

# Recovering the costs of the Office for Professional Body Anti-Money Laundering Supervision (OPBAS): feedback on CP19/13 and consultation on fee-rate for 2019/20

A consultation issued by the Financial Conduct Authority (FCA)

Comments from ACCA  
25 September 2019  
Ref: TECH-CDR-1838

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our **219,000** members and **527,000** students in **179** countries, helping them to develop successful careers in accounting and business, with the skills required by employers. We work through a network of **110** offices and centres and more than **7,571** Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting, and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

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

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## GENERAL COMMENTS

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ACCA welcomes the opportunity to provide feedback on the proposed fee-rate for 2019/20.

## AREAS FOR SPECIFIC COMMENT

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### Question 1: Do you have any comments on our proposed variable fee of £44.36 per supervised individual for 2019/20?

1. In ACCA's response to the consultation in March 2019 on restructuring the levy to recover the costs of establishing and running OPBAS, we supported the alternative proposal to implement a fee-rate of £20.59 on all supervised individuals, subject to a minimum charge of £5,000 (which we preferred to be treated as recognition that there is a fixed cost of OPBAS's oversight of a professional body supervisor (PBS)).
2. We are disappointed that the FCA has rejected ACCA's proposal of a flat-rate per head model, despite expressing the view that this model is '*elegant and symmetrical*'. While we accept the FCA's decision, we disagree with the reasoning behind the fee structure adopted, in particular the assumptions about the way in which PBSs charge their supervised populations and recover the costs of anti-money laundering supervision.
3. The FCA's rejection of the flat-rate per head model appears to be because, in practice, the PBSs do not recover the costs of OPBAS from their supervised population on a per head basis. The observation in paragraph 2.27 that the flat-rate per head model '*does not appear to reflect the way PBSs charge their supervised populations*' reflects the fact that the PBSs have not been faced with the challenge of recovering a substantial anti-money laundering supervision cost until OPBAS was created, and also that the PBSs have not had any certainty about the levels of fees (and so could not accurately recover these from their supervised population). The larger PBSs are bearing the vast majority of the cost of OPBAS and it is not equitable to assume that these costs can be absorbed and therefore a transparent basis for cost recovery is required. The smaller professional bodies, paying a negligible flat-rate fee, have no incentive to recover it because the cost per head in most cases is very low.
4. Furthermore, the FCA's statement in paragraph 2.24 that '*our original assessment in 2017 was correct and supervised individuals should not be treated equally*' contradicts the principle in paragraph 9 of the Compatibility Statement (Annex 3) that '*cost recovery should be distributed between the relevant fee-payers as fairly as possible*' and appears to separate the 'fee-payers' from the individuals they supervise.



5. In support of the principle of fairness, ACCA has consistently resisted the proposal that the members of the larger PBSs should subsidise the members of the smaller ones. We continue to believe that the flat-rate per head model represents a fairer distribution of costs amongst PBSs, even though this fees model would result in a significantly higher levy for ACCA.
6. With regard to the proposed variable fee-rate of £44.36 per supervised individual for 2019/20, we remain concerned about the lack of transparency over the total costs of OPBAS, its activities, areas of focus and future work plan. At paragraph 2.20 the FCA rejects any suggestion that it should share information on the deployment of its resources. We believe this approach significantly undermines transparency and, given that OPBAS is entirely funded by the PBSs (especially the largest three), it is not unreasonable to ask the FCA to provide this information.
7. Furthermore, given the high level of activity in 2018/19 when OPBAS conducted initial visits to all the PBSs, we question the increase in total costs and the variable fee-rate in 2019/20 and the justification for this. While ACCA recognises the importance of the work of OPBAS, we would expect costs to fall as future activities focus on the weaker PBSs that do not yet have adequate controls in place. Again, this adds to the perception that the larger PBSs are subsidising the smaller ones.
8. In the absence of any clarity or assurance on OPBAS's strategic plan and costs for 2019/20, ACCA is unable to form a clear opinion on the reasonableness of the proposed variable fee-rate.

