

Economic crime levy: Funding new government action to tackle money laundering

A consultation issued by HM Treasury (HMT)

Comments from ACCA
13 October 2020
Ref: TECH-CDR-1933

ACCA is the Association of Chartered Certified Accountants. We're a thriving global community of **227,000** members and **544,000** and future members based in **176** countries that upholds the highest professional and ethical values.

We believe that accountancy is a cornerstone profession of society that supports both public and private sectors. That's why we're committed to the development of a strong global accountancy profession and the many benefits that this brings to society and individuals.

Since 1904 being a force for public good has been embedded in our purpose. And because we're a not-for-profit organisation, we build a sustainable global profession by re-investing our surplus to deliver member value and develop the profession for the next generation.

Through our world leading ACCA Qualification, we offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. And using our respected research, we lead the profession by answering today's questions and preparing us for tomorrow.

Find out more about us at www.accaglobal.com

Further information about ACCA's comments on the matters discussed here can be requested from:

Sundeep Takwani
Director – Regulatory Relations
sundeep.takwani@accaglobal.com

Wesley Walsh
Supervision Manager - AML
wesley.walsh@accaglobal.com



GENERAL COMMENTS

ACCA is a Professional Body Supervisor (**PBS**) for anti-money laundering (**AML**) in the UK. We welcome the opportunity to provide views on the design principles of the economic crime levy and how it could operate in practice in order to ensure that it is proportionate and effective.

ACCA fully supports the UK government in the objectives and goals of the Economic Crime Plan (**ECP**). In its role as a PBS, ACCA is involved in a number of workstreams of the ECP in order to develop effective and proportionate outcomes for the accountancy sector and the wider financial sector. We fully support the development of an effective UK AML regime that provides confidence in the UK as a safe, transparent and compliant jurisdiction to conduct business in. ACCA believes that a robust and effective framework to tackle economic crime will help improve and facilitate further commercial activity for businesses in the UK.

Economic crime is a constantly evolving threat globally. It rapidly changes and it affects all in society. We are supportive of UK government initiatives to tackle and combat this and we recognise that further funding is a part of the solution.

Through our own AML Compliance Reviews of ACCA firms supervised for money laundering we see firms playing their part in tackling economic crime through the systems and controls that they have put in place and through meeting their reporting obligations under the Proceeds of Crime Act 2002 (**POCA**). We welcome the intended improvements to IT supporting the Suspicious Activity Reporting (**SARs**) system as we have previously highlighted that the current SARs Online reporting system is not fit for the accountancy profession and is outdated. The changes proposed will support our firms to meet their reporting obligations under POCA and also provide a much richer source of reports to aid law enforcement.

ACCA welcomes the proposed Companies House reform to make the data held more robust and transparent. This can reduce the risk of exploitation from those wishing to hide their identity by using UK companies to add a veneer of legitimacy.

However, ACCA believes the levy, currently expected to raise an additional £100 million per year, should be considered for those organisations outside the AML regulated sector which also benefit from initiatives to tackle economic crime. The AML regulated sector consists of around 90,000 entities and it represents a small proportion of the wider population that will benefit from these initiatives. It would therefore seem unreasonable to expect the AML regulated sector to bear the full cost of funding. In our opinion there is an opportunity to explore with other businesses, such as the big technology companies or communications companies, the role they could play in contributing to any levy. Economic crime effects and impacts all of our society. We believe that it is the responsibility of **all** businesses to contribute towards the levy in their roles as good corporate citizens and not just those companies in the AML regulated sector that can be more easily levied.



ACCA is mindful that the introduction of a levy will have a financial impact on regulated firms at a time when they are challenged by the economic impact of Covid-19. Firms in the AML regulated sector are already subject to a number of regulatory fees and the introduction of a further levy at this time could create a significant financial burden. Therefore, in line with the design principles outlined in the consultation, any levy needs to be transparent with clear reporting on how it has been used.

We note at the end of the consultation that there are questions on fraud and the contribution that the AML regulated sector should make to that. ACCA believes that the cost of fraud should not be borne by the AML regulated sector alone. Fraud is wide ranging and no individual or corporate entity is immune from falling victim to this. We would encourage the government to engage in further conversations and work to identify any alternatives as well as funding required to tackle fraud.

AREAS FOR SPECIFIC COMMENT

Levy Principles

Question 1: Do you agree with the design principles as set out above? Should the government consider any further criteria?

ACCA welcomes the recognition in the design principles set out in the consultation that any levy must have: transparency, consistency, be simple to calculate, be predictable for those subject to it and avoid unintended consequences. We agree with the focus of the five areas outlined and welcome the approach.

However, we feel that the design principle in respect of 'Solidarity' is not necessarily truly reflected in the approach to levy just the AML regulated sector. Economic crime affects the whole of society in the UK, not just those in the AML regulated sector. Therefore, to enforce a levy against just one sector to address a shortfall in funding does not appear to follow the principle of sharing the burden that the consultation outlines. We feel it would be beneficial to consider other areas when designing the levy, such as the technology companies or other large communications business that also will benefit from the UK having a strong AML regime and supporting infrastructure. In addition, it is not clear how other factors such as funds recovered in the Asset Recovery Incentivisation Scheme (**ARIS**), from Unexplained Wealth Orders (**UWOs**) or from POCA seizures are utilised and will be used to contribute to the levy.

ACCA



+44 (0)20 7059 5000



info@accaglobal.com

www.accaglobal.com

The Adelphi 1/11 John Adam Street London WC2N 6AU United Kingdom

Spending the levy funds

Question 2: What do you believe the levy should fund? Are there any other activities the levy should fund in its first five years?

ACCA agrees with and supports the areas highlighted in the consultation for the levy to fund. These areas will support the capabilities committed to in the ECP. However, we recognise that any plans made need to be flexible so that the UK can effectively respond to emerging trends and threats that may require responses outside of those detailed in the plan. As covered in 'Question 3' below the proposed annual report would be an ideal place to outline such areas and provide sufficient detail to support transparency if and when any changes are made to how funds are utilised.

From the consultation the only proposed area for funding that ACCA would have a concern with is the cost of administering and collecting the levy. This cost needs to be transparent, minimal and efficient so as not to unnecessarily raise the cost of the levy because of bureaucracy around collection. The collection method needs to be simple, effective and delivered through a process that does not involve multiple agencies and multiple reporting. The process of payment must be clear for those who are subject to the levy to avoid unnecessary administration and chasing for payment. This process cannot incur large costs that detract from the aim of the levy which is to better equip the UK against being exploited by criminals looking to profit from their crimes.

ACCA would welcome a longer-term plan and milestones that provide some transparency on the timeframes of the initial activities, for example, are they envisaged to take the full 5 years, or will some be finished sooner? We would welcome more transparency on how the future priorities will be agreed and additionally how any future sums required (in addition to the current £100 million per annum figure) from the levy will be calculated. We note in the consultation that the government envisages the levy will be enduring and long term, so we believe that greater communication and transparency is required for those that are subject to it to enable them to understand and assess the impact to their business.

Question 3: Do you agree with the government's approach to publish a report on an annual basis? What do you think this report should cover other than how the levy has been spent?

ACCA agrees with this approach. We believe that transparency is required on how any levy is spent to allow those who are subject to it to see the benefits for them, their sector and the wider UK AML regulated sector. It will demonstrate how the levied funds are spent and how this has benefitted the fight against economic crime.

We believe that the report should contain key performance indicators (**KPIs**) that demonstrate what has been done, what is still to be done, timeframes for completion and owners of the actions. This will ensure that the relevant people can be held to account to ensure that funds



raised from the levy are used effectively and in a timely manner to make the UK a more effective jurisdiction in combatting economic crime and to demonstrate the progress being made because of the contribution of the levy.

If during a reporting period any funds are not fully used, ACCA would like this to be included in the report for transparency so the AML regulated sector can see how funds will be accounted for in the next levy period. This will provide transparency of the impact of a surplus in respect of the next year's levy. For example, will there be a decrease to reflect this surplus of funds or an increase if there is a shortfall? This will support the transparency and predictability principles outlined in the 'Levy Principles' section of the consultation.

ACCA believes that any funds raised from the levy must be used wisely and with the intention for which they were levied. We also believe that the report must be produced in the most cost-efficient manner possible and not remove further funding from tackling economic crime.

Question 4: What are your views on what the proposed levy review should consider and when it should take place?

ACCA agrees with the principle in the levy review. However, we feel that the proposed timeframe of five years is too long.

While the proposed annual report will provide clarity on what is happening in respect of progress year on year, we believe that a review after three years would be more appropriate, especially when trying to tackle something as dynamic and fluid as economic crime. This will allow the assessment and any changes to be made in a more time timely manner to achieve the goals set out in the ECP.

ACCA believes that the review should consider: value for money; what has been achieved; what is still to achieve; any blockers for achieving the goals; and the scope of the levy becoming wider than the AML regulated sector. The review should also consider factors around the cost of collection of the levy and look at factors such as the number of defaulters in order to take the opportunity to refine the collection process.

Levy calculation

Question 5: Do you agree with our proposal that revenue from UK business should form the basis of the levy calculation? Please explain your reasoning.

ACCA has reviewed the eight options considered by HMT outlined in the consultation and revenue seems the simplest and most transparent option of those considered.

However, we are conscious that businesses with a turnover below the threshold will also benefit just as much as those that are in scope for the levy. In addition, the levy will also benefit the



whole of UK business, not just those businesses that are in the AML regulated sector. As a result, we would welcome further discussions on this point and the scope of those who should contribute and feel this would be suitable for the levy review as outlined in question 4 above.

ACCA does not support charging a levy through any existing supervisor levy structures. We do not feel that the supervisor should become a default tax collector for the government. This method would add an unnecessary administrative burden to supervisors (both financial, in respect of systems and in terms of time required) and its supervised population and add in another complex layer to discharging our supervisory responsibilities. The levy, and collection of it, should be clearly managed by a body other than the supervisory authority so that the AML supervisor can act independently and take action if required against a business in its population if it does not pay its required levy. By being the invoice raiser and funds collector for the government this could impact our ability to act independently within our own regulatory framework.

ACCA does not believe that a fixed charge at the same level is a proportionate approach. It potentially could have the unintended consequence of businesses choosing to try and operate below the radar by moving to operate in the unregulated environment and avoid identification. In addition, at a time when many businesses are facing financial difficulties this will be an extra cost to enable them to do business in the UK that is not proportionate to their income.

Any levy needs to be a proportionate and measured with clear transparency on how the funds are used with a single agency outside of the supervisory authority responsible for collecting it.

Question 6: Are there any sectors that would be disproportionately impacted if revenue is used as a metric, or where revenue would be disproportionate to level of risk?

There are, by their nature, certain industries that are at higher risk to exploitation for the purposes of economic crime and they pose more of a risk to particular sectors in the overall AML regulated sector. However, any levy based on revenue alone will not reflect this and will have to adopt a blanket approach. This will have the unavoidable impact for a selection of businesses where the levy may not be proportionate to its risk.

Revenue alone does not equate and translate directly to the money laundering risk of a business. A business can have a small revenue below the threshold set but be inherently riskier than one with a substantial revenue that has a much more robust AML control framework and understanding of its client base.

ACCA strongly believes that it is vital that the spending of the funds generated from the levy must be transparent and deliver a clear benefit and show progress in the UK's fight against economic crime.



Question 7: Do you believe other levy bases would provide a better basis for the levy calculation? These could be the ones outlined in Table 4.A or those not considered in the consultation document.

Having reviewed the options outlined in the consultation and considered them, ACCA does not feel that there is a current option other than UK revenue to act as a levy base.

As outlined in our response to question 4 we feel that a review of the levy should be held much earlier than the current proposed five years. This will allow for more informed discussions using the experience of collecting the levy based on revenue and allow AML supervisors, the government and businesses to explore other potential measures that may better reflect money laundering risk as a financial figure.

ACCA feels that, in the future, the money laundering risk of a business would be the most appropriate measure. However, this is currently almost impossible to accurately and consistently apply across the regulated sector. The businesses that make up the AML regulated sector are diverse and range from the simple client/customer base to the complex. Businesses will have different risk appetites and apply their own control framework and systems while adopting a risk-based approach. In addition, AML supervisory authorities will each adopt a different approach to risk assessing their own supervised businesses based on varying factors. Both factors make AML risk impossible to accurately and consistently quantify as a financial sum. Nonetheless, ACCA feels that this is a method that should be explored and not ruled out although it will take work and effort from a number of relevant parties to come to a conclusion.

Question 8: Should a fixed percentage or banded approach be taken to utilising revenue as a metric? Please explain your reasoning.

ACCA believes that using UK revenue as a metric rather than a fixed percentage seems the most appropriate approach to adopt.

We agree with the assessment that if using a banded approach then those businesses at the lower end of a banding for revenue are likely to be disproportionately impacted.

Question 9: What are your views on the principle of exempting small businesses from paying the levy, and on the level of a potential threshold?

ACCA recognises that small businesses do still pose a money laundering risk and in some cases may not have the appropriate controls in place to effectively mitigate the risk in the same way that big businesses can. Therefore, we agree that exempting them could have the impact of reducing the levy's proportionality.



We also recognise, and have outlined earlier in the consultation response, that economic crime affects all of society and therefore believe that the levy should, and could, be applied to business beyond the AML regulated sector.

However, while we do feel that small businesses should contribute in a proportionate way, it could be more prudent in the current economic climate to consider delaying their contribution until after the first review of the levy. ACCA has outlined earlier in the consultation response that we feel five years is too long to wait to review the effectiveness and level of the levy. If the levy review took place earlier, the contribution of small businesses can be discussed and addressed with evidence and learnings from the levy collection.

ACCA has noted the thresholds and number of businesses liable for the levy under each threshold. By setting the threshold at £1 million this brings approximately a further 10,000 firms into scope of the levy. Clearly this will share the burden more widely across the regulated sector, but we would welcome more discussions and evidence on the cost to businesses of each threshold so the impact and proportionality of each can be fully assessed.

Question 10: What are your views on having businesses below the threshold subject to a small flat fee?

ACCA recognises that economic crime affects all of society and that the ECP provides wider benefits to everyone and not just those subject to the levy in the AML regulated sector.

The turnover and revenue of a business does not directly correlate to its exposure to money laundering risk. In fact, criminals may actively avoid larger businesses as they may perceive that the smaller business has less resources to invest in a sophisticated AML control framework.

ACCA understands how a small flat fee would share the cost of the levy across the AML regulated sector and reduce the burden on the proportion of the sector (15%) subject to pay the levy if a threshold is set at £1 million.

Any flat fee applied to those in the AML regulated sector would need to follow the design principles laid out in the consultation and be transparent and predictable for those businesses to understand.

ACCA would welcome more discussions that include and obtain input from businesses below the threshold in order to further explore this option. We recognise that this may not be possible before the levy comes into force so a review of the levy before the proposed five years would support this option being considered fully using evidence and data to support any decisions.



Question 11: Do you believe the small business threshold should be determined by reference to revenue alone or to all three of the Companies Act 2006 criteria? Please explain your reasoning.

ACCA has considered the options proposed in the consultation and believes that, in order to maintain the simplicity, transparency and consistency, it would be preferable to remain with a reference to revenue alone.

Whilst incorporating the three thresholds would align the levy with the Companies Act 2006 criteria, we believe that this would add to the administrative burden for businesses and those collecting the levy and contravene the design principles outlined in the consultation of simplicity and transparency.

Question 12: For businesses not exempted by a threshold, how should their revenue below the level the threshold is set at be treated – as an allowance, levied at the same level as the main levy rate, or levied through a fixed amount?

ACCA has considered the options outlined and, on balance, would support the fixed amount levy to reduce the ‘cliff-edge’ effect described.

A set fee would also bring consistency and transparency to the levy.

Question 13: How do you think money laundering risk should be accounted for in the levy calculation?

ACCA agrees that the money laundering risk of a business should be accounted for in the levy. This principle will ensure that the businesses with the most risk contribute appropriately, and the burden does not just fall on those with the largest revenue.

However, at this point in time, we do not feel that there is a model that will allow a consistent and transparent approach to assessing the money laundering risk of a business.

When considering the money laundering risk of a business the business itself and the AML supervisor of the business will each have their own money laundering risk profile of that business.

Businesses in the AML regulated sector must have a documented ‘Firm Wide Risk Assessment’ and this will reflect the business’s own assessment of its money laundering risk. This could be considered but, in an AML regulated sector of approximately 90,000 entities, it would create an administrative burden and cost. There is also the unintended consequence of firms ‘dialling down’ the overall risk they face. It would not be feasible for the AML supervisors to review each ‘Firm Wide Risk Assessment’ to assess its validity and accuracy.



In addition, each AML supervisor will have their own risk assessment of the businesses in their supervised population. However, across the AML regulated sectors each supervisory authority is likely to adopt a different methodology and factors dependent on their supervised population. Furthermore, many AML supervisors would not wish to disclose this risk profile to these businesses.

Potentially, when supervisors conduct AML compliance reviews of their businesses, any that are deemed non-compliant are considered as being a 'higher risk' and could be considered to be in scope for a levy or to make a contribution based on any disciplinary penalty imposed against them. However, this approach would apply to a very small population of the overall AML regulated sector and would be unfair to those businesses that have been in scope for a review against those that have not.

When trying to establish the money laundering risk of a business it can become complex when factoring in the inherent and residual risk of a business. A decision would need to be taken for the purpose of the levy if it is the inherent or residual money laundering risk of a business that is being incorporated.

Some businesses are inherently riskier than others, but this does not mean that the residual money laundering risk of that business is necessarily high. A business with a high level of inherent risk may have an exceptional AML control framework and systems in place resulting in a low residual risk, whereas another may have no frameworks, so no risk has been mitigated and the residual risk remains high.

ACCA believes there is a lot of work to be done in order to achieve a consistent approach to factor money laundering risk into the levy. We would welcome more discussions in this regard.

Question 14: Do you believe using number of SARs reported as a metric through a banded approach would be an appropriate means of achieving this objective? Please explain your reasoning.

ACCA does not believe this is a metric that would accurately transpose to the money laundering risk of a firm.

As detailed in our response to question 13, a business may have a low residual money laundering risk and part of this could be due to a robust AML control framework where suspicious transactions are identified and reported. Therefore, it would be a metric that could unintentionally punish a business for diligently reporting SARs to discharge its responsibilities under POCA.

Across the AML regulated sector, the make-up of the businesses varies significantly from a sole practice accountancy firm providing bookkeeping services to large multinational banks providing correspondent banking. Any comparison of SAR numbers across the whole sector is misleading and does not account for the inherent and residual money laundering risk of those businesses.



ACCA feels that this approach would effectively punish the diligent businesses reporting SARs and also the large volume reporters of SARs. While it could have the positive impact of giving an incentive to businesses to decrease the number of 'defensive SARs' that have no value to law enforcement, we feel that this is outweighed by the negative unintended consequences of applying this.

ACCA does not feel that a business discharging a legal obligation should have an impact on the levy they pay.

Applying the levy calculation

Question 15: Do you believe there should be a periodic or annual process for setting the levy rate? If periodic, what would an appropriate period be?

ACCA believes that it would be more beneficial if the levy rate was set annually based on the forecast costs for the year ahead in line with the ECP objectives and available resources.

We appreciate this may be difficult in the first year or two as the mechanics for the levy are set up and mature, so it may be more prudent to set a rate for the first two years and then look at using a review in the third year to set an annual rate (ACCA's views on a review after three years are covered earlier in the consultation).

We note from the consultation that an annual model has been adopted by AUSTRAC and there would be a financial impact, however we think an annual setting will allow more timely assessment for changes. Whilst a set period will provide some certainty for businesses, if there was to be a decrease this would not impact on the business for the length of that period.

In addition, an annual review would correspond with the production of the annual report and will provide transparency on the accuracy of the levy and how the funds are being utilised. If there is a surplus or an extension of the businesses in scope for the levy, an annual review would allow for any decrease in the levy to be passed on in a timelier manner.

Question 16: Would you prefer to calculate the levy based on total revenue or revenue from AML-regulated activity only? Please explain why.

ACCA would prefer that for our sector it should be based on total revenue.

We feel that by adding in the requirement for a company to maintain and record the revenue of AML-related activity there will be an unintended consequence for businesses of adding an extra level of bureaucracy to their operating model whereby services will have to be broken down and costs applied to each step of the process.



Question 17: If applicable, what is your initial estimate of the proportion of your UK business which is AML-regulated (in revenue terms)? How many labour hours would initially be required to enable your business to robustly calculate the proportion of regulated business on an ongoing basis?

Not applicable for ACCA as a PBS.

Question 18: Which is your preferred option for defining revenue?

Not applicable for ACCA as a PBS.

Question 19: Do you agree the levy should be based on UK revenue only? How easy would it be to split out your UK revenue from your total global revenue?

Not applicable for ACCA as a PBS.

Question 20: Do you think it would more appropriate to use total income or net operating income as a metric for calculating levy liability for deposit-taking institutions, and if so, which metric would be the most appropriate?

Not applicable for ACCA as a PBS.

Question 21: Do you agree that the reference period for the levy calculation should be a business's accounting period? Please explain your reasoning.

ACCA would agree with this. It removes the need for another reporting period to be added for firms and it allows a clear point in time that aligns with the established reporting for accounting periods.

Question 22: Do you agree that the levy should apply to activity carried out from the date from which the activity is regulated? Please explain your reasoning.

ACCA agrees that the levy should apply from the date the activity is regulated.

This will ensure that the financial burden of the levy is always shared by the relevant businesses across the AML regulated sector. There may be occasions where an application takes time to be progressed by an AML supervisory authority, so we believe that using the date from which the activity is regulated makes sense.



However, there must be a mechanism to ensure that any businesses in a sector that is brought into the scope of the MLRs can be identified at the date they are in scope. It should not be solely reliant on when the business registers with a supervisory authority to ensure no relevant business 'falls through the cracks' and is not identified.

Question 23: Do you believe levy liability should be calculated and invoiced at entity or group level? Please explain your reasoning.

ACCA believes that levy liability should be calculated at group level.

Whilst we recognise that some groups will carry out business across both regulated and unregulated entities, we feel that the risks highlighted in the consultation on splitting up activities to below threshold levels can only be mitigated by applying the levy at the group level.

Question 24: Do you agree limited partnerships should pay the levy at partnership level? Do you have any other views on how partnerships should be treated for the purposes of the economic crime levy?

As outlined in the consultation, ACCA recognises that the levy is not intended to be paid by individual or corporate partners on their shares of the income as they do for Income Tax or Corporation Tax purposes but only once at the partnership level.

ACCA would agree with this approach.

Collecting the levy

Question 25: Do you think the agency should issue a notice to file or that businesses should be required to submit a return proactively? Please explain your reasoning.

ACCA believes the process for the levy should not add any extra reporting requirements or burdens on businesses. Whilst we are mindful that the agency issuing a notice to file could add an administrative cost, we feel that this approach would be preferable to self-reporting and would help businesses to become familiar with the requirements from the outset.

We believe that self-reporting will add more bureaucracy for those businesses in scope of the levy. Whilst there would be an administrative cost of the agency issuing a notice to file, we believe that an administrative cost would still exist with self-reporting. There would need to be a method to ensure all those who should have self-filed have done so, to contact those who have not self-filed, and then to take action with any non-compliant businesses. We believe this administrative cost would be equal to, or more than, the agency issuing notice to file.



Question 26: Do you think all businesses should report their levy liability to the agency? If not, do you think small businesses should report a nil declaration or nothing at all?

ACCA believes that this process needs further exploration. The costs and benefits to both businesses and the agency are not clear.

The solution needs to be transparent and have the least bureaucratic and cost implication on businesses while ensuring there are no unintended consequences of businesses not complying with payment when they should.

We note that 'Table 6.A: Costs of reporting' on page 28 contains no data. We are unsure if this was to illustrate costs or for businesses to use as a template. If it was to illustrate costs, due to the lack of data we are unable to use this to inform any views on costs for our response.

Question 27: Do you agree with the proposed approach for calculating the levy rate, invoicing, and payment of the levy? If not, please explain why.

ACCA agrees with the principle of the agency calculating a levy and then issuing an invoice once the revenue data is submitted.

Our views on annual adjustments, incorporating money laundering risk and liability at group or entity level are covered earlier in the consultation response.

Question 28: What are your views on the proposed compliance framework in a single agency model?

ACCA would welcome more discussions on the exact details that cover payment terms of the levy.

We agree there should be a framework to address late or non-payment but would like further detail on issues such as the intended period to pay or if the levy would be on a single or staggered payment terms.

ACCA also considers that there should be a mechanism for the agency to raise the details of the non-payer to their relevant AML supervisory authority who may also consider their own action in line with their regulatory framework.



Question 29: Do you agree that supervisors should be able to determine the frequency of reporting and payment, provided they transfer levy payments to the government a maximum of a year after the end of a business' accounting period?

As outlined in our response to question 5, ACCA does not support charging a levy through any existing supervisor levy structures.

We do not feel that the supervisor should become a default tax collector for the government. We feel this method would add an unnecessary administrative burden to supervisors (both financial, in respect of systems and in terms of time required) and its supervised population. It will add in another complex layer to discharging our supervisory authorities. The levy, and collection of it, should be clearly managed by a body other than the supervisory authority so that the AML supervisor can act independently and take action if required against a business in its population if it does not pay its required levy. By being the invoice raiser and funds collector for the government this could impact our ability to act independently in our own regulatory framework.

This model would add an unnecessary burden to each of the 25 AML supervisory authorities, and it would not alleviate the cost required for one central agency to be created to oversee and co-ordinate this activity. Placing reliance on 25 separate professional bodies will have the consequence of inconsistent approaches to each business subject to the levy depending on which supervisory authority they are registered with. Any inconsistency is not desirable.

In addition, placing the responsibility on the supervisory authority will have disproportionate effects on each supervisory authority as the numbers of business in scope is likely to vary widely across the sector. It is likely this burden will be passed onto a small number of supervisory authorities and not spread evenly across the 25 bodies.

Question 30: What are your views on the supervisor carrying out compliance activity as set out above?

As outlined in our response to question 29, ACCA does not believe that supervisory authorities should be conducting this compliance activity to collect a debt for the government.

There are 25 separate AML supervisory authorities and this will undoubtedly lead to inconsistent application of actions against defaulters.

Supervisory authorities should be free to operate clearly with their own regulatory frameworks to ensure compliance of their relevant businesses with the MLRs. By adding in the requirement to collect a debt on behalf of the government there is a significant risk of blurring and confusing the currently clearly defined role of the supervisor in the MLRs.

The use of supervisory authorities to collect the levy will not negate the need for government to create or appoint an oversight agency to receive details from the supervisors and ensure consistent outcomes. This cost will need to be met from the funds generated by the levy.



Question 31: Which model do you prefer? Please explain why. Do you have suggestions for any other models that could be used?

ACCA believes that in order to obtain consistency, clarity and transparency there should be one central agency that is responsible for raising the invoices, receiving payment and addressing non-compliance.

We note this may incur an initial cost to set up, but we believe that it will be the most effective long-term solution. Having 25 supervisory authorities individually invoice and collect the debt on behalf of the government will lead to inconsistencies and unnecessary bureaucracy. It also has the potential to undermine the role of an AML supervisory authority.

The supervisory authorities should not be used as debt collectors for the government. This is not the role of an AML supervisory authority and is not an effective use of resources in these bodies. Any resource used to chase payment of a debt for a levy the government has decided to enforce would detract from the core activities of the supervisory authority in ensuring compliance of its supervised businesses with the MLRs.

Question 32: If you are a supervisor, what do you estimate your costs would be in each model?

ACCA would welcome more discussions on this point to be able to fully assess the impact of each model on our costs.

We would anticipate that any model where the responsibility to collect a debt on behalf of the government falls on the supervisory authority would have a substantial impact on our costs when considering the work that would have to be implemented to update our systems and the cost of employees to manage the process. However, we would need to have further data on the potential volume of businesses in our population which are within scope to effectively undertake a cost modelling exercise.

Funding for fraud

Question 33: How much did your organisation spend on countering fraud in 2019? What are these funds spent on, in high level terms?

Not applicable for ACCA as a PBS.

ACCA offers support to members through awareness articles in our various publications.



Question 34: What additional financial contribution should the private sector contribute towards improving fraud outcomes?

The AML regulated sector alone should not face the financial burden of improving fraud outcomes.

Fraud is wide ranging and no individual or corporate entity is immune from falling victim to this. Therefore, ACCA believes that there should be further conversations to fully seek views on any funding required to tackle fraud.

Question 35: Which sectors do you think should be involved in countering the system-wide fraud risk? Please explain your rationale – for example whether you believe that those included should be included based on benefit, or risk?

Fraud is something that affects all of society and manifests in many ways from the largest corporation falling victim to a cyber-attack to an individual losing their pension through an investment scam.

Therefore, the only way to address fraud risk is to truly open up the conversation with representatives from across society to look at solutions. Raising a levy on certain businesses meeting a turnover threshold is not the solution. As highlighted above, fraud does appear through many different modus operandi and has differing impacts on victims.

The UK already has a good infrastructure set up in Action Fraud, however this resource is underused. It is a rich source of intelligence that should be part of the framework to pro-actively counter fraud risk and fully investigate reported frauds.

Question 36: What mechanism would you recommend in order to collect additional funding?

ACCA believes that before seeking funding there needs to be a wider piece of work to map out the fraud risk landscape in the UK to fully understand the business sectors used by fraudsters and the parts of society that are impacted the most.

Better use should be made of the Public and Private partnerships, as is being done to support the ECP, to understand what contributions other than financial can also be made to combat fraud. For example, is there more work that can be done to raise awareness and education in respect of fraud? Can some analysis from the data collected by Action Fraud be used for a tactical response?



Other

Question 37: Is there anything you have not already included in your response that you would like us to note?

ACCA would like to thank HM Treasury for the opportunity to participate in the consultation and would welcome the opportunity to discuss this response with you.

ACCA



+44 (0)20 7059 5000



info@accaglobal.com



www.accaglobal.com



The Adelphi 1/11 John Adam Street London WC2N 6AU United Kingdom