

MONEY LAUNDERING ADVISORY COMMITTEE

Working Group on UK Implementaion of the Second EC Money Laundering Directive

Monday 22nd July 10am - Noon

HM Treasury

Attendees

- HM Treasury
- British Bankers Association
- Finance and Leasing Association
- Financial Services Authority
- National Criminal Intelligence Service
- Home Office
- Consultative Committee of Accountancy Bodies
- Law Society
- Gaming Board
- Association of Business Recovery Professionals
- British Art Market Federation
- National Association of Valuers and Auctioneers)
- Invaluable and Trace
- Royal Institution of Chartered Surveyors
- Small Business Service - DTI
- HM Customs and Excise
- UBSAG
- Jordans Ltd
- Chartered Institute of Taxation

1. Introduction and background to the working group

- **The Chair** explained that the main MLAC meeting on 3 May 2002 had approved the formation of a working group to discuss UK implementation of the Second EU Money Laundering Directive. This first meeting of the group had been called to consider the Treasury's proposed options for public consultation.
- **The Chair** outlined the planned implementation period - the UK is legally obliged to implement the Directive fully by June 2003 but the Government plans to begin implementation by the end of 2002/early 2003 through Regulations. However, in order to allow for lead in preparations etc. some sections of the new Regulations are likely not to commence until June 2003.
- **HMT** had circulated discussion paper two, which includes proposed options for coverage of different sectors, from the 3 May main MLAC meeting. This was used as the basis for discussion. (The discussion paper is available on HMT's public website).

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2. Accountancy and legal services

- **The Chair** summarised the two options for regulation from the discussion paper - defining coverage of the new sector by membership of professional body or by activity.
- **CIOT** asked for clarification of the role of a 'supervisory authority?' under HMT's plans and emphasised the importance of ensuring that this clarification was set out in the public consultation document.
- **Delegates** expressed concerns with the option of Regulations applied by membership of professional bodies. This could give rise to law enforcement loopholes and competitive distortion, if unqualified practitioners did not face regulatory obligations.

- **Jordans** noted that in their view, unregulated firms who chose to follow best practice within the Company Service Provider sector would face a serious competitive disadvantage if Regulations were not applied to the whole sector.
- **Delegates** recognised that the second option, Regulations that applied to professional activities, would raise questions of enforcement. Under current supervisory structures, compliance in the unregulated sector could be subject to police checks, peer pressure and whistle blowing, but there would be no formal monitoring.
- **Delegates** noted that a third option available would be to establish a new supervisory authority to cover either all firms providing accountancy services, or all those who were not members of a self-regulating trade or professional body. However, others argued that this was a wider issue, and that we should not attempt to pre-empt more general reform of the UK professions.
- In this context, **CCAB** and **CIOT** emphasised the robustness of their disciplinary procedures against their members, and noted that other Practitioners' associations could be encouraged to play an active role in supervising firms in the unqualified sector.
- **CCAB** and **CIOT** also noted their concern that lawyers might have a competitive advantage over other professionals who offered equivalent services but were unable to claim an exemption from the reporting requirement in situations covered by legal professional privilege. The Home Office noted that LPP was in any case only available in a narrow set of circumstances. The Treasury confirmed that it did not intend to change the current scope of LPP: however, where tax advisors made STRs relating to Hansard cases, they would be dealt with by the Revenue under normal procedures, unless NCIS found links to wider criminality.

It was agreed that:

- **HMT** will clarify the relevant sections in the consultation document.
- **HMT** will also float in the consultation the possibility of establishing a new regulatory body and/or requiring membership of a professional body as a prerequisite for practicing relevant activities.

3. Real Estate Agents

- **The Chair** reported that HMT do not see UK real estate agents as posing a significant money laundering risk, as they generally do not handle client funds.
- **RICS** noted that some large Estate Agency companies may handle client funds and will gather more details.

It was agreed that:

- **RICS** will research the extent to which UK real estate agents handle client funds and will report to HMT.

4. Casinos

- **The Gaming Board** reported that their current disciplinary procedures are not as robust as might be desired but are likely to be strengthened significantly following DCMS' review of gaming law.
- **Delegates** raised the question of whether bookmakers should be included in the regulated sector. HMT noted the need to explore this further, in the light of evidence from law enforcement.

5. Dealers in High Value Goods

- **BAMF** reported that they have no disciplinary or supervisory powers and no statutory basis - they are a trade body, membership of which is voluntary. Many dealers in high value goods, they noted, will not be a member of any trade body. They asked whether the 15,000 Euro amount would be revised to take into account inflation.
- **The Chair** noted that the obligations in the Money Laundering Regulations would only apply to dealers in high value goods with respect to cash transactions in excess of 15,000 Euros

- non-cash transactions of any value and cash transactions of less than 15,000 Euros would not be covered.

- **The Chair** reported that HMT were currently inclined towards covering all businesses in the UK that deal in goods and requiring them to inform a supervisory body if they wish to carry out cash transactions of greater than 15,000 Euros. Those that do not register would not be subject to the Regulations but would also not be permitted to accept cash payments of more than 15,000 Euros.

7. Conclusion

- **The Chair** thanked those present for their comments
- It was agreed that the minutes of the meeting would be posted on HMT's public website.
- The next meeting of the Working Group would take place towards the end of the consultation on the revised regulations.