



Anti-Money Laundering Supervision Report

ANNUAL
REPORT
2024-2025

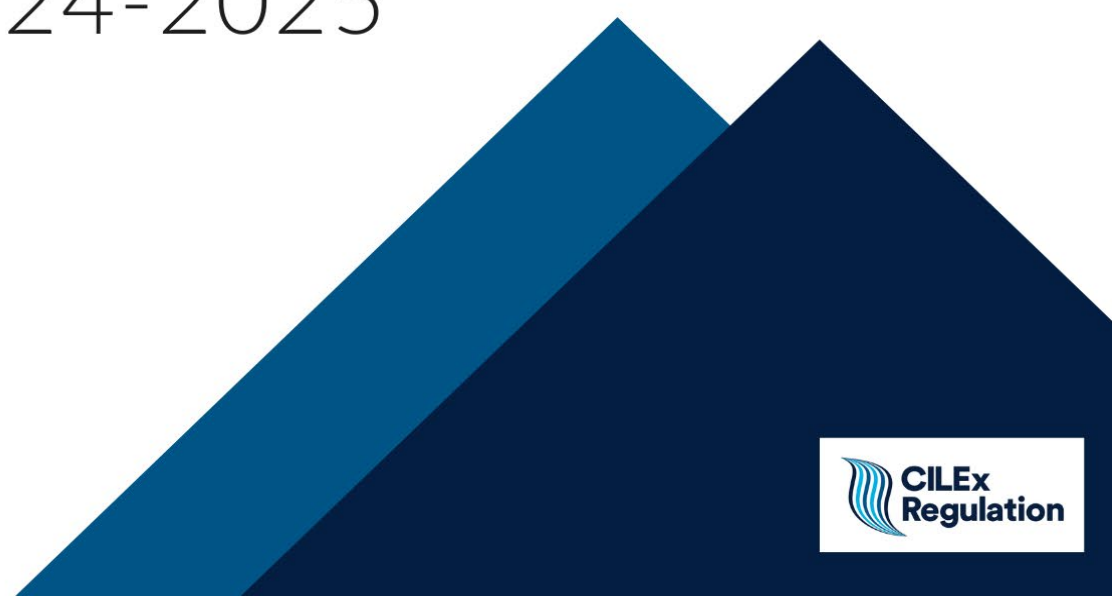


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Foreword from CRL Board Chair (*Jonathan Rees*)

I am pleased to present CILEx Regulation's (CRL) Anti-Money Laundering (AML) Supervision Report for 2024-25. This report reflects our continued commitment to safeguarding the integrity of the legal sector and protecting consumers from the risks of money laundering, terrorist financing and economic crime.

Over the past year, CRL has strengthened its supervisory approach through enhanced data collection, more rigorous risk assessments, and closer engagement with firms. We have also increased the resources available for this important work.

The introduction of additional documentation requirements for AML Statements has enabled us to gain deeper insights into firms' compliance frameworks and identify areas for improvement. While the overall risk profile of our supervised population has increased from low to medium, this reflects our proactive identification of weaknesses and our determination to address them.

We have also worked closely with the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) to ensure our supervisory framework meets the highest standards.

Looking ahead, our priorities for 2025-26 include transitioning AML Statements to a fully digital format, conducting targeted on-site inspections, and delivering thematic reviews on sanctions compliance and suspicious activity reporting. These initiatives will help us maintain a proportionate, risk-based approach while ensuring that firms remain equipped to meet their obligations under the Money Laundering Regulations and related legislation.

The Board will continue to oversee our activity on AML compliance at each of its meetings and ensure that the necessary resources are devoted to this important work.

Finally, I should like to thank our regulated community for their continued engagement and commitment to compliance, as well as the CRL team for their dedication to upholding the highest standards of professional conduct. Together, we will continue to protect the public, maintain trust in the legal profession, and play our part in the fight against economic crime.

Jonathan Rees
Chair, CILEx Regulation Board

Executive Summary

This report provides an overview of CRLs AML supervisory activities for the period 1 April 2024 to 31 March 2025, highlighting key developments, findings, and priorities for the year ahead.

Key highlights

- **Supervised Population:** CRL directly supervised a small but stable population of firms and sole practitioners, including 7 authorised entities and 3 unregulated sole traders.
- **Risk Profile:** The overall sector risk rating increased from *low* to *medium*, driven by weaknesses in source of funds checks and AML training practices.
- **OPBAS Engagement:** CRL continues to benefit from the oversight of OPBAS and is actively enhancing its AML supervision in alignment with its guidance.
- **AML Statements:** All regulated firms were required to submit an AML Statement with supporting documentation, enabling more robust risk assessments and tailored feedback.
- **Desk-Based Reviews (DBRs):** 24 DBRs were completed, with 9 firms rated *compliant*, 13 *generally compliant*, and 2 *non-compliant* (outside MLR scope).
- **Training & Governance:** Gaps were identified in AML training logs, ongoing monitoring, and coverage of key topics such as proliferation financing.
- **Financial Sanctions:** CRL continued to strengthen its sanctions compliance framework, updating guidance and collecting sanctions data through AML Statements.
- **Increased Resources:** An AML Officer was appointed in May 2025 to strengthen compliance efforts.

Key weaknesses identified

- Over-reliance on generic AML policies with limited operational integration.
- Inadequate source of funds procedures and weak documentation in Client/Matter Risk Assessments.
- Gaps in Customer Due Diligence, including inconsistent ID verification and limited use of electronic tools.
- Deficiencies in Suspicious Activity Reporting, with no SAR submissions and unclear escalation processes.

Strategic priorities for 2025–26

- Transition of AML Statements to an electronic format and enhance risk-scoring frameworks.
- Conduct four on-site inspections based on risk analysis.
- Develop a Standard Operating Procedure for inspections and thematic reviews on sanctions and SAR compliance.
- Strengthen internal resilience through succession planning and enhanced staff training.
- Continue engagement with OPBAS, HM Treasury, and sector forums to support supervisory reform and intelligence sharing.

CRL remains committed to maintaining high standards of AML supervision, supporting firms in mitigating financial crime risks, and protecting the integrity of the legal sector.

Background

CILEX has been an approved Anti-Money Laundering (AML) supervisory authority since 2015 and is recognised as a Professional Body under [Schedule 1 of the Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017 \(MLRs 2017\)](#).

In line with its broader regulatory framework, CILEX delegates AML supervisory responsibilities to CRL. These responsibilities, covering risk assessment, monitoring and enforcement, are clearly defined within the Internal Governance Rules.

This report outlines the AML supervisory activities undertaken by CRL during the period from 1 April 2024 to 31 March 2025. It also highlights key areas for development in CRL’s AML supervision for the 2025/26 period.

Firms subject to supervision should consider the findings of this report when drafting or updating their [Regulation 18 Practice-Wide Risk Assessment](#) (PWRA). We also recommend that firms not strictly within the scope of the MLRs conduct a PWRA to support effective risk assessment of individual client matters and to inform the development of robust AML policies and procedures.

Finally, this assessment should be incorporated into each firm’s annual AML training programme to ensure staff are aware of current supervisory expectations and emerging risks.

Supervision scope

The majority of the 16,500 CILEx members are employed in law firms, companies, or organisations that, where applicable, fall under the supervision of other AML supervisory bodies such as the Solicitors Regulation Authority (SRA), HMRC and the Financial Conduct Authority (FCA). In contrast, the number of individuals and entities directly supervised by CRL for AML purposes remains relatively small when compared to the overall regulated CILEX membership, as illustrated in the table below.

CRL has agreed with OPBAS that its AML supervisory remit is limited to the following categories:

- CILEX-authorized Entities
- Unregulated sole practitioners who are not operating through a Limited Company or Limited Liability Partnership (LLP)

During 2024/25 the CRL supervised community comprised:

Supervised Community	2022-23	2023-24	2024-25
# relevant firms	5	7	7
# relevant sole practitioners conducting regulated activities as Authorised Entities	13	14	14
# sole practitioners conducting regulated activities operating as unregulated firms	3	3	3

Throughout the reporting period, CRL maintained direct engagement with each of the practices it regulates and supervises. This ongoing contact enabled the collection of accurate and up-to-date information from the Annual Return, which is subject to detailed scrutiny. In addition, for the second consecutive year, all CRL-regulated practices, regardless of whether they fall strictly within the AML supervised population, were required to complete an AML Statement. This has allowed CRL to assess financial crime and AML risk across the wider sector.

Compared to 2023-24, this year’s AML Statement required a more comprehensive submission. Firms were required to provide a suite of supporting documentation, enabling CRL to conduct a more in-depth review of their operations and compliance with UK AML regulations.

CRL regulates law firms based on their areas of legal specialism. During the reporting period, no firms or sole practitioners were identified as operating exclusively as Trust and Company Service Providers (TCSPs). However, four firms did offer TCSP-related services as part of a broader service offering.

In addition to CILEx-authorised Entities, CRL authorises and regulates [CILEx-ACCA Probate Entities](#), which are linked to an ACCA accountancy firm. The legal services provided by these entities are limited to applying for a grant of probate. CRL does not permit them to ‘receive, control or handle client money apart from what the client pays you for your services’ (para 3.1(d) [CILEx Regulation-ACCA Handbook 2021](#), last updated September 2024).

OPBAS has agreed with CRL that these firms do not fall under the scope of the MLRs. CRL has agreed with ACCA that responsibility for AML supervision for ACCA Accountancy firms should remain with ACCA for all activities.

Following discussions with OPBAS, it has been agreed that these firms fall outside the scope of the Money Laundering Regulations (MLRs). CRL has also reached agreement with ACCA that AML supervision for all activities conducted by ACCA accountancy firms remains the responsibility of ACCA.

Within the AML supervised community, CRL recorded the following total number of beneficial owners, officers, and managers (BOOMs) as defined in [Regulation 26 of MLR 2017](#), showing a stable number across two reporting periods:

April 2023	April 2024	April 2025
26	12	12

As most supervised firms hold client money, CRL strongly recommends that, even where firms fall outside the scope of the MLRs, they implement appropriate policies and procedures, including a firm-wide risk assessment. This proactive approach helps mitigate the risk of criminal exploitation and ensures compliance with obligations under the [Proceeds of Crime Act 2002 \(POCA\)](#) and the [Terrorism Act 2000 \(TACT\)](#).

CILEX continues to play a vital role in raising awareness of individual responsibilities under the regulations and in guiding both individuals and firms toward the appropriate supervisory body and relevant AML guidance based on their specific circumstances.

Office For Professional Body Anti-Money Laundering Supervision (OPBAS)

OPBAS’s core objective is to reduce the risks associated with money laundering, terrorist financing, and proliferation financing by:

- Ensuring robust and consistently high standards of supervision by Professional Body Supervisors (PBSs) across the legal and accountancy sectors.
- Facilitating effective collaboration and the exchange of information and intelligence between PBSs, statutory supervisors, and law enforcement agencies.

Throughout 2024-2025, CRL has continued to provide OPBAS with regular updates on its progress, as outlined in this report. CRL continues to benefit from the oversight of OPBAS and is actively enhancing its AML supervision in alignment with its guidance.

Governance & resources

CRL's supervisory activities are overseen by the Money Laundering Reporting Officer (MLRO) and the Executive Team (ET). Throughout 2024-2025, the CRL Board received regular updates on AML activities, supervisory actions related to the financial sanctions regime, and progress in advancing the economic crime objective. These updates are detailed in the Director of Regulation's (DoR) report, which includes a dedicated section on work relevant to the proposed new regulatory objectives on Economic Crime. An illustrative example can be viewed on the CRL website [here](#).

The DoR serves as both the MLRO and the Single Point of Contact for the Shared Intelligence Service (SIS), OPBAS, other supervisory authorities, law enforcement agencies, and international counterparts. This role carries overarching responsibility for regulatory authorisation, supervision, and enforcement. The Entity Authorisation and Supervision Officer acts as the Deputy MLRO (DMLRO).

To manage short-term pressures, the DoR has the flexibility to reallocate resources across teams, including in support of AML compliance. CRL continues to demonstrate agility in responding to increased demands related to financial sanctions and maintains effective engagement with key stakeholders on strategic AML developments.

The Strategic Risk Committee (SRC), an independent body providing oversight of CRL's risk frameworks for individual and firm supervision, continues to play a key role in AML oversight. Key AML-related reports, including the Sectoral Risk Assessment (SRA) and the AML Supervision Report, will be submitted to the SRC for review and comment in October 2025.

CRL actively monitors the risk of knowledge concentration within single individuals. The recruitment of a dedicated AML Officer in May 2025 has strengthened resilience in this area. CRL has also broadened staff expertise by involving team members in sector meetings, enhancing their understanding of emerging risks. CRL has committed to developing a formal and proportionate succession plan by December 2025 to mitigate the risk of unplanned departures in key AML roles.

AML supervision remains a core component of CRL's broader regulatory framework. To support ongoing risk reassessment across its supervised population, CRL continues to require all firms to submit an AML Statement, accompanied by supplementary documentation as outlined in the most recent submission round. These requirements will be expanded in future iterations. This approach enables CRL to conduct thorough evaluations of firms' compliance with regulatory standards and to proactively identify areas for improvement.

Regular meetings are held with CILEX to address operational issues affecting both the professional and regulatory bodies in relation to AML and financial sanctions. CRL is also investigating with CILEX the feasibility of working together in the delivery of AML training.

Communicating with the supervised population

CRL’s [Economic Crime page](#) outlines the scope of economic crime and provides regularly updated resources on Financial Sanctions and Anti-Money Laundering.

The monthly CRL newsletter was shared with AML-Supervised firms, as well as authorised and non-authorised CILEX members, and included the following:

May 2024	Economic Crime Prevention obligations under the Economic Crime and Corporate Transparency Act 2023.
October 2024	Publication of CRLs 2024 Sectoral Risk Assessment and AML Supervision Report.
November 2024	Implementation of Transparency Rule changes for Supervised firms.
December 2024	CRL feature in the CILEx Autumn Journal on the threat of Economic Crime. High-level summary of CRLs 2024 Sectoral Risk Assessment.
February 2025	CRL responded to the LSB’s consultation on economic crime, expanding AML statements to include fraud-related questions.
March 2025	HM Treasury’s AML/CTF Supervision Report reaffirms the UK’s commitment to reform, highlighting CRL’s role as an AML Supervisor in maintaining high standards ahead of future changes.

CRL reinforces key newsletter updates through social media channels, such as LinkedIn, to maximise reach and engagement. In the 2024-25 period, AML-related content on the CRL website received 1,229 page views, showing a 17% decrease of 249 page visits from 1,478 views recorded in 2023-24.

Sectoral Risk Assessment (SRA)

CRL updated its SRA in October 2025 to reflect an increased medium-risk rating, driven by deficiencies identified in source of funds procedures and AML training practices within supervised firms. The assessment draws on evidence from CRL’s supervisory activities, supplemented by intelligence from other supervisory bodies.

Given the small size of its supervised population, CRL continues to rely on intelligence from the AML Supervisors’ Forum, Legal Sector Affinity Group (LSAG), [Legal Intelligence Sharing Expert Working Group \(LISEWG\)](#), and the [National Crime Agency \(NCA\)](#).

The [2025 National Risk Assessment \(NRA\)](#) reaffirmed that the services most vulnerable to money laundering remain:

- Trust and Company Service Providers (TCSPs)
- Conveyancing
- Misuse of client accounts

These risks are heightened when legal professionals fail to meet their obligations under the Money Laundering Regulations (MLRs) or adopt a minimalistic approach to compliance.

Key areas of concern identified by CRL were:

- **Financial Transactions:** Inadequate source of funds checks were identified as well as inconsistent documentation in Client/Matter Risk Assessments (CMRAs) amongst Supervised firms.
- **Training & Governance:** Gaps were identified in supervised firms AML training records, as well as insufficient coverage of key topics and a lack of ongoing monitoring.

The updated SRA was shared with all firms in Q4 2025, whether in scope of the regulations or not, to help them understand risks when entering new practice areas, engaging new client groups, or offering new services.

The latest [LSAG AML Guidance \(April 2025\)](#) is available on the CRL website.

CRL's [Financial Sanctions page](#) is regularly updated, most recently in August 2025, to include a case study of an OFSI fine issued to a UK legal entity for instructing payments to a designated individual subject to asset freezes in July 2025.

CRL remains committed to ensuring its website content is current and evolves as new risks emerge.

Staff training & compliance

All CILEX and CRL staff have access to a comprehensive suite of eLearning courses covering key compliance areas, including Preventing Money Laundering, Whistleblowing, Modern Slavery, and Preventing Bribery in Business.

Completion of these courses is mandatory and actively monitored to ensure that all staff, both new and existing, complete or refresh their AML training annually, maintaining compliance with regulatory requirements and best practice standards.

In January 2025, an internal AML and Counter-Terrorist Financing (CTF) training session was delivered to CRL staff.

Key developments in 2024-25

The primary development for CRL in 2024-2025 was the continued requirement for all Supervised firms to complete and return an AML Statement, excluding those that began trading after the request was issued.

Building on previous years, firms were also required to submit a suite of supporting documents, enabling a more comprehensive review of compliance with the Money Laundering Regulations (MLRs).

Analysis of these submissions has allowed CRL to:

- Conduct a more detailed risk assessment of all Supervised firms compared to previous years.
- Prepare firm-specific feedback, scheduled for release in Q4 2025, to help firms address identified areas for improvement.

The AML Statement will be reviewed annually, with plans to introduce additional targeted questions and additional documentation requests as necessary to further refine CRL's risk-scoring process and strengthen its supervisory approach.

Supervisory activity

All authorised entities and licensed bodies regulated by CRL must submit an Annual Return, as required under Rule 4(16) and 4(17) of the [CILEx Authorisation Rules](#) and Rule 10(1) of the [CILEx Regulation Licensing Rules](#).

Annual Return requirements

Firms are required to complete the Annual Return questionnaire and supplement this with the provision of:

- any new or revised policies and procedures
- the firm's business plan
- a cashflow forecast for the coming year
- examples of client care documents currently in use
- open and closed file lists
- the firm's latest available accounts
- the last three months of Office Account bank statements
- where client money is held, the last three months of Client Account bank statements

Where queries arise regarding bank statement entries, firms must provide the full set of statements for the reporting period. Any recurring account numbers that are not identified as firm accounts must be explained, and any unusual payments will be challenged.

The submission of updated policies and procedures enables CRL to review their content and provide feedback. Where legislative changes require updates and no revised documents are provided, this will be raised during the feedback process.

All firms receive feedback on their Annual Return submission. Where remedial action is required, CRL monitors completion of these steps through periodic follow-up.

Additional requirements

Firms holding client money must also submit an Accountant's Report prepared by an independent auditor, as required under Rule 10 of the [CILEx Accounts Rules](#).

Annual Returns are submitted on the anniversary of a firm's authorisation, meaning CRL's reviews are staggered throughout the year.

AML statement

To supplement the Annual Return and capture economic crime data consistently, CRL requires all regulated firms to complete an annual AML Statement, along with the provision of additional supporting documentation.

The AML Statement:

- Covers the April 2024-March 2025 reporting period
- Includes questions on AML arrangements, the UK sanctions regime, and fraud prevention
- Applies to all regulated law firms, not just those identified as Tax Advisers, Independent Legal Professionals, or TCSPs, as all firms must comply with the POCA and TACT

The AML Statement also acts as a tool for CRL to assess whether services provided during the reporting period bring the firm within the definitions of the above categories. Guidance on these definitions is included within the AML Statement when issued to firms for completion.

The AML Statement continues to evolve and now:

- incorporates obligations under the Sanctions and Anti-Money Laundering Act 2018
- requires submission of additional documentation to assess compliance with regulatory obligations

Note: CILEX ACCA Probate Entities are not required to complete the AML Statement.

Risk profiles

Considering its small, supervised population, CRL does not publish data on the risk profiles of its firms. However, this information is submitted to HM Treasury as part of the Annual AML/Counter-Terrorist Financing (CTF) Supervision Return.

CRLs analysis of the AML Statements and supporting documentation provided by supervised firms indicates that the overall risk profile has increased from low to medium risk, and whilst only two out of the five areas are medium-risk, the weight they carry has informed this risk-rating increase.

Services offered

Firms within our supervised sector typically offer specialist services rather than a broad range of legal activities. Most provide a combination of probate, trust, and estate administration services. While estate administration is considered higher risk due to the potential for managing high-value transactions, this risk can be significantly mitigated through robust checks on the source of funds and thorough due diligence on clients and beneficiaries. Additionally, the requirement that these services relate to the estate of a deceased individual inherently limits opportunities for money laundering.

Only one firm in our supervised population is currently authorised to undertake conveyancing, and this is restricted to transactions directly linked to probate estates. As such, the risk associated with this activity is assessed as lower than for mainstream conveyancing.

Four firms now offer TCSP services. However, none have formed new companies on behalf of clients in recent years, which contributes to a low risk assessment for this activity.

Based on these observations, we have assessed this risk factor for our supervised sector as low.

Client profiles

Most firms in our supervised sector work exclusively with individual clients, typically through face-to-face interactions. Only one firm engages with corporate clients, primarily assisting local SMEs with business-to-business debt recovery. These clients have straightforward ownership structures, further reducing risk.

Over the past year, no firms in the supervised sector have reported dealings with PEPs or individuals subject to Sanctions. The predominance of in-person client onboarding supports effective identity verification and due diligence.

Across the wider population of supervised firms, services also tend to focus on individual clients, though there is a notable increase in those working with corporate entities. Where corporate clients are involved, they are generally micro or small companies with established service agreements.

As with the supervised sector, no firms in this broader group reported interactions with PEPs or sanctioned individuals in the past year.

Based on this information, we have assessed this risk factor for our supervised sector as low.

Geographical location

This risk factor is closely linked to client risk but focuses on other individuals involved in the matter, such as beneficiaries, and their connections, particularly where there are links to high-risk jurisdictions. This includes payments received from, made to, or otherwise associated with [jurisdictions identified as high-risk by the Financial Action Task Force \(FATF\)](#).

Firms in our supervised sector typically engage with clients either in person or through secure digital face-to-face channels. As a result, the client base is predominantly UK-based.

While there have been a small number of overseas clients, these cases are rare, relating to UK legal matters and have been subject to appropriate identification and due diligence checks.

During the reporting period, no firms reported dealings with individuals from or connected to [jurisdictions identified as high-risk by FATF](#).

Based on this information, we have assessed this risk factor for our supervised sector as low.

Nature of financial transactions

As highlighted in the [2025 NRA](#), the holding of client money continues to present a heightened risk of firms being targeted for money laundering, terrorist financing or proliferation financing. These risks are mitigated in law firms by the requirement under the [CILEx Accounts Rules](#) to submit an annual Accountant's Report.

Additionally, before CRL authorises or supervises a firm, it must be satisfied that appropriate controls are in place for managing client money. This includes safeguards around the receipt of payments and the provision of client account details, specifically to whom and when such details are shared.

Among supervised firms, 49% do not accept cash payments at all. A further 49% restrict cash payments to amounts under £500, while the remaining 2% cap cash acceptance at £2,000.

These limitations reduce the attractiveness of these firms to criminals seeking to exploit cash-based vulnerabilities. Criminal funds can also be introduced via electronic transfers, potentially in conjunction with cash. As such, there remains a risk that a firm could be required to return funds exceeding the newly defined £3,000 Defence Against Money Laundering (DAML) reporting threshold, which came into effect on 31 July 2025 under [The Proceeds of Crime \(Money Laundering\) \(Threshold Amount\) \(Amendment\) Order 2025](#).

Despite these controls, source of funds checks have been widely identified as insufficient. In many cases, documentation within CMRAs is weak, and firm policies often lack clear definitions of acceptable evidence or verification procedures or omit them entirely. Some firms have incorrectly treated estate-based funds as inherently low risk and have not conducted adequate source of funds verification.

Based on these findings, we have assessed this risk factor for our supervised sector as medium risk.

Training and Governance frameworks

Regular and consistent training on the key aspects of AML is essential for all staff. This training should include guidance on identifying 'red flags' that trigger Enhanced Due Diligence (EDD) and clearly explain the nature and scope of those higher-level checks.

While some firms maintain AML training records that include all relevant staff, our assessments have identified a widespread need for improvement. Specifically, firms must ensure that formal training logs:

- Are maintained and updated regularly.
- Include sufficient detail for auditability.
- Clearly outline the content covered, including topics such as proliferation financing
- Reflect periodic AML and broader compliance training, as required under [Regulation 24](#) of the [MLR 2017](#)

In addition to training, our analysis has identified three related risks:

- **Ongoing AML Monitoring:** Firms must demonstrate that AML risks are monitored throughout the lifecycle of a matter, not merely at the beginning and/or end. This should be clearly demonstrated in the CMRA.
- **PWRA Coverage:** Firms must ensure their [Regulation 18 PWRA](#) includes consideration of proliferation financing. Additionally, firms should assess whether the size and nature of their business necessitate an independent audit function.
- **Verification in Non-Face-to-Face Engagements:** Where clients are not met in person, verification checks must be more robust. CMRA documentation should specify the electronic verification methods used, how they link to the individual, and, where possible, include copies of supporting documents.

Based on these findings, we have assessed this risk factor for our supervised sector as medium risk.

Supervisory Inspections

CRL-regulated Firms

CRL requests information from its applicant firms to enable it to conduct desk-based reviews (DBRs) to determine their compliance with the regulations. The information requested includes sight of key policies and procedures, including their own PWRA. The firms can utilise the templates provided on the CRL website, which CRL intend on updating to provide firms with additional guidance and support. CRL asks all firms to supply a copy of their PWRA to identify whether the firms understand the potential risks and have mitigation controls in place. Guidance is provided if there are any weaknesses in the assessment.

CRL ensures that all BOOMs are checked against external databases, with the latest search conducted on all 12 BOOMs within the supervised population in August 2025, using the Shared Intelligence Service (SIS) database as the source.

All CRL firms are required to complete an Annual Return and an AML Statement, confirming the extent of their compliance with AML regulatory requirements for the 2024-25 period.

The responses to the Annual Return and AML Statement are reviewed in parallel, although they are assessed separately. An analysis is prepared for each, and feedback is provided to the respective CRL firms.

The purpose of these reviews is to ensure that the firm's risk mitigation measures are appropriate and proportionate to the risks identified. The findings also inform the development of the firm's risk

profile, which is updated annually and helps determine where CRL will focus its on-site inspection visits.

CRL also engages regularly with individual firms, responding to queries from firms themselves, as well as from their clients and third parties.

CRL’s assessment is that, taken together, the Annual Return, AML Statement, and other interactions provide assurance that consumer interests are protected. They also enable an accurate assessment of each supervised firm’s risk level by building a holistic view of the effectiveness of its controls, as outlined on [of the OPBAS Sourcebook \(Page 25\)](#).

CRL considers these measures broadly aligned with the OPBAS definition of DBRs (which include a range of information such as annual returns, client file samples, client due diligence, and website reviews). During the reporting period, CRL has undertaken the following:

- For regulated firms:
 - Conducted an Annual Return risk assessment
 - Conducted an AML Statement risk assessment covering the entire reporting period
- For non-regulated firms:
 - Conducted an AML Statement risk assessment
 - Reviewed supporting documents such as CMRA forms, policies, procedures, and training logs covering the entire reporting period

DBRs are not carried out for:

- Newly authorised firms that have not completed an Annual Return during the reporting period
- Firms leaving CRL regulation, which follow a different process as part of the transfer/closure protocol

The table below shows the number of firms that completed an Annual Return and AML Statement and where CRL conducted an in-depth risk assessment during the April 2024 - March 2025 reporting period, showing a 20% increase when compared to the previous reporting period.

Inspections – DBRs	2022-23	2023-24	2024-25
DBRs Conducted	21	20	24
‘Compliant’ Rating	17	4	9
‘Generally Compliant’ Rating	4	7	13
‘Non-Compliant’ Rating	0	9	2
Informal Action Taken	4	16	174
Formal Action Taken	0	0	0

The two firms classified as non-compliant were outside the scope of the MLR. As such, compliance issues are addressed through the provision of advice and periodic follow-up to reassess their position.

The thirteen firms classified as generally compliant under the MLR are being addressed as follows:

- **Targeted Feedback:** Each firm will receive a tailored feedback document highlighting areas for improvement, with clear deadlines for completion and timelines for CRL follow-up to confirm progress.
- **On-site Inspections:** These will be scheduled based on the firm’s risk score and the nature of the issues identified, prioritising those that pose the greatest risk and would benefit most from in-person review.

The nine firms classified as compliant under the MLR will also receive detailed feedback to help them identify areas for improvement. CRL expects these firms to provide evidence of remedial action within a defined timeframe.

Failure to address any identified compliance issues by firms risk-assessed by CRL will result in referral of the firm to the CRL Enforcement Team for enforcement action.

Reflecting the current risk profile of CRL-supervised firms, one on-site inspection was conducted in November 2024, coinciding with the previous round of AML Statement risk assessments.

Although the schedule is yet to be finalised, CRL intends to conduct four on-site inspections following the most recent AML Statement risk assessments. These visits are planned for late 2025 or early 2026.

Unregulated Sole Traders

CRL currently provides AML supervision for three CILEX members operating as sole practitioners in their own name, providing services bringing them within the scope of [Regulation 12](#) of the MLRs. While these individuals are regulated by CRL, their firms are not. Unlike supervised firms, CRL does not have authority to conduct on-site inspections of these practices. Such inspections would be undertaken in agreement with the firm.

These practitioners are required to complete an annual AML Statement and submit examples of the documentation they use in delivering their services. This material is subject to an in-depth risk assessment. These DBRs are conducted to the same standard as those for all other firms within CRL's supervised population, ensuring consistency of standards across the board.

BOOMs

All individuals seeking to act as a BOOM (as defined under [Regulation 26](#) of the MLRs) within a CRL-regulated firm must apply to CRL for approval as an Approved Manager (see [CILEx Authorisation Rules](#) and [CRL Licensing Rules](#)).

As part of the application process:

- applicants must declare all prior conduct.
- suitability is assessed against the Fit and Proper Test.
- an up-to-date Standard Disclosure and Barring Service (DBS) certificate must be provided.

Where the DBS certificate discloses any convictions, cautions, reprimands, or warnings, these will be reviewed alongside additional details provided by the applicant. Any application disclosing a conviction for a Relevant Offence (as defined in [Schedule 3](#) of the MLRs) will be refused.

Following authorisation, CRL firms must disclose in their Annual Return any incidents of prior conduct (as defined in Rule 11 of the [CRL Enforcement Rules](#)) relating to Approved Managers, including BOOMs, in accordance with Rule 1(2) of the [CILEx Authorisation Rules](#).

Where such conduct is declared, or identified through other sources, CRL refers the matter to its Enforcement Team to determine the individual's continued suitability as an Approved Manager. If a Relevant Offence is declared, the individual's authorisation will be revoked.

Findings From Supervisory Reviews

CRL's supervisory activities revealed **systemic** AML compliance weaknesses across multiple firms. Policies were often generic and lacked operational integration, with key regulatory areas, such as proliferation financing, frequently omitted. Discrepancies between documented procedures and actual practice were common, especially in Source of Funds (SoF) controls and Client Matter Risk Assessments (CMRAs), which were superficial and poorly evidenced.

Customer Due Diligence (CDD) processes showed inconsistent identity verification, limited use of electronic tools, and weak ongoing monitoring. PEP and sanctions screening lacked clear procedures and relied heavily on manual checks, with poor documentation and escalation protocols.

Suspicious Activity Reporting (SAR) was notably deficient: many firms were not registered with the NCA SAR Portal, had no SAR submissions, and lacked clear escalation procedures. Training was also inadequate, with outdated logs and insufficient coverage of key risk areas, particularly among senior staff.

These findings suggest a reactive compliance culture, with updates often driven by CRL interventions rather than proactive risk management.

Key weaknesses identified

- **Generic AML Policies:** Overuse of templates; missing coverage of proliferation financing.
- **Weak SoF Controls:** Vague or absent procedures; poor documentation in CMRAs.
- **Inadequate CMRAs:** Binary responses without rationale; missing evidence for PEP, sanctions, and SoF checks.
- **CDD Gaps:** Inconsistent ID verification; limited tech use; weak monitoring; policy-practice misalignment.
- **PEP & Sanctions Failures:** Manual checks; unclear procedures; poor escalation.
- **SAR Deficiencies:** No NCA registration; zero SARs; unclear reporting protocols.
- **Training Shortcomings:** Outdated logs; incomplete coverage; gaps among MLROs and senior staff.
- **Reactive Compliance:** Changes made only in response to CRL, not through regular review.

Financial Sanctions

CRL recognises its responsibility to safeguard the UK financial system and uphold the reputation of the CILEX profession and the wider legal sector by ensuring compliance with financial sanctions and AML regimes. The [CILEx Code of Conduct](#) requires Chartered Legal Executives, CILEx members, and firms to operate to the highest ethical standards and demonstrate this commitment to the public.

CRL's work on financial sanctions compliance is led by the MLRO and regularly discussed with the Executive Team. The CRL Board receives updates through the Director of Regulation's (DoR) report, which is published on the CRL website [here](#).

All changes to the sanctions regime introduced by [OFSI](#) have been communicated directly to Supervised firms and published on the [Financial Sanctions](#) page of the CRL website. These updates have included guidance on:

- What financial sanctions are
- Prohibited activities
- Obligations for firms
- Legal advice under sanctions
- General Licence for legal fees
- Asset freezes and sanction lists
- Reporting obligations
- Consequences of non-compliance
- Practical compliance steps
- Sector-specific risks

The CRL [2024 Sanctions Risk Assessment](#) has been updated to reflect these changes and associated risks.

From 2024 onwards, financial sanctions information has been collected through the AML Statement, which firms must submit annually. CRL expects firms to address their approach to sanctioned individuals and entities within their firm-level risk assessments and procedures.

Enforcement action

Incidents of non-compliance identified by CRL have generally been minor and were resolved through guidance and follow-up checks in previous reporting periods where risk assessments were conducted. Initial reviews of policies and other assessments prior to authorisation continue to play a key role in reducing non-compliance and incentivising firms to address potential issues before authorisation is granted.

During the current reporting period, CRL did not receive any intelligence or contact from law enforcement agencies relating to money laundering or breaches of financial sanctions, nor did it submit any Suspicious Activity Reports (SARs). While CRL occasionally receives enquiries from law enforcement regarding CILEx members, none related to AML or sanctions breaches during this period.

CRL firms remain engaged in AML risk mitigation and maintain regular contact with CRL on a range of AML-related issues to ensure continued awareness and compliance.

There was no enforcement action related to AML non-compliance during the 2024-25 reporting period. Enforcement activity outside the AML scope resulted in the cancellation of nine memberships and the suspension of one membership. Additionally, CRL’s enforcement work during this period focused on a firm’s handling of its client account, specifically failures to provide reconciliation statements and an independent Accountant’s Report as required under the Accounts Rules. This matter remains under active consideration by CRL’s Enforcement Team.

Disciplinary measures for contraventions of the Regulations	2022-23	2023-24	2024-25
Suspension / Fine / Reprimand / Undertaking / Warning / Action Plan	0	0	0
Referrals to Law Enforcement for ML/TF related matters	0	0	0

AML collaboration

CRL actively participates in sector-wide forums and working groups to share best practice, exchange intelligence, and stay informed on emerging risks and regulatory developments. These include:

- AML Supervisors Forum (AMLSF)
- Legal Sector Affinity Group (LSAG)
- Legal Regulators Group
- OPBAS
- CILEx
- Financial Sanctions meetings
- HM Treasury Supervisory Reform
- Legal Sector Intelligence Sharing Expert Working Group
- Implementation of the Economic Crime Objective
- OFSI Legal Sector Forum



These engagements serve a critical role in maintaining high standards of compliance and risk management across supervised firms. By fostering regular dialogue, CRL helps firms stay informed about evolving AML and financial sanctions obligations, reducing the likelihood of breaches. These interactions provide firms with timely guidance, clarify complex regulatory requirements, and offer practical solutions to compliance challenges. For CRL, they create an opportunity to monitor emerging risks, identify common weaknesses, and tailor supervisory strategies accordingly. Ultimately, this proactive engagement strengthens consumer protection, enhances the integrity of the legal sector, and reinforces public confidence in the profession.

Beyond its engagement with the NCA and National Economic Crime Centre (NECC) through LSAG and AMLSF meetings, CRL has had limited direct interaction with law enforcement. However, it ensures that all relevant NCA resources, such as critical updates, webinars and podcasts, are highlighted and shared with firms to support their compliance efforts.

Joint Money Laundering Intelligence Taskforce (JMLIT) reports and NCA materials are shared with CRL's Entity and Enforcement teams. To support its AML-supervised community, CRL provides links to key external resources on its website, including:

- [CRL AML webpage](#)
- [CRL Financial Sanctions webpage](#)
- [LSAG AML Guidance \(2025\)](#)
- [National Risk Assessment 2025](#)
- [FATF – The UK's measures to combat money laundering](#)
- [National Crime Agency \(NCA\)](#)
- [Reporting suspicious activity](#)
- [Reporting breaches of the MLRs](#)
- [Office of Financial Sanctions Implementation \(OFSI\)](#)

CILEX activity

As the named Professional Body under the regulations, CILEX retains a residual role in supporting AML compliance, even though the operational responsibility for regulation is delegated to CRL in accordance with the [Legal Services Act 2007](#) and the [LSB's Internal Governance Rules](#). CILEX attends LSAG and AMLSF. CRL also attends LSAG, AMLSF, LISEWG, and OFSI legal sector engagement groups.

CILEX also publishes and regularly updates a comprehensive suite of information on its [website](#) covering AML, Proliferation Financing, and Financial Sanctions, ensuring members have access to current guidance and resources.

Strategic priorities for 2025-26

- **AML Statements**
 - Transition AML Statements from Word-based forms to Microsoft Forms for fully electronic submissions, enabling faster, more accurate submissions with real-time tracking, automated data collation, and a significantly improved user experience.
 - Develop an enhanced risk-scoring framework that incorporates submitted documentation, enabling standardized and comprehensive risk assessments across all firms.
 - Establish a comprehensive methodology document that explains the principles of the risk-scoring framework and the procedures used in risk assessments.

- **Onsite inspections**
 - Establish and maintain a Standard Operating Procedure (SOP) for onsite inspections, ensuring a risk-based, tailored approach that delivers meaningful engagement and actionable feedback.
 - Conduct four onsite inspections of CRL firms, selected through in-depth risk analysis of AML Statement responses and supporting documentation.
 - Use insights from inspections to refine AML Statement content, introduce targeted questions, and expand documentation requirements to improve risk-scoring accuracy.
- **Sectoral Risk Assessment**
 - Prepare and distribute the 2025 CRL Sectoral Risk Assessment report.
- **AML Supervision Report**
 - Prepare and distribute the 2025 CRL AML Supervision Report.
- **CRL AML website guidance**
 - Review and enhance existing guidance by aligning with LSAG standards, drafting updates, securing approval, and publishing the revised content on the website.
 - Establish a formal policy and procedure for the regular review and updating of AML content published on the website.
- **CRL Client/Matter Risk Assessment (CMRA) form**
 - Review existing CMRA forms, develop a balanced CRL version with clear guidance, secure approval, and publish the final template on the website.
- **CPD compliance monitoring**
 - Monitor adherence to revised CPD Regulations, including AML-supervised members and firms.
- **Thematic reviews**
 - Commence a thematic review on SARs, examining reporting procedures, training practices, and emerging trends, with completion expected post-March 2026.

Conclusion

The 2024-25 reporting period has been a pivotal year for CILEx Regulation in strengthening its Anti-Money Laundering (AML) supervisory framework. Through enhanced data collection, more rigorous risk assessments, and closer engagement with firms, CRL has taken significant steps to address emerging risks and uphold the integrity of the legal sector.

While the overall risk profile of our supervised population has shifted from low to medium, this reflects our proactive approach to identifying weaknesses and driving improvements. Key challenges remain, particularly around source of funds verification, training, and Suspicious Activity Reporting, but our targeted feedback, planned on-site inspections, and thematic reviews will ensure these areas receive focused attention.

Looking ahead, CRL's priorities for 2025-26 are clear: to embed a fully digital AML Statement process, strengthen governance and succession planning, and maintain a proportionate, risk-based approach to supervision. By continuing to collaborate with OPBAS, HM Treasury, and sector partners, CRL will ensure that its supervisory model remains robust, adaptive, and aligned with the highest standards.

Our commitment remains unwavering: to protect consumers, support firms in meeting their obligations, and play an active role in the fight against economic crime.

Glossary of terms

Term	Definition
ACCA (Association of Chartered Certified Accountants)	A global professional accountancy body.
AML (Anti-Money Laundering)	Measures and regulations designed to prevent the laundering of illicit funds.
BOOM (Beneficial Owner, Officer, or Manager)	As defined under Regulation 26 of the MLR 2017.
CDD (Customer Due Diligence)	The process of verifying the identity of clients and assessing risk.
CPD (Continuous Professional Development)	Ongoing training requirements for regulated individuals.
CMRA (Client/Matter Risk Assessment)	A risk assessment conducted at the matter level to identify AML risks.
CRL (CILEx Regulation Limited)	The regulatory body responsible for supervising CILEX members and entities.
CILEX (Chartered Institute of Legal Executives)	The professional association for legal executives in England and Wales.
DBR (Desk-Based Review)	A remote review of firm documentation to assess compliance with AML obligations.
EDD (Enhanced Due Diligence)	Additional checks required for higher-risk clients or transactions.
HMT (His Majesty's Treasury)	UK government department responsible for economic and financial policy, including AML supervision oversight.
JMLIT (Joint Money Laundering Intelligence Taskforce)	UK public-private partnership that facilitates intelligence sharing between law enforcement and financial institutions to combat money laundering and other financial crimes.
KYC (Know Your Customer)	The process of verifying client identity and understanding their activities.
LSAG (Legal Sector Affinity Group)	A group that issues AML guidance for the legal sector.
MLR 2017 (Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017)	The Money Laundering Regulations 2017 require regulated businesses to prevent money laundering and terrorist financing by applying risk-based controls, customer due diligence, and reporting suspicious activity.
MLRO (Money Laundering Reporting Officer)	The individual responsible for AML compliance within a firm or regulator.
NCA (National Crime Agency)	UK law enforcement agency responsible for tackling serious and organised crime, including money laundering.
NECC (National Economic Crime Centre)	A multi-agency body focused on combating economic crime.
OFSI (Office of Financial Sanctions Implementation)	UK authority responsible for implementing and enforcing financial sanctions.
OPBAS (Office for Professional Body Anti-Money Laundering Supervision)	Oversees the adequacy of AML supervision by professional bodies.
PEP (Politically Exposed Person)	An individual in a prominent public position, requiring enhanced scrutiny under AML rules.
PWRA (Practice-Wide Risk Assessment)	A firm-level assessment of AML risks as required by Regulation 18 of the MLR 2017.
SAR (Suspicious Activity Report)	A report submitted to the NCA when suspicious activity indicative of money laundering or terrorist financing is identified.
SIS (Shared Intelligence Service)	A platform for intelligence sharing among regulators and law enforcement.
SRC (Strategic Risk Committee)	CRL's independent oversight body for risk frameworks.
TCSP (Trust or Company Service Provider)	A business providing services such as company formation or acting as a nominee director.

