

Technical factsheet: Anti-money laundering (AML) policy and procedures

Overview

This AML policy and procedures factsheet will help shape your firm's AML policy and procedures (P&P). When creating or updating your AML P&P, you must consider the Money Laundering Regulations 2017 (MLR 2017), The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 and the CCAB's Anti-Money Laundering Guidance for the Accountancy Sector. Other sources such as FATF, the NCA website and HM Treasury national risk assessment can be useful too.

Every accountancy firm must have AML P&P for managing its money laundering and terrorist financing (MLTF) risks. To focus resources on the areas of greatest risk, a risk-based approach should be adopted. As per the MLR 2017, an AML firm-wide risk assessment must be conducted and documented. ***The firm-wide risk assessment must be considered when creating or updating your AML policy and procedures.*** If you do not have an AML firm-wide risk assessment you should do this immediately and before creating your AML P&P. Please refer to the ACCA [Anti-money laundering firm-wide risk assessment](#) technical factsheet if you require further guidance on this.

Simply obtaining a generic AML P&P from a third party will not suffice. Each firm will face different risks and will have their own approach to mitigate them. The firm's policy should provide a general overview of its approach to alleviate MLTF risks. AML procedures should clearly articulate the firm's day-to-day process. For example, when onboarding a new client, it should state what identification documents are acceptable, what is an acceptable proof of address, what forms need to be completed, what searches and checks need to be done etc. It should not be generic. **If you obtain an AML P&P template from a third party, you must tailor it to address the risks specific to your business and how you mitigate them.**

The firm's AML P&P does not need to be extensive. It needs to be understood and applied by employees of all levels of your firm, so a comprehensive 20+ page document may be difficult to follow.

As per the firm-wide risk assessment, the AML P&P should be updated periodically – ideally annually. In addition to this, trigger events such as a change in legislation or guidance, identification of a new or emerging MLTF risk, or new systems and

processes incorporated by the firm must prompt an update. You should document who has updated it, what has been updated and when it was updated. When reviewing your AML P&P on a periodic basis, even if no changes are made, it is good practice to record this. The AML P&P must always be formally approved by the money laundering reporting officer (MLRO).

To meet regulatory requirements, the AML P&P must at a minimum cover the following areas; firm-wide risk assessment, due diligence, client risk assessment, training, record-keeping, suspicious activity reporting (SAR) – both internally and externally – ongoing monitoring and sanctions screening. On the next page we have provided a basic template that can be used as a starting point for your AML P&P.

**YOU MUST ENSURE THIS DOCUMENT IS APPROPRIATELY
TAILORED TO ACCURATELY REFLECT YOUR FIRM'S AML
SYSTEMS AND CONTROLS.**

All relevant employees, including new joiners, must be formally notified as to where the AML P&P are held. It should be easily accessible to all. You should also confirm employees' understanding of the firm's AML P&P.

[FIRM NAME]

**AML Policy and Procedures
Document**

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Created/Updated on [MM/YY]

Approved by the MLRO [NAME]

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Money laundering reporting officer (MLRO)

Please refer to the [ACCA Technical factsheet: the money laundering reporting officer](#) and [CCAB guidance for the accountancy sector](#) to aid you in completing this section.

The money laundering reporting officer (MLRO) is *[insert name]*

The alternative MLRO within the firm is *[insert name]*

List of responsibilities

You should list all the responsibilities of the MLRO and alternative MLRO and/or the deputy MLRO. Below is an extract from the CCAB guidance for the accountancy sector.

The MLRO responsibilities include, but are not limited to, the following:

- have oversight of, and be involved in, MLTF risk assessments
- take reasonable steps to access any relevant information about the business;
- obtain and use national and international findings to inform their performance of their role
- create and maintain the business's risk-based approach to preventing MLTF
- support and coordinate management's focus on MLTF risks in each individual business area. This involves developing and implementing systems, controls, policies and procedures that are appropriate to each business area
- take reasonable steps to ensure the creation and maintenance of MLTF documentation
- develop customer due diligence (CDD) policies and procedures
- ensure the creation of the systems and controls needed to enable staff to make internal SARs in compliance with the Proceeds of Crime Act 2002 (POCA)
- receive internal SARs and make external SARs to the NCA
- take remedial action where controls are ineffective
- draw attention to the areas in which systems and controls are effective and where improvements could be made
- take reasonable steps to establish and maintain adequate arrangements for awareness and training
- receive the findings of relevant audits and compliance reviews (both internal and external) and communicate these to the board (or equivalent managing body)
- report to the board (or equivalent managing body) at least annually, providing an assessment of the operations and effectiveness of the business's AML systems and controls. This should take the form of a written report. These written reports should be supplemented with regular ad hoc meetings or comprehensive management information to keep senior management engaged with AML compliance and up to date with relevant national and international developments in AML, including new areas of risk and regulatory practice. The board (or equivalent managing body) should be able to demonstrate that it has considered the reports and ad hoc briefings provided by the MLRO, and then take appropriate action to remedy any AML deficiencies highlighted.

MLRO report

You should state here how, when, and how often the MLRO will conduct and document a report testing the firm's AML systems and controls. Please refer to the [ACCA Technical factsheet: the money laundering reporting officer](#) and [CCAB guidance for the accountancy sector](#) for further information.

Firm-wide risk assessment

Outline the firm's process for conducting its firm-wide risk assessment. Please refer to the ACCA [Anti-money laundering firm-wide risk assessment](#) factsheet and [CCAB guidance for the accountancy sector](#) for further guidance.

Suspicious activity reporting (SAR)

Businesses must have internal reporting procedures that enable relevant employees to disclose their knowledge or suspicions of MLTF. In this section outline the process and remind employees of their obligation to report. This must also include the MLRO's responsibilities. Please refer to the [ACCA Technical factsheet: suspicious activity reports](#) and [CCAB guidance for the accountancy sector](#) for further guidance. Below is a brief example:

All employees must report their knowledge or suspicions of MLTF to the MLRO. The MLRO will consider the internal report and if the MLRO also suspects MLTF, then the MLRO will submit an external SAR to the NCA. Should the MLRO decide not to submit an external SAR they will document their reasoning why.

Internal SARs

This section should state how employees must escalate suspicious activity. Below is a brief example:

Employees must complete the internal SAR form located in the shared drive. This must be emailed to the MLRO as soon as possible.

Consequence of failure to report

This section should inform employees of the consequence of failing to report. Below is a brief example:

As per s330 of the Proceeds of Crime Act 2002, a person commits an offence if, during the course of business, he develops knowledge or suspicion (or has reasonable grounds for doing so) that another person is engaged in money laundering, and he does not make the required disclosure as soon as is practicable. Note that an offence is committed regardless of whether it subsequently transpires that the money laundering cannot be proven, or that it did not occur.

The required disclosure is a disclosure of the information or other matter to the MLRO or the NCA.

Tipping-off

This section should state how employees must not commit the offence of tipping off. This should refer to what the offence is and the consequence. Below is a brief example:

As per s333 of the Proceeds of Crime Act 2002, a person commits an offence if he knows or suspects that a disclosure has been made, and he makes a disclosure which is likely to prejudice any investigation which might be conducted following the disclosure.

In addition to this (as per s342), a person commits an offence if he knows or suspects that an appropriate officer is conducting or about to conduct a confiscation investigation, a civil recovery investigation, a detained cash investigation or a money laundering investigation, and either makes a disclosure which is likely to prejudice it or falsifies, conceals, destroys or otherwise disposes of relevant document or causes another to do so.

Training

This section should state the firm's AML training policy. It should include the MLRO and employees' responsibilities. It could include the firm's training plan, eg when and how the AML training will take place. It should document how records will be maintained. It could also refer to targeted training for the more senior members of your firm. For further guidance please refer to the [CCAB guidance for the accountancy sector](#) and the ACCA [Anti-money laundering \(AML\) training: frequently asked questions](#) factsheet. Below is a brief example of what it could look like:

The MLRO is responsible for ensuring that all relevant employees undertake the AML training at the appropriate time.

All training will be conducted internally/externally on an annual basis.

The AML training covers the following topics: AML red flags, explaining the law and regulations, conducting customer due diligence (CDD), SARs and how to deal with suspicious transactions, case studies with examples of ML methods, tipping off...

Training records for the firm can be found...

Client risk assessment

Client risk is the overall MLTF risk posed by a client. A business should consider the following question: "Does the client or its beneficial owners have attributes known to be frequently used by money launderers or terrorist financiers?". All clients should be risk categorised, eg hold a risk rating of high, medium, or low. Typically, the majority of clients would be classified as medium/normal. Low risk is often an exception. In this section you state the client risk assessment process. For example, if you have a client risk assessment form you should refer to it here. You should refer to the CCAB guidance and any other relevant guidance to establish what risk factors should be considered. This list is not exhaustive, but below are just some examples:

High-risk client

Any client who has one or more of the following risk factors will be considered as high risk:

- The business relationship is conducted in unusual circumstances
- The client is a resident or transacts with a geographical area of high risk
- Cash-intensive businesses (eg takeaways, retail shops, scrap metal dealers, car wash, nail bars, massage parlours)

- The corporate structure of the customer is unusual or excessively complex given the nature of the company's business
- High-net-worth individual (eg any individuals/entities with assets of over £x)
- Politically Exposed Person (PEP)
- High-value businesses (eg jewellers, car dealerships, art, antiques etc)
- The type of industry/business of the firm is at high risk of MLTF eg properties (selling and renting), import and export (including haulage, freights, and shipping), money service bureaux, cryptocurrency, visa and immigration services, investment services, precious metals (eg gold, diamond trading), charities etc.

Low-risk client

Any client who is a public administration, a publicly owned enterprise, or a company whose securities are listed on a regulated market will be considered as low risk.

Medium-risk client

Any client who does not have any high- or low-risk factors will be classified as medium risk.

Due diligence policy

This section should state the firm's due diligence policy. You should outline your onboarding and ongoing monitoring process of your new and existing clients. It should state what documents you will obtain, eg identification and proof of address, and how it will be recorded and maintained. It should outline who is responsible for managing and/or conducting this process. It should also state what details about the client will be obtained, also known as KYC (Know Your Client). For example: the company structure, the nature of the business, the expected activity etc. It should state what independent checks will be conducted to verify the information (eg. check Companies House, google searches etc.) If you use a standard form, you should refer to it here.

Customer due diligence (CDD)

This section should state the firm's customer due diligence process. Typically, CDD will be conducted on all medium-/normal-risk clients.

Enhanced due diligence (EDD)

This section should state the firm's enhanced due diligence process. EDD must be conducted on all high-risk clients. It should clearly articulate the process. It should state how and when EDD will be applied. It should state what additional documentation or checks will be made due to the increase in risk: for example, obtaining additional identification, checking source of wealth and/or source of funds etc.

Simplified due diligence (SDD)

This section should state the firm's simplified due diligence process. It is rare that a firm should do this, but it is good practice to document it. SDD should only be applied to those categorised as low risk.

Ongoing monitoring policy

This section should explain how you monitor your client's activity and relationships. This should outline how often you review your client's due diligence file including their business activity. It should also include trigger events that will prompt a review. Below is a brief example:

The firm will review any client who is classified as high risk every six months. All medium- and low-risk clients will be reviewed every 12 months. The review will ensure all due diligence information is still relevant and up to date. This includes:

- checking identification and address is still valid
- checking Companies House records matches our records
- checking annual turnover is in line with what we would expect

Even if no changes are present, this will be documented and recorded.

Events prompting an immediate review include:

- a change in the client's identity
- a change in beneficial ownership of the client
- a change in the service provided to the client
- information that is inconsistent with the business's knowledge of the client

Sanctions screening

This section should explain your sanctions screening process. Businesses must comply with any sanctions, embargos or restrictions in respect of any person, entity, or jurisdiction to which the UN or UK has decided to apply such measures. Therefore, you articulate your firm's risk-based approach to ensure compliance to this requirement. For example, how does the firm check against the sanctions list? When will the firm check the sanction list? (e.g. at onboarding? annually?) How is it documented/recorded that a search has taken place?

Control assurance

This section should explain how your firm will introduce a system of regular, independent reviews to understand the adequacy and effectiveness of the MLTF systems and any weaknesses identified.

Record-keeping policy

This section should explain your record-keeping policy. The CCAB guidance for the accountancy sector should be referred to aid you with this section as it refers to legal requirements.

Version control

This section should document dates, amendments and person responsible for any amendments to your firm's AML P&P. You can also use this section to document that although the P&P have been reviewed, no changes have been made. Below is an example:

Date	Version	Amendment/Review	Person responsible
01/10/2018	V 1.0	Document created	NAME [MLRO]
01/06/2019	V 1.0	No amendments made. P&P reviewed – but no changes needed. Next review to take place by 01/06/2020.	NAME [MLRO]
10/01/2020	V 1.1	Changes made to section X, Y & Z due to transposition of the Fifth Money Laundering Directive.	NAME [MLRO]

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