

Changes to AML Supervision - Publication of Consultation

Briefing note
6 November 2025

Summary

HM Treasury has published its consultation into the duties, powers and accountability that the FCA will have to supervise lawyers, accountants and trust and company service providers for AML purposes.

There is not much detail on the timetable or transitional arrangements, however the consultation states:

- Firms that are already registered for AML supervision will not be required to re-register with the FCA
- The FCA will apply a 'fit and proper' test to beneficial owners, officers and managers which goes beyond the current approvals test applied by professional body supervisors for AML purposes. It is not clear when this would take place.
- The FCA will have similar powers of enforcement to existing AML supervisors, plus the power to commission a skilled persons' report and issue directions
- The FCA will become responsible for producing approved guidance for lawyers and accountants and will consider how the existing LSAG and CCAB will be incorporated
- The FCA will recover its day-to-day costs of AML/CTF supervision of professional services firms through fees charged to the firms
- The FCA will work closely with professional body supervisors on transitional arrangements and may consider sector-specific teams. There is no detail on how current investigations by professional body supervisors will be concluded or transferred to the FCA.

Background

In 2022, HMT undertook a review of AML supervision and found that while there had been improvements, there were still structural and quality issues with the model of AML supervision.

In 2023 HMT undertook a further consultation proposing four possible models of supervision:

- 1.Enhanced powers for the Office of Professional Body Supervision (OPBAS)
- 2.Consolidation of professional body supervisors
- 3.A single professional services supervisor
- 4.A single AML supervisor.

The consultation noted challenges with the model of multiple supervisors and varying standards of supervision. The consultation response was delayed by a change in government, however on 21 October 2025, HMT announced that the supervision of lawyers and accountants would move to the FCA¹. This means that AML supervisors will be consolidated from 25 existing supervisors, to three: the FCA, HMRC and the Gambling Commission.

HMT Consultation

On 6 November HM Treasury published a further paper entitled *Anti-Money Laundering/Counter Terrorist Financing (AML/CTF) Supervision Reform: Duties, Powers and Accountability Consultation*². The consultation runs from 6 November to 24 December 2025.

¹ [Reforming anti-money laundering and counter-terrorism financing supervision - GOV.UK](#)

² [Anti-Money Laundering/Counter Terrorist-Financing \(AML/CTF\) Supervision Reform: Duties, Powers, and Accountability Consultation - GOV.UK](#)

Registration

The consultation proposes that the FCA will register lawyers, accountants and trust and company service providers (TCSPs) that fall within scope of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ('the money laundering regulations'). The consultation states that firms that are already supervised under the money laundering regulations will not need to complete a re-registration process.

On an on-going basis, firms may be required to confirm certain details, most likely annually.

The FCA will also act to 'police the perimeter' by actively seeking firms acting without AML supervision. There is a question in the paper as to whether the FCA should publish a public register of all supervised firms. The FCA would also have powers to cancel registration and effectively prevent firms from carrying out activities in scope of the money laundering regulations.

Fit and proper test

The consultation proposes that the FCA applies a 'fit and proper' test to its new supervised population. The consultation proposes that it would be a criminal offence to act as a beneficial owner, officer or manager (BOOM) of a relevant firm without having gone through the fit and proper test. Under the current regulations, lawyers and accountants are subject to an approval test (set out in regulation 26), however the fit and proper test (set out in regulation 58) is more extensive. The consultation states that it is proposed that the FCA undertakes fit and proper checks in respect of professional services firms, recognising that these may not have been conducted previously to the same depth as those typically applied by the FCA. It is unclear at what point this would take place, given that the consultation states that firms will not need to re-register.

Enforcement powers

The consultation proposes that the FCA will have similar requirements to existing supervisors to monitor firms, produce risk assessments and carry out risk-based supervision.

The FCA currently has wide-ranging enforcement powers for its AML supervised population, and the consultation proposes that these would be extended to lawyers and accountants.

These powers include:

- Financial penalties
- Publication of notices of enforcement
- The ability to issue criminal proceedings.

The consultation proposes some additional enforcement powers that the FCA would have beyond the powers granted to professional body supervisors in the money laundering regulations:

- Skilled persons reports: the FCA would have the ability to commission a report by a skilled person to address a specific area of concern with a firm's controls.
- Power to issue directions: the FCA could require or prohibit specific actions to remedy a compliance failure, or to prevent an anticipated failure or continued non-compliance. These would be issued in writing and tailored to the circumstances of the firm, including requiring improvements to systems and controls, halting risky practices, or implementing specific remedial steps. On the face of it, this is similar to the approach by the SRA of agreeing a compliance plan with a firm following an inspection or desk-based review.

Powers to require information

The consultation proposes that the FCA will have similar powers to those that supervisors currently have under the money laundering regulations, but not the broader powers to require information that, for example, the SRA has. Crucially, this means that while the FCA has wide-ranging powers to request information, it does not include information covered by a firm's legal professional privilege (LPP). It remains to be seen whether the FCA may also ask for the co-operation of the SRA, or the accountancy regulators, in making use of their own different information-gathering powers where the FCA considers its own powers under the money laundering regulations to not be sufficient.

The FCA will seek to work with existing supervisors to minimise information requests once the new regime is up and running. This means that firms that are dual regulated by, for example, the FCA and the SRA or one of the accountancy regulators, will need to interact with two supervisors, although the FCA has indicated it will endeavour to minimise the burdens arising. Although the details need to be worked out, the consultation proposes the notion of a single registration gateway through which information would be shared with legal and accountancy supervisors and the FCA. Alternatively, the FCA could share information with legal and accountancy supervisors.

Although co-operation between supervisors is potentially helpful for firms, there is a lot of detail to be worked through on the practicalities.

Guidance

The FCA will become responsible for producing approved guidance for lawyers and accountants. They will consider how the existing approved legal and accountancy guidance can be incorporated into new guidance and are seeking views on this point.

Fees

The FCA will recover its day-to-day costs of AML/CTF supervision of professional services firms through fees charged to the firms it supervises. There will be a further consultation by the FCA on the mechanism for doing this.

Transition arrangements

The consultation notes the challenge in transitional arrangements and the possible loss of sector-specific knowledge. The paper states that *'the FCA will work closely with OPBAS and the existing PBSs to ensure that knowledge of professional services sectors is retained and embedded into its supervisory model.'* Whilst there will be consideration given to having sector-specific teams, this is a major risk for the transition of AML supervision to the FCA. Information on supervised firms should be passed to the FCA by existing supervisors.

The consultation states that live supervisory case work by HMRC may be appropriate for the FCA to take forward but does not comment on how existing investigations by professional body supervisors will be concluded.

Post transition, the consultation notes that some professional bodies will retain broader responsibilities in relation to economic crime, for instance they may oversee their members' sanctions or counter-fraud work. The consultation notes that this work should complement the work undertaken by the FCA and that supervision of lawyers should be consistent with the Legal Services Act 2007.

Timetable for change

The timetable for when the changes will come into effect is unclear. HMT will publish an impact assessment, including estimated costs 'in due course'.

The implementation of the changes requires significant legislation, and this as ever, will be dependent on the availability of Parliamentary time. This could realistically take several years. However, the UK is due to be assessed by the international standards setting body FATF on its AML compliance with the onsite inspection currently scheduled for August 2027. Legislation would need to be enacted by then to be recognised as part of the UK's AML controls for the purpose of the assessment, so there will be a push to get legislation passed ahead of this.

For further information



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