

Email: [opbas@fca.org.uk](mailto:opbas@fca.org.uk)

BY EMAIL

1 March 2023

Dear all

**Office for Professional Body Anti-Money Laundering Supervision (OPBAS) supervisory update: Regulation 46A reports and expectations**

Professional Body Supervisors (PBSs) are required under Regulation 46A (of the Money Laundering Regulations 2017) to publish annual reports detailing their anti-money laundering/counter terrorist financing (AML/CTF) supervisory activities. The second set of these annual reports was due to be published by 1 November 2022.

OPBAS and HM Treasury welcome the publication of these important reports. The reports provide an opportunity for PBSs to report on the essential work they do as part of the UK's anti-money laundering regime while allowing OPBAS and HM Treasury to assess their effectiveness and decide whether additional clarification or intervention is required.

We want to share our overall assessment following the most recent review to showcase the improving supervisory work set out in the reports and so PBSs can reflect on the opportunity for further enhancements to increase their effectiveness.

**Observations**

Overall, there was a general improvement in the quality and effectiveness of reports over the two reporting periods. We found that:

- a small number of reports improved materially, and there was evidence of PBSs acting on previous OPBAS feedback
- most PBSs produced reports which incorporated the majority of agreed effective practice aspects from previous guidance
- several PBSs with smaller AML supervised populations were able to produce largely effective reports, indicating that size alone is not a barrier to effectiveness

Some PBSs included visuals and case studies which helped to make their content more engaging. Case studies, in particular, can be effective at demonstrating expertise and a detailed understanding of risk within the supervised population. Some PBSs reviewed and used the publicly available content from other PBS reports to inform and improve their

own approach. We were also particularly encouraged that some PBSs took the opportunity to raise the profile of their reports and AML supervision activity through media posts. That type of activity can help increase AML awareness and demonstrate more effective practice.

### **Areas for improvement**

We assessed at least two reports as representing ineffective practice, materially lagging their peers. There were also several areas where improvements could be made, across all PBSs, for future reports:

- an increased focus on the quality of supervised population Suspicious Activity Reports (SARs)
- the addition of reflective commentary identifying areas for improvement, and analysis of reasons for failures and deficiencies identified

In our view the latter is useful in supporting a risk-based approach and we encourage PBSs to focus on this for future reports and as part of regular internal analysis. We also encourage PBSs to consider articulating an evidence-based view of their own effectiveness, with some supporting rationale. This could include setting and reporting against outcome-related key performance indicators (KPIs) for example.

### **Next steps**

OPBAS will provide specific feedback on the individual reports bilaterally to each PBS, as part of our ongoing proactive engagement through named supervisory contacts. That can assist PBSs in preparation for the next reporting period.

OPBAS will proactively engage with negative outlier PBSs bilaterally to discuss our concerns and better understand root causes. That may inform further targeted intervention or action.

HMT will continue to work with OPBAS to support improvements in the effectiveness of PBSs, including through the development of the performance framework committed to in the review of the AML/CTF regime published in June 2022.

In response to previous requests for clarity of expectations, OPBAS have included specific content in Chapter 11 of the updated OPBAS Sourcebook, as published in January 2023 at <https://www.fca.org.uk/publication/opbas/opbas-sourcebook.pdf>. This supersedes any previous version published.

To note, the next set of reports should cover the period 6 April 2022 to 5 April 2023 and are due for publication on or before **1 November 2023**.

Yours sincerely

**HM Treasury & OPBAS**