

Technical factsheet

The role of the money laundering reporting officer

Background and overview

The Proceeds of Crime Act (POCA) requires the appointment of a 'nominated officer' to ensure that information leading to knowledge or suspicion of money laundering is disclosed appropriately to the authorities. All firms of practising accountants must appoint a nominated money laundering reporting officer (MLRO).

The role of the MLRO carries significant responsibilities and can be challenging. There are legal and regulatory obligations:

- **The law.** The MLRO's position is onerous because it carries personal liability. Failure to discharge duties under POCA could result in the MLRO being liable to a fine and up to five years' imprisonment.
- **The regulations.** The 2017 Money Laundering Regulations (MLR 2017) introduced new compliance requirements. Each firm must appoint a partner or senior manager with overall responsibility for its compliance with the UK's anti-money laundering (AML) regime. In practice, this is often the same individual as the MLRO. Sole practitioners will be held responsible and assume responsibility for this role. Failure to meet AML obligations may result in civil penalties or criminal sanctions being imposed on the firm and on any individuals deemed responsible.

Essential references

- [Proceeds of Crime Act 2002](#)
- [Money Laundering Regulations 2017](#)
- CCAB's *[Anti-Money Laundering, Counter-Terrorist and Counter-Proliferation Financing Guidance for the Accountancy Sector](#)*: Section 3
- [National Crime Agency \(NCA\) website](#)
- [NCA SAR Portal](#)

Who should be appointed as MLRO?

The position of MLRO is most often, though not always, held by a partner, director or senior manager of the firm.

Sole practitioners will be held responsible and assume responsibility for this role.

Demonstrating AML compliance is critical. The person appointed must have:

- an understanding of the business, its service lines and its clients
- sufficient seniority to direct the activities of all members of staff (including senior members of staff)
- the authority to ensure the business's compliance with the regime
- the time, capacity and resources to fulfil the role.

A deputy MLRO may be appointed as a designated alternate to cover for times when the MLRO is away; however, this does not relieve the MLRO of overall responsibility.

The identity of the MLRO, and deputy MLRO if appointed, should be documented. Employees should be advised and periodically reminded of their identities and responsibilities.

The MLRO and deputy must undertake the necessary training to carry out their roles. It is expected that they keep up to date with money-laundering risks and trends through subscriptions to relevant resources and the reading of financial crime-related news from reputable news sources.

Role

Money-laundering risks

The MLRO is responsible for implementing and enforcing an appropriate risk-based approach for their firm. They must ensure that the systems and controls in place manage the risks faced by the firm and comply with the MLR 2017 and CCAB guidance.

The MLRO must have knowledge and understanding of the firm's money-laundering risks. They must complete, and periodically update, a firm-wide risk assessment that outlines and provides an assessment of these risks.

Suspicious activity reporting (SAR)

Under POCA, the MLRO is responsible for:

- receiving internal SARs from employees
- making final decisions on behalf of the firm on whether these suspicions need to be reported externally to the NCA
- reporting to the NCA whenever appropriate by completing and submitting an external SAR
- acting as the liaison point between the firm and the NCA regarding applications for 'consent' for the firm to act in respect of matters that it has reported and considers might constitute an offence.

It is recommended that a full record is kept of all SARs, including full reasons in writing behind the decisions of whether the SAR is submitted to the NCA or not. It is also recommended that all verbal discussions regarding suspicions are recorded.

It is advised that the MLRO refers to the NCA website to improve their knowledge in relation to real-life cases, the SAR regime and tips on how to write a good SAR.

Internal controls

CCAB guidance places considerable responsibility on the MLRO implementing and maintaining internal controls and risk management around MLTF. The CCAB guidance outlines the responsibilities of the MLRO.

As part of AML compliance, firms must carry out independent reviews to assess the adequacy of their AML systems and controls. You do not necessarily need an external review here; for most firms, a partner or senior manager not involved with AML policies, controls and procedures could carry out the review, with sample checks each year.

In addition to the independent review, the MLRO must report formally to other partners and directors in writing every year on the effectiveness of the firm's AML systems and controls.

The MLRO's report should include the following:

- executive summary for the year highlighting any serious compliance deficiencies, together with remedial action
- review of the number and quality of internal SARs; if none have been received, it should be considered that there has been insufficient training
- number of external SARs submitted to the NCA
- number of new clients declined because of unsatisfactory information
- details of staff training during the year: number of courses, confirmation of new and existing staff trained, issues identified, evidence (eg certificates and assessment results)
- recommendations concerning extra resource requirements needed for effective compliance
- sample check of client due diligence (CDD) files to ensure that all information is relevant and up to date (eg identification is still valid, records match those of Companies House, all ultimate beneficial owners and directors have been identified etc)
- check client risk assessment is relevant and up to date
- sample check clients to ensure that risk ratings are appropriate
- check AML policies and procedures are relevant and up to date.
- check firm-wide risk assessment is relevant and up to date.

Sole practitioners, with no relevant employees, are not required to complete independent reviews or MLRO reports (unless instructed by ACCA). However, it is good practice for a sole practitioner to annually review the AML systems and controls to assess their effectiveness.

On the next page, we have provided a basic template that can be used as a starting point for your MLRO report.

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Money-laundering reporting officer (MLRO) annual AML report for [name of firm]

MLRO:

Compliance period:

Date:

Date of next report:

1. MLRO

	<i>Yes/No Provide further details below</i>
Has there been a change in the identity of the MLRO within this period?	
Have all staff been reminded of the identity of the MLRO?	
Have all staff been reminded of the responsibilities of the MLRO?	
Has the MLRO completed any specific AML training within this period?	
Has the MLRO kept up to date with money-laundering risks/trends?	
Does the MLRO have the time, capacity and resources to fulfill their obligations?	

Summary:

2. Firm-wide risk assessment (FWRA)

	<i>Yes/No Provide further details below</i>
Is the FWRA still relevant and up to date?	
Have any new risks been identified?	
Have actions been taken to mitigate these risks?	
Has the FWRA been shared with relevant stakeholders, eg directors/partners?	

Summary:

3. AML policy and procedures (P&Ps)

	Yes/No Provide further details below
Are the P&Ps relevant and up to date?	
Have any changes been made to the P&Ps?	
Have employees, including new members of staff, confirmed they have read and understood the P&Ps?	
Do employees know where the P&Ps are kept?	
Do the P&Ps cover the following areas: due diligence, firm-wide risk assessment, client risk assessment, training, record keeping, suspicious activity reports, ongoing monitoring, sanctions screening, MLRO report, and independent assessments?	
Have any new systems or processes been incorporated into the firm's P&Ps?	
Has any new or updated legislation or guidance been incorporated into the firm's P&Ps?	
Is it documented that the P&Ps have been reviewed and approved by the MLRO?	
Is it documented when the P&Ps will next be reviewed?	

Summary:

4. Customer due diligence (CDD)

	Yes/No Provide further details below
Is the CDD process still relevant?	
Has there been any changes to the CDD process?	
Have any new clients been declined because of unsatisfactory information?	

Summary:

5. Sample check of CDD files

	Yes/No Provide further details below
Do the CDD files contain all relevant information/documentation as per the CDD process?	
Is all information relevant and up to date (eg identification is still valid, records match that of Companies House records, all ultimate beneficial owners and directors have been identified etc)?	
Is the risk rating of each client appropriate?	
Have any process improvements been identified?	
Have any training needs been identified?	

Summary:

6. Client risk assessment

	Yes/No Provide further details below
Is the client risk assessment process still relevant and up to date?	
Has there been any changes to the client risk assessment?	
Have any new clients been categorised as high risk?	
Has the risk rating of any existing clients changed?	
Has any new trends or risks be considered and applied to the client risk assessment process?	

Summary:

7. Suspicious activity report (SAR)

	Yes/No Provide further details below
Is the current internal SAR process relevant and up to date?	
Have all staff, including new joiners, been reminded of the SAR process?	
Have any internal SARs been received?	
If none have been received, is the MLRO satisfied with the training provided to staff regarding suspicious activity?	
Has the MLRO submitted any SARs to the National Crime Agency?	

Summary:

8. AML training

	<i>Yes/No Provide further details below</i>
Is the current AML training programme up to date and relevant?	
Have all new staff received AML training?	
Have all relevant staff received AML training within the past 12 months?	
Has evidence of AML training completion and understanding been obtained for all relevant staff?	
Have there been any issues identified within the AML training programme?	
Does the training programme cover red flags, relevant AML regulations, tipping-off, CDD, SARs, how to deal with suspicious transactions and new trends and risks?	

Summary:

9. Sanction screening

	<i>Yes/No Provide further details below</i>
Is the current sanction screening process relevant and up to date?	
Have there been any positive matches from the completed sanction screening?	

Summary:

10. Control assurance

	<i>Yes/No Provide further details below</i>
Has an independent audit of the firm's AML controls been completed?	
Were there any adverse findings from the report?	
Is an independent audit going to be completed periodically?	

Summary:

11. Record keeping

	<i>Yes/No Provide further details below</i>
Is the firm record-keeping process still relevant and up to date?	
Are records easily accessible?	
Have records been kept for the appropriate period of time?	

Summary:

12. MLRO summary

Detail in the box the executive summary for the compliance period highlighting any serious compliance deficiencies, together with remedial actions and any additional action points.

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Signed:		Date:	
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Report read and understood by directors/partners:

Name:		Date:	
Name:		Date:	
Name:		Date:	
Name:		Date:	
Name:		Date:	