

Member Guidance

Anti-Money Laundering & Professional Standards

Preparing your Practice & Applying for IAB Supervision





Introduction

This is a guide for IAB members. Whether at the stage of setting up a bookkeeping business or as a reminder if already in practice, it is intended to provide an overview of what is required under the regulations or by IAB in relation to anti-money laundering (AML)

This is just a guide so not every detail is here; to fully understand the regulations and their effect you will need to research more widely.

You should certainly read the detailed guidance document provided by the Consultative Committee of Accountancy Bodies (CCAB) it is an industry reference authorised by HM Treasury

CCAB Guidance

<https://www.ccab.org.uk/wp-content/uploads/2020/10/AMLGuidance2020.pdf>



The Basics

The 'Money Laundering, Terrorist Financing and Transfer of Funds (information on the payer) Regulations 2017 & 2019' - known as the 'MLR' - are legal requirements affecting accounting professionals (and others)

Broadly speaking the MLR apply to people operating their own business rather than those who are under a 'contract of employment'.

Such businesses must be registered for AML Supervision by a 'Professional Body Supervisor' (PBS) or HMRC.

The IAB is a PBS with responsibilities to oversee compliance with the MLR by its supervised members. But not all IAB members are in business and so not all are supervised for AML.

If you do run a bookkeeping business, you are responsible for it and you can be prosecuted for non-compliance with the MLR. So, it's important first to understand what is involved and then to establish business systems, checks and methods that will ensure you are operating within the regulations - This guide will help you.

As a PBS the IAB will register your business and provide a digital 'Certificate of AML Supervision' or if appropriate an 'Exemption Certificate'

As an AML Supervisor the IAB will conduct 'risk-based' inspections of its supervised members looking at their policy, procedures, and practice. These inspections provide feedback to members including action-plan if improvements are needed but can also lead to fines, levied by IAB, for non-compliance.



Exactly Who does the MLR apply to?

The MLR applies to those providing these services:

- Auditor - Regulation 11(a)
- Insolvency practitioner - Regulation 11(b)
- **External accountant** - Regulation 11(c)
- Tax adviser - Regulation 11(d)
- Trust or company service provider - Regulation 12(2) ¹

Regulation 11(c) of the 2017 Regulations defines an ‘**external accountant**’ as someone who provides accountancy services to other persons by way of business.

“*Accountancy Services*” includes any service which involves the recording, review, analysis, calculation or reporting of financial information, and which is provided under arrangements other than a contract of employment²

Most bookkeepers running a business will therefore fall under this definition.

If the Regulations apply to you, your business, or your intended business, your business must be registered for AML supervision under the regulations.

IAB is a Supervisory Body but there are others including HMRC.

As an IAB member if your business is registered with another supervisor you must obtain an exemption from IAB

AML Supervision involves a separate registration of the business concerned so it is the business entity under supervision by IAB and this is not automatically included with IAB membership. It is a criminal offence, committed by the owner’s or managers of the business to carry on an MLR relevant business activity without being appropriately registered with a Supervisory Body.³

A ‘Certificate of AML Supervision’ issued by one of the approved Supervisory Bodies is proof that a business has complied with the requirement to register.

HMRC provide further explanation of the responsibilities for practitioners under AML Supervision:

HMRC Guidance on AML Supervision

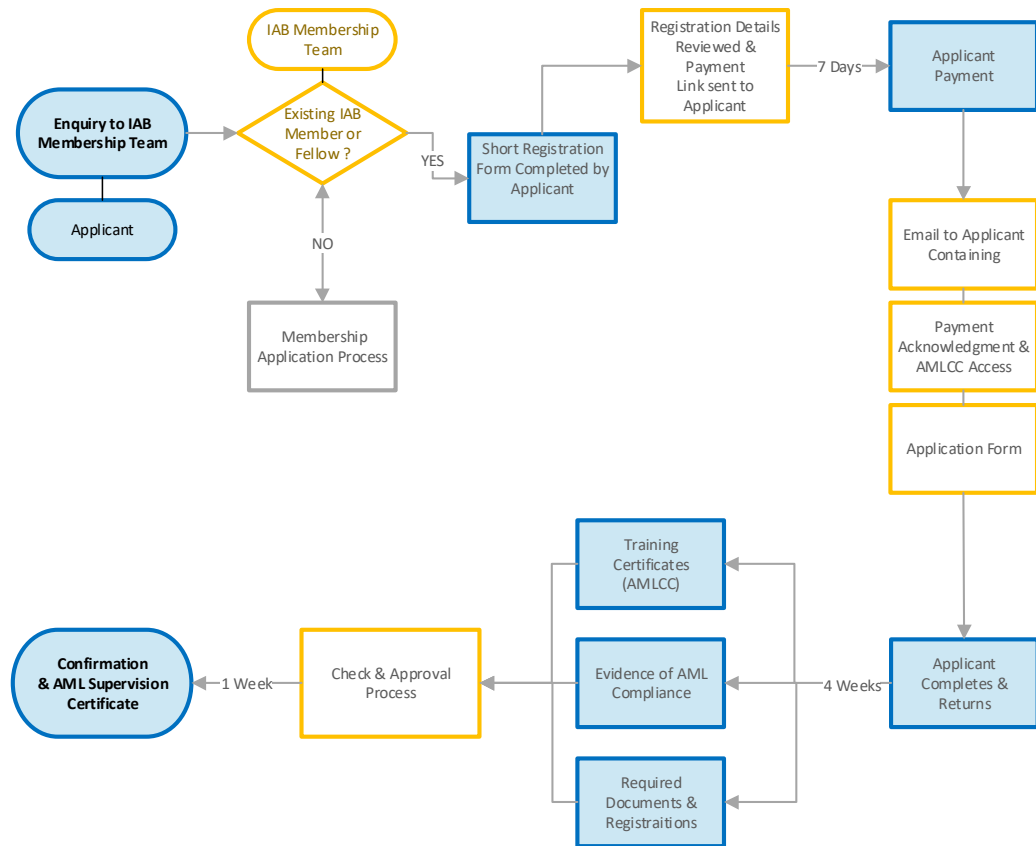
<https://www.gov.uk/government/publications/anti-money-laundering-legislation-guidance-notes>

¹ TCSP is a ‘high risk’ service - See the section on ‘Firm Wide Risk Assessment’ below

² CCAB Guidance 1.2.2

³ Regulation 86(1) MLR 2017

The Application Process



Preparation

Once your application details and payment have been received you should proceed with the work to ensure your readiness for AML compliance. IAB will extend the application process for a period of up to **four weeks** for you to complete AML training, preparation of your ‘firm-wide risk assessment’, documented procedures and necessary other arrangements.

This training and preparation is important before submitting your full application for a Certificate of AML Supervision.

Use this guide and do your research so you are clear what you are held responsible for under the MLR.

You should identify the arrangements you will need in place. It is also important that you understand how you will demonstrate that you are consistently meeting your MLR responsibilities by using documented procedures and keeping necessary records.

Before approving your application and issuing your certificate the IAB will ask you to provide evidence that you have documented preparations which show your business meets IAB professional standards and is compliant with the MLR.



Four
Weeks

Some of these things like Public Liability Insurance cover, are quite straightforward. But others will need to be considered. For example, what procedures will you use for 'due diligence' in checking and recording proof of each clients' identity?

Other sections of this guide will help you in that process and there is plenty of other advice available but only you can decide how your business will operate. How it does so will need to be designed to fit your needs and responsibilities under MLR when dealing with your clients.

IAB also apply various criteria before approving AML Supervision, for example we will consider whether your business fits IAB in terms of its size, structure or services provided. It is important that these areas are also evidenced in your application.



Exemptions

The MLR requires all persons offering certain types of financial services as a business are registered for AML supervision with a professional body supervisor but you cannot be registered with more than one supervisor.

IAB recognise that members operate different business structures including for example, self-employed practitioners, limited companies, or partnerships.

Where an IAB member is part of a business which is already registered with another professional body for its AML Supervision; that member is required to notify details by applying for an IAB exemption.

Provided that the necessary and authorised supervision by another PBS is evidenced; in these circumstances IAB will record the exemption and confirm this by email.



Your Application – An Overview

IAB will accept application for AML Supervision from an eligible IAB member who:

- Has control of the business concerned and
- Will undertake responsibility for its compliance with the MLR.

'Having control of the business concerned means:

- a sole practitioner
- or a partner in a partnership, member of an LLP
- or a company director

- or held out as a principal (if employed in public practice and there are no other professional bookkeepers or accountants in positions of seniority or supervision over the individual within the organisation).

The IAB must also authorise all Beneficial Owners, Officers or Managers (known as a BOOM) within a practice.

Regulation 26 of the MLRs makes it a criminal offence to hold such a position without authorisation.

A 'BOOM' is defined as

- shareholders with over 25% shareholding
- A sole practitioner, a partner in a partnership, member of an LLP
- A company director or secretary
- An individual responsible for compliance by the business with the regulations or making SARs.

All individuals or entities meeting the BOOM definition must be declared,

The IAB can only authorise an individual 'BOOM' once confirmation (Basic DBS check) has been received confirming they have no convictions listed in schedule 3 of the MLR.⁴

AML Supervision is available to current IAB *Members* and *Fellows* (IAB *Associate* members are not eligible for AML Supervision but may apply to upgrade membership)

The digital Certificate of AML Supervision will be issued in the name of the business entity rather than the name of the member applying but the applicant and any other 'beneficial owners' must provide evidence of a recent DBS check (usually dated within 3 months of the application)




DBS checks are required anyway for membership on renewal so it may be helpful for members to align AML Supervision with their IAB Membership so both renew at the same time. Contact the IAB Membership Team on 0208-159-7195 they will be pleased to help

IAB will ask for:

- Initial Registration Details and the Supervision fee
- Completed Application form
- DBS Certificate access details for the Beneficial Owners

⁴ [MLR schedule 3](#)

- Proof of Professional Indemnity Insurance.
Within 4 Weeks of Registration; Evidence of:
 - Compliance with MLR:
 - Firm Risk Assessment
 - AML Policy & Procedures
 - 'New Client' Profiling Procedures
 - Letters of Engagement/Disengagement
 - Data Security & Business Continuity arrangements
 - Continuous Professional Development Log
- Confirmation of:
- IAB Professional Standards
 - ICO registration
 - AML Training Achievement (Also for employed staff)
- At Renewal:
- Client List



There are more details about all of these in this Guide



Registration for your application

Following your initial enquiry, the Membership team will send you a short initial registration form to register your interest in applying for AML Supervision.

Use this form to notify IAB if you are already operating a bookkeeping business.

You will receive an email confirming completion together with a payment link. Please complete your payment within 7 Days

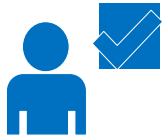


You should disclose to IAB if you already operate a bookkeeping business which is unsupervised. This might amount to a breach of regulations; but it may be possible to resolve within IAB Supervisory Procedures.

Application Form

Once your payment has been received the Membership Team will email the IAB Application form for AML Supervision.

Please complete all the details requested. If you have a query, contact the Membership Team for assistance.



Disclosure and Barring Service (DBS) Checks

Integrity is a key issue across the financial services sector and IAB now requires evidence of a recent ‘basic’ DBS check for membership and in relation to AML Supervision.

A ‘basic’ DBS check is required for all ‘beneficial owners’⁵ of the business.

The DBS check confirms there are no convictions for a ‘relevant offence’⁶ under the MLR which would prohibit registration for AML Supervision.

All DBS check information provided to IAB is treated carefully and confidentially.

If your DBS certificate is more than 3 months old, you may need to get it updated. For more information please contact the Membership Team.

DBS checks can be accessed using intermediary providers, usually at additional cost; IAB recommends that members use one of the three UK devolved Government DBS websites to obtain a ‘Basic’ DBS certificate:

England & Wales: <https://www.gov.uk/request-copy-criminal-record?>

Northern Ireland: <https://www.nidirect.gov.uk/campaigns/accessni-criminal-record-checks?>

Scotland: <https://www.mygov.scot/disclosure-types/?>

A charge is made for the service and you may be required to enter various details and undergo identity checks to complete the DBS process.

DBS results are provided on screen and also via a printed certificate received by post. Please note IAB cannot accept hard copy documents or scanned copies. Instead please use the ‘share results with employer’ option provided by DBS.

Selecting this option results in your receiving an email containing a special link for access to the results of your DBS check.

The email will also show the last six digits of your new DBS certificate number.

You will also receive a ‘share code’ by text message which can only be used once and expires after 21 days (example share code: Cf sQ5p na) If necessary you can request that DBS send a further share code.

You should forward the email from DBS containing the employer link, together with the six certificate digits and the (unused) ‘share code’ to membership@iab.org.uk

⁵ Beneficial Owners (Parag. 3.2.5) <https://www.ccab.org.uk/wp-content/uploads/2020/10/AMLGuidance2020.pdf>

⁶ Schedule 3 of the MLR 2017: <https://www.legislation.gov.uk/ukxi/2017/692/schedule/3/made>

IAB will use this information only to confirm your DBS result and no copies of your DBS certificate will be retained by IAB.



Professional Indemnity Insurance

Professional Indemnity Insurance (PII) covers bookkeeping practitioners in the event of client claims.

PII protects the practice against compensation that may be sought by a client if the bookkeeper or their practice has made mistakes or is found to have been negligent in any aspect of their work relating to that client.

IAB requires that you have PII cover as a requirement for AML Supervision even if you are providing only limited bookkeeping services.

The IAB do not need to see the entire policy – just the certificate confirming the dates of cover.

Professional Indemnity Insurance is available from various providers but membership of the IAB provides access to a preferential scheme (Contact IAB for details)



AMLCC Training

IAB is partnered with AMLCC Ltd to provide online training and other resources that will help develop understanding of the MLR.

Following receipt of initial registration details and payment you will receive an email containing a link and log-on access details for the AMLCC site.

You should access AMLCC when you receive the link so that you can start your AML training and begin your preparation.

A single person operator will be required to complete the two training packages (Money Laundering Reporting Officer (MLRO) training as well as the staff training package) In circumstances where the business employs staff, in addition to the nominated MLRO, each staff member, will need to demonstrate they have completed appropriate AML training.

The AMLCC training is assessed using an online test and successful participants are provided with a certificate of completion. IAB will need to see copies of completion certificate(s)

Using AMLCC you will also be able to access templates and examples of documents you will find useful. But remember these are intended to be examples, none of these documents will exactly reflect what you may need for your business. You will need to draft and prepare your own versions.



Evidence of MLR Compliance

As your supervisor for AML under the regulations IAB have a responsibility to ensure you and your practice is MLR compliant.

This means that IAB will need to see documented evidence that you have got the basic requirements as you go through the process of setting up your business.

Further detail will be developed as your business gets up to speed but IAB will need to see the following for the initial application:



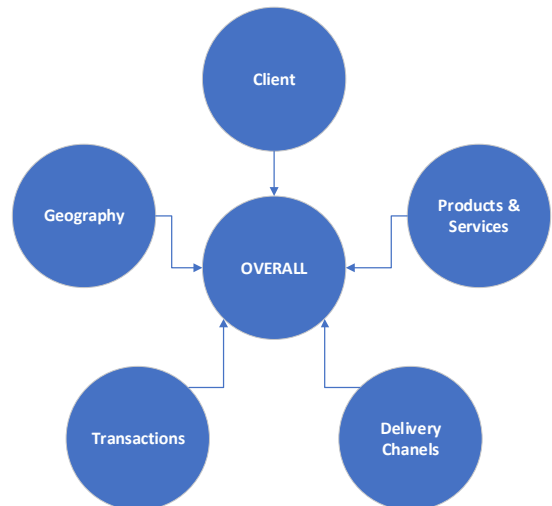
‘Firm-Wide’ Risk Assessment

A ‘firm-wide’ risk assessment (FRA) documents your own consideration of your whole business. It should describe the risk environment in which you will operate.

It is based on the services you offer, who your clients are and the services they offer, where they are based and how they do business.

These issues need to be broken down and examined against the factors mentioned in the CCAB Guidance⁷. You

need to demonstrate that you have undertaken this process by documenting your conclusions. This is known as a ‘Firm-wide Risk Assessment’ (FRA)



Appendix D of the CCAB document gives details on these different areas of risk:

- Clients: *Business structures and personal circumstances*
- Geography: *Implications around where clients are based*
- Products & Services: *What is being traded*
- Channels: *The nature of the business operation*
- Transactions: *The methods and circumstances of exchange*

HMRC Guidance- Risk Assessments

[HMRC Money Laundering](https://www.gov.uk/guidance/money-laundering-regulations-risk-assessments)<https://www.gov.uk/guidance/money-laundering-regulations-risk-assessments>

⁷ CCAB Guidance (Parag. 3.5.5 – 3.6.11 & Section 4)
<https://www.ccab.org.uk/wp-content/uploads/2020/10/AMLGuidance2020.pdf>

AMLCC also offer a semi-automated checklist process. You can use this to work through your business risk issues.

In addition to the ‘firm risk assessment (which is about your business) you will need to develop and document similar assessments for each client you take on.



Mitigation

The MLR require that you also consider and apply ‘mitigation’ to reduce risk.

Mitigation methods will vary, and you may choose to adopt different approaches depending on your client or their business.

To take a simple example; perhaps a client is a market trader dealing cash with customers. Cash-in-hand trading represents a money laundering risk but it would reduce if fewer cash transactions were involved.

Your intervention to prompt or persuade the client to adopt a contactless card payment service instead of cash would mitigate the risk. Your interaction would also develop your knowledge of the client and their own approach in reducing risk.

The FRA should cover your whole client base and should document the risks that may be involved.

It may need to reflect individual clients, specific or generic business types that you engage with.

It should show the level you have assessed for that risk (high, medium, or low) explain how that conclusion was arrived at and describe any mitigation you have decided is necessary.

It follows that a higher risk level would require more, or more effective mitigation methods.



AML Policy & Procedures

The MLR require that you have documented AML ‘Policy & Procedures’

Put simply:

A Policy is: ***‘A course or principle of action adopted by an organisation’***

Procedures are: ***‘An established or official way of doing something’***

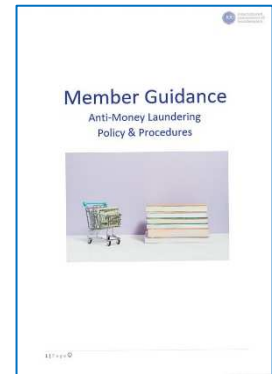
Every business needs to have these things worked out and documented. Working through the process to decide and design these will ensure you can:

- Understand the MLR and their own personal responsibilities
- Be satisfied that their way of working is compliant
- Construct explanatory policy and effective procedures

- Prepare documents to demonstrate how the own business operates and is managed in compliance with MLR.

It is important to recognise there are benefits in using a thorough approach. It is possible to simply ‘cut & paste’ sample documents from elsewhere, but these won’t reflect your own business or the risk assessment you have carried out.

IAB have produced a separate short guide to developing your ‘AML Policy & Procedures’ which will be sent to you along with your application form we recommend you use this in addition to the resources available from AMLCC.



New Client Profile

Your ‘Client Due Diligence’ (CDD) is a fundamental feature of the MLR and IAB need to confirm how you will ensure compliance.

This is one of the ‘procedures’ you will need to work out and document along with the AML Policy.

IAB will need to see an example of the profiling (or other process) used for the information you will routinely seek record and update from new clients in relation to their identity and other information relevant under the MLR.

Developing your approach to CDD is covered in the AMLCC training package.

HMRC Money Laundering Regulations – Customer Due Diligence

<https://www.gov.uk/guidance/money-laundering-regulations-your-responsibilities#customer-due-diligence-requirements>



Letters of Engagement/Disengagement

Similarly, IAB will need to see an example of the letter you will use to frame your business relationship with clients; setting out the terms and conditions that will apply.

Examples are available but you should aim to draft your own document which precisely fits your business and sets out the services offered as well as the commitments required of your clients.

The letter of engagement should include:

- Services you will supply to the client

- Expectations of how and when the client should provide the necessary information in order for you to complete the services stated
- Fees, how to pay them and when billing will occur
- Explanation of your obligations under the MLR to carry out due diligence
- Reference to your continuity of practice arrangements
- A statement of acceptance for the client to sign the copy you will retain.

The letter of engagement should be designed to avoid any misunderstandings between both parties and set out the framework for the provision of an efficient service. The contents should be carefully considered as it creates a contract between you and your client.

You should also provide a copy of the corresponding ‘letter of disengagement’ that you will use in circumstances where the client does not meet the terms or conditions you have set and it is necessary to terminate the business relationship.

A letter of disengagement should be issued when you cease to work with a client. The purpose of the letter is to avoid any future misunderstanding between the client and yourself. It allows you to set out which services will terminate and from what date. It also stipulates how any of the clients’ documentation held within your practice will be passed over to the client or next bookkeeper.

Data Management & Business Continuity



ICO Registration

Bookkeepers will have access to personal data relating to their clients and consequently are legally responsible for ensuring that information is kept and managed properly.

It is a legal requirement that you register with the ICO if you are or intend storing information about your clients on a computer (including ‘cloud’ services).

The IAB require that you provide evidence of registration with the ICO. At registration you will be given a registration number in a similar form to Z123456. You should provide this number to the IAB when applying for or renewing your certificate.

The ICO website also provides guidance and various other resources.

ICO
<https://ico.org.uk/for-organisations/>



Business Continuity Planning

Business continuity plans are made in advance of an event occurring to ensure you can continue your critical business activities. This planning needs to involve more than an intention, it requires practical arrangements made beforehand, for example subscription to a 'cloud' data storage service or contracted agreements for alternative office space.

An 'event' might affect the People, Locations, Services and Systems, Data or Records that your business depends on.

The effects may involve:

- Absence of key people
- Access to premises
- Access to or loss of electronic data
- Access to or destruction of records
- Access to office systems

Advance planning is vital to ensure, should the worst happen, that you have tried and tested arrangements already in place.

Specialist companies can offer business continuity planning and formal disaster recovery services, but this may be expensive, particularly for sole practitioners.

Whether digital or hard copy, practice records should be kept secure and protected from loss. At a minimum the IAB expects that members will undertake necessary planning themselves and be able to demonstrate there are practical arrangements in place to ensure client information and records are kept securely, data is backed up regularly and stored securely.

Some records are bound by legal requirements; under AML regulations certain records must be kept for five years and other legislation may require a longer retention period. You will need to establish robust systems to ensure you are able to comply with these requirements.



Continuity of Practice

In addition to adequate provision for business continuity in relation to the systems for records used by the practice; forward planning is important in the event the responsible member is incapacitated.

There should be nominated a suitable person who has full details of how to access clients' bookkeeping information. If required, this nominated person will be able to pass the information to your clients so that they may take their accounts elsewhere. Alternatively, written 'continuity of practice agreement' might be drawn up with another bookkeeper or accountant to provide clients access to their records.

Of course, your clients should also be made aware of arrangements, so they know who to contact if necessary and it may be appropriate to include this information in the letter of engagement.



Continuous Professional Development

IAB recognise the importance of updating knowledge through training, experience and information exchange with bookkeeping colleagues and other professionals.

A completed annual CPD record must be provided to the IAB at renewal of the AML Supervision Certificate.

New applicants will also be asked to provide evidence of professional development over the year prior to their application.



IAB Professional Standards

IAB requires that members operate and adhere to the principles and practices set out as our 'professional standards' as part of your application we ask that you acknowledge your commitment to these standards.



Clients

Once your practice is established, we will ask that you provide details of your clients, either at renewal of your AML Certificate or sometimes sooner. This is a lawful and legitimate requirement and part of our risk assessment processes within our role under the MLR as a professional body supervisor.

Other information that needs to be provided

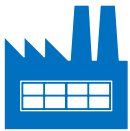
As part of the monitoring process other information may be requested on application forms. The information from the member is essential to provide IAB - an overview of your practice.

We must be informed immediately if any of these changes occur:

- Change in beneficial owner
- Change the practice business structure
- Change of business registered address
- Change of business name
- You carry on, or plan to provide, any TCSP services

In addition, we need to know if any of these (or other relevant changes) occur on applying for a renewal of a practising certificate. For example:

- Any changes in staff numbers
- Any changes in the number of clients



Trust and Company Service Providers (TCSP)

The UK National risk assessment and law enforcement agencies indicate that criminals seeking to hide wealth or enable money laundering are likely to use the formation of companies and partnerships or the establishment of UK and overseas corporate structures in order to do so.

Consequently, Trust and Company Services (TCSP) pose a relatively high risk and are assessed to be greater when provided in conjunction with other financial, legal or accountancy services.

Clearly the risks associated with TCSP must be taken into account for both your firm and client risk assessments and will need appropriate documented mitigation procedures in place which will be examined by IAB.

Under the MLR there is a requirement for the details of all UK businesses that act as Trust and Company Service Providers (TCSPs) to be held on a register.

The register for TCSPs supervised by professional bodies, including IAB is hosted by HMRC. Members offering these services must inform IAB and provide evidence they are registered with HMRC.

For further information contact: compliance@iab.org.uk.

TCSP is defined in the MLR as:

- company formation
- acting or arranging for someone to act as a director or secretary of a company, a partner of a partnership or in a similar capacity in relation to other legal persons
- providing a registered office, business address, correspondence or administrative address or other related services
- acting or arranging for someone to act as a trustee of an express trust or nominee shareholder for someone not listed on a regulated market.
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HMRCs TCSP guidance provides further information:

HMRC Guide: TCSP

<https://www.gov.uk/hmrc-internal-manuals/money-laundering-regulations-compliance/mlr3c10405>



Reporting Suspicious Activity

A key responsibility under the MLR is the reporting of suspicious activity. The NCA is the agency to whom suspicions of money laundering are reported. The IAB do not need you to register with the NCA at the point of applying for a practising certificate or providing evidence of compliance. Nevertheless, it is useful to register with the NCA beforehand in case a report is necessary in future.

SAR reporting is one of the issues you need to have documented:

- All practices must have documented which senior authorised person is responsible for the submission of SAR reports to the NCA. And,
- All practices must have a written policy about SAR reporting and documented practical procedures for how such reports will be made and processed by the practice.

HMRC : Reporting Suspicious Activities

<https://www.gov.uk/guidance/money-laundering-regulations-report-suspicious-activities>

NCA – SAR Reports

[https://www.ukciu.gov.uk/\(kfufeejfiw5stgj5wbcs5wjr\)/saronline.aspx](https://www.ukciu.gov.uk/(kfufeejfiw5stgj5wbcs5wjr)/saronline.aspx)
