and procedures under the Money Laundering Regulations 2017

This checklist sets out a number of areas where changes are required to your anti-money laundering policies and procedures under the new Money Laundering Regulations 2017, which apply from 26 June 2017.

Whilst it is expected that the ICAEW, ACCA and other supervisory bodies will take a pragmatic view pending the issue of the Treasury approved CCAB guidance, the checklist sets out a number of areas where you can start to take action now.

Area of Change	Action
<p>1. Firms are required to appoint an anti-money laundering (AML) compliance officer in addition to their existing MLRO/MLNO (Money Laundering Nominated Officer). This may be the same person or the roles can be split:</p> <ul style="list-style-type: none"> • Compliance officer - policies, procedures and ensuring compliance with them. • MLNO - receiving and onward reporting of suspicions to the National Crime Agency (NCA). <p>Decisions are required on whether the roles will be split, the precise responsibilities where the roles are split and who will fulfil each role.</p> <p>Where a new person is appointed in either of these posts the firm's regulator (ICAEW, ACCA, etc.) must be notified within 14 days of the change.</p> <p>(See section 3.2 of draft CCAB guidance for further details.)</p>	
<p>2. An assessment of the AML risks faced by the firm as a whole must be documented and should be available at the request of the firm's regulator.</p> <p>The assessment should take into account matters identified by the firm's regulator.</p> <p>December 2017 saw the ICAEW publish guidance on circumstances where there might be high risk of money laundering as well as guidance on firm-wide risk assessment methodology. This can be found at www.icaew.com. This guidance will help you complete your firm-wide risk assessment.</p> <p>(See section 4 of draft CCAB guidance for further details.)</p>	
<p>3. There was a requirement to train relevant staff under the old 2007 Regulations; what is new under the 2017 Regulations is a more explicit requirement to document when and what training was provided to principals and staff and also the results of any assessment or test of the effectiveness of that training.</p> <p>In addition to this, CPD on money laundering and terrorist financing should be tailored to the person's role (eg. MLNO/tax/audit) and should include staff and principals being updated during the year as and when changes arise.</p> <p>As part of planning the scope and extent of training under the 2017 Regulations firms should therefore consider when training was last provided and what records exist of the scope and effectiveness of that training.</p> <p>(See section 8 of draft CCAB guidance for further details.)</p>	
<p>4. The need for, and extent of, current AML training should be taken into account when recruiting new staff. These changes should be made as soon as possible to interviewing and other HR procedures.</p> <p>(See paragraph 3.5.15 of draft CCAB guidance for further details.)</p>	

Area of Change	Action
<p>Customer Due Diligence (CDD)</p> <p>5. The basic documentation requirements for clients have not changed, that is for every client there should be a record that includes:</p> <ul style="list-style-type: none"> • know your client (KYC) information • a risk assessment • evidence of ID and other CDD. <p>Reviewing a sample of client records for CDD purposes across all principals and offices under the current requirements would give a good indication of the level of compliance with the existing regulations and therefore the extent of the task required in implementing the 2017 Regulations.</p> <p>A system of regular compliance reviews is required under the 2017 Regulations so a review such as that noted above would provide a good starting point for implementing those regulations.</p> <p>(See paragraphs 5.1.8 and 3.5.18 of draft CCAB guidance for further details.)</p>	
<p>6. Whilst the CDD big picture is unchanged, the detailed requirements have changed and changes should be reflected in updated CCD and risk assessment checklists.</p> <p>Updates should be made to existing procedures and checklists and changes should be explained to staff.</p> <p>(Details of the changes to the detailed CDD requirements are set out in section 5 of draft CCAB guidance. In particular the changes regarding enhanced due diligence (EDD) and politically exposed persons (PEPs) are set out in paragraphs 5.3.7 to 5.3.16.)</p>	
<p>7. Domestic PEPs (politically exposed persons) and their close family and associates are now included within the definition of a PEP and are subject to EDD in the same way as an overseas PEP.</p> <p>Has the firm reviewed its client base to identify any domestic PEPs or their close family or associates?</p> <p>A question about PEP status should be added to all KYC checklists for new clients and the review of KYC information for existing clients.</p>	
<p>8. Procedures in many other areas remain broadly unchanged and in particular there are no changes regarding the reporting of suspicions.</p> <p>Have policies and procedures been amended where necessary as noted above and have staff been informed of the changes made?</p> <p>Further change may also be required when the final version of the CCAB guidance is approved by HM Treasury.</p>	

If you would like further help in complying with the 2017 Money Laundering Regulations, Mercia's Money Laundering Compliance Manual contains policies, procedures and a wide range of supporting checklists. Newsletters are included to help train your team and complimentary online access to our Money Laundering Update course is also included. Further details can be found on our website at www.mercia-group.co.uk.

Also look out for our new [Induction Pack for New Starters](#) available from February 2018.