
Consultation Response

*Anti-Money Laundering/Counter- Terrorist
Financing (AML/CTF) Supervision Reform: Duties,
Powers, and Accountability*

December 2025

AIA Response: Anti-Money Laundering/Counter-Terrorist Financing (AML/CTF) Supervision Reform: Duties, Powers, and Accountability

Executive Summary

AIA welcomes the opportunity to respond to the consultation on AML/CTF Supervision Reform: Duties, Powers, and Accountability. Overall, AIA supports measures that strengthen AML supervision but stresses the need for proportionality, clarity, and collaboration throughout the transition period.

AIA agrees with the proposal for a single, transparent public register of supervised firms, which would help the FCA police the perimeter and identify unsupervised businesses. However, the FCA must clearly distinguish its AML supervisory role from professional standards oversight to avoid misleading consumers. Practical considerations include protecting the privacy of sole practitioners and ensuring timely updates to maintain accuracy.

We support granting the FCA the ability to cancel registrations when firms cease regulated activities, provided there is an effective mechanism for information sharing with professional bodies. This will help maintain accurate records and uphold members' fit and proper status. AIA also supports the application of fit and proper tests but urges that they remain proportionate to risk and avoid unnecessary delays or costs that could hinder new firms. Clarity is needed on whether technical competence will form part of these assessments.

AIA has concerns about the proposed BOOM approval process. The consultation lacks detail on timelines and procedures, creating a risk of criminal liability for firms needing urgent appointments. The FCA must ensure timely fit and proper assessments to prevent inadvertent offences. Additionally, enforcement powers should be proportionate to firm size and risk, with tailored approaches for small and micro firms. Collaboration with professional bodies is essential to avoid duplication and unnecessary burdens.

On guidance, AIA believes it should be developed by sector experts to ensure practicality and proportionality. HM Treasury must clarify responsibility during the transition to avoid uncertainty and resource strain on professional bodies. While AIA supports extending existing supervisory and inspection powers to the FCA, we question whether new powers, such as appointing skilled persons, would be suitable for small accountancy firms.

AIA strongly supports enabling the FCA and supervisors to access SARs, as this is vital for risk-based supervision. The FCA should also establish a robust, long-term information-sharing regime with professional bodies. However, AIA is concerned about the potential cost implications of FCA fees, which could disproportionately impact small firms and threaten their sustainability.

Finally, AIA urges the FCA to adopt a proportionate approach to supervision that reflects the low-risk nature of most accountancy firms. The FCA must develop sector expertise and engage closely with professional bodies to ensure a smooth transition and avoid unnecessary burdens. Constructive dialogue throughout the process will be critical to achieving an effective and balanced supervisory framework.

AIA believes these proposals risk imposing a heavier regulatory burden, which could inadvertently increase economic crime and hinder growth in the accountancy sector. Several elements of the consultation require further discussion to resolve ambiguities and prevent unintended consequences. We therefore urge engagement with professional bodies and the wider sector as the FCA develops its supervisory framework and throughout the upcoming transition period.

AIA Response

Anti-Money Laundering/Counter- Terrorist Financing (AML/CTF) Supervision Reform: Duties, Powers, and Accountability

1. Do you agree with our proposal to amend the MLRs to require the FCA to maintain registers of the professional services firms (legal, accountancy and TCSPs) it supervises? Are there any practical challenges or unintended consequences we should consider?

Yes.

All PBSs in the accountancy sector currently provide HMRC with a list of AML-supervised firms who have indicated they provide TCSP to clients; this maintains an accurate register for HMRC under the MLRs. There is no current requirement within the MLRs for HMRC to publish the listing or to capture information beyond firms registering to provide TCSP work. In addition, AIA provides a list of supervised firms to Companies House to assist firms' registration as an Authorised Corporate Service Provider (ACSP).

AIA has agreed, along with other PBSs in the accountancy sector, that a single public register of supervised firms would be a benefit. Any single transparent register of professional services firms should particularly support the FCA in its role of policing the perimeter for unsupervised businesses.

When publishing a public register, the FCA should ensure clarity around its AML supervisory role versus the professional standards oversight provided by PBSs. Firms may claim they are 'supervised by the FCA,' which could mislead consumers into assuming the FCA also monitors professional standards and guarantees redress. This misunderstanding may result in consumers unknowingly engaging unqualified accountants and unable to make a complaint if they experience poor work or conduct.

Not all supervised firms will be limited companies, so there will be variances in how data is presented, for example, where firms are sole practitioners operating from home there may be areas of personal detail that they may not wish to be made public.

How the register is maintained will require careful consideration, particularly how often new firms are added or removed, how quickly they are added following registration and how the FCA will amend the register when receiving changes to information, such as registered addresses changing or key individuals.

2. Do you agree with our proposal to grant supervisors the explicit ability to cancel a business' registration when it no longer carries out regulated activities? How might these changes affect firms of different sizes or structures?

Yes, the register should remain accurate and only reflect those carrying out activities in scope of the regulations.

Additionally, the FCA should have intelligence sharing processes with professional bodies when a member informs the FCA that they no longer carry out regulated activities. Professional bodies will need to check the validity of the information provided to the FCA and take action if the information is found to be inaccurate or misleading.

In addition, where the FCA removes registration from a firm there should be a mechanism to inform professional bodies as this may affect the fit and proper standing of the member depending on the

reason for the deregistration.

3. Do you support the application of regulation 58 “fit and proper” tests to legal, accountancy, and trust & company service providers? Please explain your reasoning.

In general AIA would support the application of fit and proper tests.

AIA has longstanding requirements for fitness and propriety in place for individuals seeking to become members and to obtain an AIA Practising Certificate. These are set out within the AIA Constitution and AIA Public Practice Regulations.¹ In addition, AIA seeks fit and proper information on applicants who are members of other professional bodies via the Shared Intelligence Service (SIS) and PBS to PBS communication.

Any fit and proper tests should, however, be proportionate to the risk and not lead to increased bureaucracy and cost to firms or unnecessary delays when the tests are conducted which could have a detrimental impact on new firms being established and starting trading.

4. What are your views on the proposed changes to regulation 58, including the requirement for BOOMs to pass the fit and proper test before acting, mandatory disclosure of relevant convictions, and the introduction of an enforcement power similar to those under regulation 26?

AIA believes this proposal requires further discussion and clarity. The consultation does not outline an agreed approval process, yet operating as a BOOM without FCA approval would constitute a criminal offence. There is also no indication of expected approval timelines. Given the scale of firms transitioning, AIA is concerned the process could be lengthy, creating backlogs and preventing firms with urgent BOOM appointments from acting without risking criminal liability.

Additionally, the time required for fit-and-proper assessments must be considered, as delays could lead to inadvertent offences. AIA also questions whether the FCA intends to assess an individual's technical knowledge and accountancy expertise as part of this process.

5. Should the FCA be granted any extra powers or responsibilities with regards to “policing the perimeter” beyond those currently in the MLRs?

No.

AIA believes that the powers and responsibilities with regards to ‘policing the perimeter’ currently set out within the MLRs are sufficient and other changes proposed in the consultation document will help to reinforce the FCA's related role. The proposal to amend the MLRs to require the FCA to maintain a register of the professional services firms should support the FCA to police the perimeter for unsupervised businesses.

6. Do you foresee any issues or risks with the extension of regulations 17 and 46 to the FCA in carrying out its extended remit, particularly in relation to how these powers will interact with the FCA's proposed enforcement toolkit (as outlined in Chapter 6)?

AIA does not foresee any particular issues or risks extending regulations 17 and 46 to the FCA.

AIA urges the FCA to engage in constructive dialogue with professional bodies and the wider industry

¹ <https://www.aiaworldwide.com/media/2456/aia-constitution.pdf>

throughout the development of its supervisory framework. This engagement is essential to ensure that any obligations imposed on firms are proportionate, practical, and do not result in unnecessary administrative burdens or increased costs of doing business, which would be particularly harmful to small and micro businesses/firms.

7. What are your views on introducing new supervisory powers to make directions and appoint a skilled person? If this power is introduced for the FCA, should it also be available to HMRC and the Gambling Commission?

AIA's monitoring and supervision strategy supports members to achieve compliance and enforces the MLRs. Where deficiencies are identified during a review an action plan is issued to the member with requirements to be completed within a set deadline. Evidence is checked of compliance. Where firms fail to respond to an initial action plan a fixed penalty is issued per area of non-compliance and a new deadline is set. Firms therefore have the opportunity to achieve compliance before being referred for enforcement action. AIA describes this as 'Regulatory Action'.

AIA's supervised population consists of small and micro entities and it is unclear within the consultation how any direction would work for these firms, as they are significantly different from firms currently regulated by the FCA or subject to the direction of appointing a skilled person. AIA would argue that this direction would not be suitable or proportionate for these accountancy firms.

8. Do you agree with our proposal to extend the information gathering and inspection powers in the MLRs to the new sectors within FCA supervision?

Yes.

9. Do you believe any changes are needed to the information gathering and inspection powers in the MLRs beyond extending them to the FCA in supervising accountancy, legal and trust and company service providers for AML/CTF matters?

No.

10. Do you agree that responsibility for issuing AML/CTF guidance for the legal, accountancy and trust and company service provider sectors should be transferred to the FCA?

AIA believes guidance should be developed by sector experts and supervisory bodies to ensure it aligns with compliance expectations and avoids unintended consequences. HM Treasury's July 2025 response to *Improving the Effectiveness of the Money Laundering Regulations* indicates that several issues will be clarified through sector-specific guidance. AIA urges HMT to confirm who will lead this during the transition so firms can adopt practices consistent with HMT's intentions. If professional bodies, rather than the FCA, are responsible, guidance may later change post-transition, creating uncertainty and risk as firms embed processes that could be revised. Additionally, PBS resources for producing and supporting guidance will naturally diminish as AML supervisory functions wind down.

11. Do you agree that the MLRs should be amended to transfer responsibility for approving AML/CTF guidance to the relevant public sector supervisor, with HM Treasury retaining a 'right of

veto' but not having responsibility for approving entire guidance documents?

AIA supports the prompt issuing of guidance, as timely information is essential for maintaining compliance across the profession. It is critical that those with deep knowledge and practical experience of the sector are involved in shaping this guidance. This includes representation from firms of all sizes, particularly sole practitioners, who often face unique challenges and resource constraints.

Their input will help ensure that guidance is proportionate, practical, and applicable across the full spectrum of the profession, rather than being skewed towards larger firms. By engaging a diverse range of stakeholders, the resulting guidance will be more robust, inclusive, and effective in supporting high standards throughout the sector.

In addition, AIA's response to Question 10 highlighted that HMT should provide clarity on expectations, the process during transition, and who will be responsible in view of response to the 'Improving the effectiveness of the Money Laundering Regulations' consultation.

12. Do you agree to the extension of requirements under regulation 47 to the FCA in relation to accountancy, legal and trust and company service providers?

Yes.

The FCA should have responsibility for providing firms with timely and accurate information on money laundering and terrorist financing risks as professional bodies currently fulfil this role for members.

13. Do you see any issues with the FCA's information sharing duties and powers in regulations 46, 50 and 52 applying to the professional services firms it supervises for AML/CTF purposes?

No.

14. Do you agree that the MLRs should be amended to require the NCA to share SARs with the FCA and other public sector supervisors, where these have been submitted by or relate to firms within their supervisory population?

Yes.

Access to SARs submitted by, or relating to, AIA supervised firms is something accountancy professional bodies have been advocating for over several years. This is a vital tool that should be embedded within the AML supervisory framework, enabling and strengthening a risk-based approach to supervision.

15. Do you agree that these existing whistleblowing protections are sufficient and appropriate?

Yes.

16. Do you foresee any issues with our proposal for the FCA to exercise the same enforcement powers already exercised by it in relation to the financial services firms for professional services firms too?

Any enforcement powers must be proportionate to the risk as well as to the size of the firm, alongside the impact of any identified non-compliance.

Most firms supervised by AIA are small or micro entities and require a tailored supervisory approach different from that of financial services. Additional discussion with professional bodies during the upcoming transition phase will assist the FCA to understand the range of firms supervised within the sector and inform both a proportionate and effective approach.

17. Are there any additional enforcement powers that you feel the FCA should be equipped with to ensure non-compliance is disincentivised effectively?

AIA believes further engagement with professional bodies during the transition phase is essential to understand the size and scope of supervised firms and ensure a proportionate, effective approach. Professional bodies maintain broad frameworks beyond AML compliance to uphold member conduct and professional standards. This creates potential overlap when the FCA issues penalties, so enforcement powers must align to address risk without imposing unnecessary costs or burdens.

Accountancy service providers (ASPs) outside professional bodies (currently HMRC-supervised) lack equivalent oversight of professional standards. The FCA should establish a process to uphold standards for these ASPs. It must also consider how to manage removal of AML supervision, as this would prevent an ASP from trading legally. Continuing to trade without AML supervision is an offence, so the FCA needs appropriate powers for these scenarios, given that firms currently default to HMRC supervision when a PBS withdraws AML oversight

18. Do you think any amendments to regulations 81 and 82 would help the FCA issue minor fines for more routine instances of noncompliance such as failure to register?

AIA recognises that the FCA already exercises supervisory oversight over Independent Financial Advisers and so it should be explored whether a framework or process currently exists within the FCA's remit to routine noncompliance. Such a framework could potentially be adapted or extended to ensure consistency and effectiveness in addressing similar issues across the profession.

AIA strongly supports the introduction of measures that promote proportionate, fair, and risk-based enforcement. These measures should not only address the specific risks identified but also uphold principles of transparency and accountability. Enforcement should strike an appropriate balance: protecting the public interest while avoiding unnecessary or disproportionate sanctions that could undermine professional integrity or confidence in the regulatory system.

For enforcement to be effective there must be a clear and structured mechanism, a formal gateway, through which the FCA can share relevant enforcement information with recognised professional bodies. This exchange of information is essential to enable those bodies, including AIA, to assess the implications for an individual member's ongoing fitness and propriety. Such collaboration ensures that professional bodies can fulfil their own regulatory responsibilities effectively, maintaining high standards of conduct and safeguarding the reputation of the profession as a whole.

19. Do you have any issues with our intention that decisions made by the FCA in relation to their AML/CTF supervision of professional services firms be appealable to public tribunals, in line with the existing system?

No.

20. Do you have any comments regarding the FCA charging fees, under regulation 102, noting the possible proposed amendments?

AIA is concerned about the significant cost implications and administrative burden this proposal would impose on its firms.

The current HMRC registration model is proportionately more expensive than AIA's current approach, which risks creating disproportionate financial pressure on smaller firms. Such increased costs could threaten the sustainability of these firms, reduce the attractiveness of the profession and, in some cases, result in the closure of firms as principals exit the profession.

21. Are there any specific powers or transitional arrangements that you believe would help the FCA, current supervisors, or HM Treasury support a smooth and low-burden transition for firms already supervised under the MLRs?

No.

AIA believes it would be useful to engage in timely and transparent discussion during the upcoming transition period to enable any issues that places unnecessary burden on firms to be identified and mitigated.

22. Do you agree that a requirement should be placed on the FCA and existing professional bodies and regulators to create an information-sharing regime that minimises burdens on firms?

Yes.

It is important to recognise that professional bodies operate on diverse platforms, using different formats and data types. These variations must be taken into account to avoid imposing disproportionate burdens or costs on those bodies.

The information-sharing framework should be designed as a long-term arrangement, reflecting the significant volume of data held by professional bodies that will inform the FCA's risk-based supervisory approach. In addition, the FCA should commit to sharing its intelligence on firms with professional bodies. This will enable those bodies to take timely and effective action in relation to professional standards and the conduct of their members.

23. Are there other legislative measures that would prevent additional regulatory burdens arising?

AIA has not identified any other legislative measures. However, notwithstanding issues addressed within a transition period AIA believes that under this proposed model there would be increased regulatory and financial burdens for accountancy firms.

24. Are there any additional powers that would support OPBAS to provide effective oversight of the PBSs during the transition? If so, please provide an overview.

AIA believes that it would not be proportionate to grant additional powers to OPBAS within a transitional period as any additional powers that OPBAS would need to support effectiveness were addressed within the original consultation document under the OPBAS+ model which were supported by the majority of consultation respondents but rejected in the Government's response.

OPBAS should work constructively with professional bodies to ensure continuation of effective supervision but does not require any additional powers with which to do so.

25. Are there any wider legislative changes that may be necessary to support the effective implementation of this policy, including alignment with existing statutory frameworks governing professional services?

AIA advocates for open and constructive dialogue throughout the transition period to ensure firms are not subject to conflicting requirements. It is essential that any legislative measures introduced remain proportionate to the risks being addressed, supporting both compliance and operational efficiency.

26. Should any changes be made to the economic crime objective introduced for legal regulators by the Economic Crime and Corporate Transparency Act?

AIA has no comment to make on this question as is not a legal regulator.

27. Do you have any issues with our intention to apply the FCA's existing accountability mechanisms in carrying out its additional supervisory duties?

No.

28. What measures do you think should be taken to ensure a proportionate overall approach to supervision, including prioritising growth?

The FCA should adopt a proportionate approach to supervision that fully reflects the nature and risks posed in the accountancy sector and which limits unnecessary burdens or costs placed on supervised accountancy firms.

AIA believes the FCA must develop a thorough understanding of the accountancy sector and build expertise across its diverse activities. It is noted from HMT's latest Annual Supervision Report that the FCA conducted only three assessments of low-risk firms between April 2024 and April 2025. This raises concerns that the FCA will need significant time to gain sector knowledge and adopt a proportionate approach for supervising a population dominated by low-risk businesses.

About AIA

The Association of International Accountants (AIA) was founded in the UK in 1928 as a professional accountancy body and promotes the concept of 'international accounting' to create a global network of accountants.

AIA is recognised by the UK government as a recognised qualifying body for statutory auditors under the Companies Act 2006, across the European Union under the mutual recognition of professional qualifications directive and as a prescribed body under the Companies (Auditing and Accounting) Act 2014 in the Republic of Ireland. AIA also has supervisory status for its members in the UK under the Money Laundering Regulations 2017. AIA is a Commonwealth Accredited Organisation. AIA is a member of the European Federation of Accountants and Auditors (EFAA) for SMEs and SMPs.

AIA believes in creating a global accountancy profession and supports the International Federation of Accountants (IFAC) in their vision of a global accountancy profession recognised as a valued leader in the development of strong and sustainable organisations, financial markets and economies. AIA has adopted IFAC's Code of Ethics for professional accountants and also incorporates IFAC's International Education Standards (IES) into its qualifications and policies.

AIA has members working throughout the whole spectrum of the accountancy profession. Many of our members are at the top of the accountancy industry, from senior management to director level. Conversely, significant numbers of our members work in small and medium sized businesses (SMEs) and we strive to champion the importance of SMEs and their needs.

Further Information

The above replies represent our comments upon this consultation document. We hope that our comments will be helpful and seen as constructive. AIA will be pleased to learn of feedback, and to assist further in this discussion process if requested.

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