

AML Supervision Report

September 2026

ANNUAL REPORT



Contents Page

Foreword from CRL Board Chair (Jonathan Rees)	3
Executive Summary	5
Key Highlights	5
Key Weaknesses Identified	6
Strategic Priorities for 2026-27	6
AML Supervision 2025-26: At A Glance	7
Compliance Trend	7
Most Significant Improvements	7
Remaining Areas for Improvement	7
Risk Assessment Outcome	7
Background	8
Supervision Scope	8
Office For Professional Body Anti-Money Laundering Supervision (OPBAS)	10
Governance & Resources	10
Communicating with the Supervised Population	11
Website Publications and Guidance	11
Website Engagement	11
Direct Communications and Newsletters	12
Practical Compliance Support	12
Sectoral Risk Assessment	13
Staff Training & Compliance	14
Key Developments in 2025-26	15
Expanded Onsite Inspection Activity	15
Future Inspection Activity	15
Supervisory Activity	16
Annual Return Requirements	16
Additional Requirements	16
AML Statement	16

Risk Profiles	17
Services Offered	17
Client Profiles	17
Geographical Location	17
Nature of Financial Transactions	17
Training and Governance Frameworks	17
Supervisory Inspections	18
CRL-regulated Firms	18
Unregulated Sole Traders	19
Beneficial Owners, Officers, or Managers (BOOMs)	20
Findings From Supervisory Reviews	20
Financial Sanctions	21
Enforcement Action	21
AML Collaboration	21
CILEX Activity	23
Strategic Priorities for 2026-27	23
Conclusion	24
Glossary of Terms	25

Foreword from CRL Board Chair (Jonathan Rees)

I am pleased to present CILEx Regulation's (CRL) Anti-Money Laundering (AML) Supervision Report for 2025-26.

This reporting period has demonstrated a significant improvement in the maturity of AML compliance arrangements across CRL firms. In particular we have seen compliance rise from 1 in 5 firms in 2023-24 to 100% in the last year. This reflects the Board's decision to employ a new dedicated AML Officer, the introduction of onsite inspection visits, and a lot of hard work by the regulated community. Through enhanced supervision, comprehensive AML Statement reviews, thematic analysis and onsite inspection activity, we have encouraged stronger AML governance arrangements, more developed sanctions compliance frameworks, improved customer due diligence controls and greater engagement with AML obligations across the supervised population.

The findings contained within this report reflect a supervised population that is increasingly able to identify, assess and mitigate financial crime risks. Whilst opportunities for improvement remain, the majority of findings identified during 2025-26 related to evidencing and refining existing controls rather than addressing fundamental compliance weaknesses.

Particularly encouraging has been the development of sanctions compliance arrangements, the widespread adoption of electronic screening and verification tools, and the increasing integration of AML controls within operational systems and client onboarding processes. Practice-Wide Risk Assessments (PWRA), AML policies and

customer due diligence frameworks have also improved significantly when compared with previous reporting periods.

During the reporting period, the Government confirmed its intention to reform the UK AML supervisory framework, including the transfer of AML supervisory responsibilities from professional body supervisors to the Financial Conduct Authority (FCA). CRL will continue to fully discharge its supervisory responsibilities until any transfer occurs. We will work closely with the FCA, HM Treasury, supervised firms and other stakeholders to ensure an orderly transition that maintains effective supervision and minimises uncertainty for the regulated community. Given the potential risks associated with periods of regulatory change, CRL will continue to monitor firms closely and provide updates as further information becomes available.

The Board remains committed to ensuring that CRL maintains a robust, proportionate and risk-based supervisory framework. We receive a report on progress at each of our Board meetings. During 2026-27, we will continue to focus on Source of Funds controls, Regulation 24 training compliance, PWRA's and emerging economic crime risks to support continued improvement across the supervised population.



Jonathan Rees
CRL Chair

Finally, I should like to thank our regulated community for their ongoing commitment to compliance and constructive engagement with our regulatory activities, as well as the CRL team for their continued hard work and dedication. Through our collective efforts, we will continue to safeguard the public, uphold confidence in the legal profession, and contribute to the wider national and international fight against economic crime.

Executive Summary

This report provides an overview of CRL's AML supervisory activities during the period 1 April 2025 to 31 March 2026 and highlights the findings arising from AML Statement reviews (desk-based supervision), onsite inspections and wider regulatory engagement.

The reporting period demonstrated a substantial improvement in AML compliance maturity across the supervised population when compared with 2024-25. CRL firms generally maintained current AML policies, Practice Wide Risk Assessments (PWRAs), Customer Due Diligence (CDD) procedures, sanctions controls and governance arrangements. Importantly, all CRL firms reviewed as part of the 2025-26 AML Statement cycle achieved a Compliant outcome.

This position contrasts significantly with 2024-25, where the sector risk rating increased from Low to Medium and supervisory reviews identified widespread weaknesses in Source of Funds controls, AML training arrangements, sanctions procedures and AML governance documentation.

The 2025-26 review cycle identified material improvements in:

- AML policy development.
- CDD procedures.
- Sanctions compliance frameworks.
- PWRAs.
- Governance arrangements.
- SAR reporting readiness.
- Use of electronic screening technologies.

Residual risks remain in relation to Source of Funds procedures, AML training records, evidential audit trails and the quality of risk assessment methodologies. However, these findings largely relate to evidencing compliance rather than the absence of controls.

The reporting period coincided with the Government's proposed reform of the UK's AML supervisory framework. Pending implementation of these reforms, CRL will continue to undertake risk-based AML supervision and support supervised firms whilst working collaboratively with government and relevant stakeholders to facilitate any future transition arrangements.

CRL therefore considers that the overall risk profile of the supervised population has improved sufficiently to support a reduction in the supervised population risk rating from Medium Risk to Low Risk.

Key Highlights

All CRL firms reviewed achieved a compliant outcome.

- ✓ Significant improvements were identified in AML governance, sanctions compliance and CDD arrangements.
- ✓ PWRAs are now maintained across all CRL firms.

- ✓ Electronic verification and sanctions screening tools are increasingly embedded within client onboarding processes.
- ✓ Most CRL firms maintain active National Crime Agency (NCA) SAR Portal registration and documented reporting procedures.
- ✓ Three risk-based onsite inspections were conducted during Q1 2026.
- ✓ No significant system-wide compliance failures were identified across all CRL firms.

Key Weaknesses Identified

Although overall standards improved significantly, several recurring themes emerged:

- ↗ Variable Source of Funds and Source of Wealth evidential practices.
- ↗ Inconsistent quality of PWRAs.
- ↗ Weak Regulation 24 training records and competency documentation.
- ↗ Incomplete audit trails supporting sanctions and PEP screening.
- ↗ Limited narrative within Client and Matter Risk Assessments (CMRA).
- ↗ Inconsistencies between AML documentation and operational practice.
- ↗ Quality assurance weaknesses within regulatory submissions.

Strategic Priorities for 2026-27



Onsite Inspections: Complete an additional 2-3 onsite AML inspections before the end of Q1 2027.



Training: Publish additional guidance on Regulation 24 compliance.



Practice Wide Risk Assessments: Improve sector understanding of residual risk analysis.



PEP & Sanctions Compliance: Continue strengthening PEP & Sanctions audit trails.



Source of Funds: Develop enhanced guidance and evidential expectations.

AML Supervision 2025-26: At A Glance



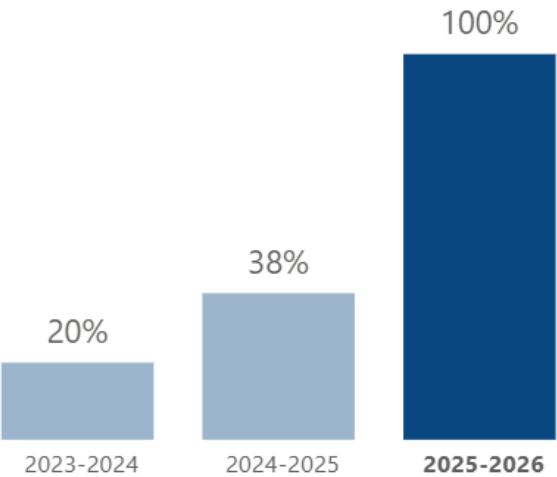
CRL firms Compliant

Most Significant Improvements

- ✓ AML Governance
- ✓ Customer Due Diligence
- ✓ Sanctions Compliance
- ✓ Practice-Wide Risk Assessments
- ✓ Electronic Screening

Remaining Areas for Improvement

- Source of Funds Evidence
- AML Training Records
- PEP & Sanctions Audit Trails
- Practice-Wide Risk Assessment Methodology



Risk Assessment Outcome



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 accordance with its regulatory framework, CILEX delegates its AML supervisory responsibilities to CRL. These responsibilities include the assessment of money laundering, terrorist financing and proliferation financing risks, the supervision and monitoring of regulated entities and supervised firms, and, where necessary, the enforcement of regulatory requirements. These functions form an integral part of CRL's wider regulatory and public protection responsibilities.

This report provides an overview of the AML supervisory activities undertaken by CRL between 1 April 2025 and 31 March 2026, highlighting key supervisory findings, emerging risks, thematic observations and areas of good practice identified across the supervised population. It also sets out CRL's priority areas for development and supervisory focus during the 2026-27 reporting period. This report should be read alongside CRL's latest Sectoral Risk Assessment, AML guidance and other economic crime publications.

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.

CRL is also mindful of the Government's proposals to reform the AML supervisory framework and transfer supervisory responsibilities to the FCA. Whilst implementation details continue to develop, CRL remains responsible for AML supervision throughout the transition period and will continue to maintain an effective, risk-based supervisory framework.

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

During 2025-26 the CRL supervised community comprised:

Supervised Community	2023-24	2024-25	2025-26
# relevant firms	7	7	6
# relevant sole practitioners conducting regulated activities as Authorised Entities	14	14	13
# 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 third 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 continue assessing financial crime and AML risk across the wider sector.

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, two 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 [them] for [their] services' (para 3.1(d) [CILEx Regulation-ACCA Handbook 2021](#) , last updated September 2024).

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 supervised community, CRL recorded the following total number of beneficial owners, officers, and managers (BOOMs) as defined in [Regulation 26 of MLR 2017](#):

April 2024	April 2025	April 2026
12	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 PWRA. 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)

CRL continues to engage with OPBAS and remains committed to maintaining a supervisory framework that is proportionate, intelligence-led and aligned with regulatory expectations. Throughout 2025-26, CRL continued enhancing its supervisory methodology through richer data collection, more detailed thematic analysis and targeted onsite inspection activity

Governance & Resources

AML supervision continues to be overseen through CRL's established governance framework, with regular reporting provided to the Executive Team and Board.

The appointment of a dedicated AML Officer has significantly strengthened CRL's supervisory capability, enabling more detailed AML Statement analysis, thematic reviews and onsite inspection activity. This additional resource has been instrumental in enhancing supervisory effectiveness during the reporting period.

Communicating with the Supervised Population

CRL continues to utilise a multi-channel approach to communicating AML, counter-terrorist financing, sanctions and wider economic crime risks to its supervised population. During 2025-26, CRL expanded the volume of AML-related information shared with firms through website updates, publications, newsletters, direct communications and regulatory guidance.

Throughout the reporting period, CRL published 27 separate AML, sanctions, economic crime and risk-related communications and guidance updates. These communications focused on developments in AML regulation, emerging financial crime risks, sanctions obligations, suspicious activity reporting requirements and wider economic crime reforms.

Website Publications and Guidance

The CRL website remains the primary source of AML guidance and supervisory information for the regulated community.

Key publications and updates during the reporting period included:

- Publication of the 2025 National Risk Assessment findings.
- Publication of the 2025 CRL Sectoral Risk Assessment.
- Publication of the 2025 AML Supervision Report.
- Comprehensive review and update of AML and Economic Crime guidance.
- Publication of updated sanctions-related content, including OFSI enforcement activity and Russia-related sanctions guidance.
- Updates relating to AML Supervision Reform proposals.
- Publication of updated UKFIU SAR guidance and related reporting resources.
- Publication of CRL's response to the AML Supervision Reform consultation.
- Promotion of the UKFIU Annual SAR Report and associated learning points.

The [Economic Crime Hub](#) continues to act as a central source of information, signposting CRL firms to relevant legislation, regulatory publications, government guidance and sector resources.

Website Engagement

Engagement with AML-related content increased significantly during the reporting period.

AML and Economic Crime webpages received a total of 2,708 page views during 2025-26, compared to 1,229 page views during 2024-25, representing a 120% increase in engagement with AML guidance and supervisory materials.

The most visited pages were:

- AML guidance pages (772 views).
- Economic Crime resources (531 views).
- Sectoral Risk Assessment resources (395 views).
- Financial Sanctions guidance (286 views).
- Reporting Suspicious Activity guidance (264 views).

This increased engagement suggests that CRL firms are making greater use of CRL's published resources when reviewing and developing their AML compliance frameworks.

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

Direct Communications and Newsletters

AML and economic crime updates remain a standing feature of CRL's communications programme.

Key topics communicated directly to CRL firms during 2025-26 included:

- Economic Crime and Corporate Transparency Act (ECCTA) responsibilities.
- Common AML failings identified across regulated firms.
- Legislative developments relating to money laundering and economic crime.
- Publication of the 2025 Sectoral Risk Assessment.
- AML Supervision Reform consultation activity.
- Financial sanctions obligations and designated persons lists.
- Publication of a new Client and Matter Risk Assessment (CMRA) template.
- Publication of a new AML Policy template.
- Updated UKFIU guidance on Suspicious Activity Reports (SARs).
- Key findings arising from the UKFIU Annual SAR Report.
- Ongoing updates from the National Crime Agency concerning SARs in Action.

In addition to regular newsletters, CRL contributed AML-focused content to the CILEX Journal, providing practical guidance on the most frequently observed AML compliance failings and the steps firms can take to address them.

Practical Compliance Support

Alongside guidance and publications, CRL continued to support firms through direct engagement and practical compliance assistance.

During the reporting period CRL:

- Developed and promoted a revised Client and Matter Risk Assessment template.
- Continued developing AML policy templates and supporting materials.
- Shared examples of common AML weaknesses identified through supervisory reviews.
- Provided tailored feedback reports following AML Statement assessments.
- Delivered an AML-focused webinar for regulated firms during November 2025, highlighting key findings and lessons learned from the previous AML review cycle.

CRL's communication strategy remains focused on providing firms with practical, risk-based guidance that supports compliance with the Money Laundering Regulations, financial sanctions obligations and broader economic crime responsibilities. The increase in website engagement, coupled with stronger compliance outcomes within the 2025-26 review cycle, suggests that this approach is contributing positively to firms' understanding of AML risks and regulatory expectations.

Sectoral Risk Assessment

CRL updated its Sectoral Risk Assessment in September 2026 to reflect a Medium-risk rating overall, whilst the supervised population itself merited a decreased risk rating from Medium to Low, driven by improvements across AML governance, sanctions compliance, and customer due diligence arrangements within CRL 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 (AMLSF), Legal Sector Affinity Group (LSAG), 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: Variable Source of Funds and Source of Wealth evidence was identified as well as limited supporting narrative in CMRAs amongst CRL firms.
- Training & Governance: Weaknesses were identified in AML training records, focussed on the level of detail provided within the sample of documents reviewed amongst CRL firms.

The updated Sectoral Risk Assessment was shared with CRL firms in Q3 2026, 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 forthcoming transition to FCA-led AML supervision has also been considered as part of CRL's assessment of emerging sector risks. Periods of regulatory change can create uncertainty within supervised populations and may divert attention from compliance activity. CRL will continue to communicate expectations clearly and monitor emerging risks throughout the transition period.

Staff Training & Compliance

All CILEX and CRL staff have access to a comprehensive programme of eLearning courses covering key compliance areas, including Anti-Money Laundering (AML), Whistleblowing, Modern Slavery, and the Prevention of Bribery in Business.

Completion of these courses is mandatory and is actively monitored to ensure that all staff, both new and existing, complete the required training and undertake annual refresher training. This supports ongoing compliance with regulatory requirements and industry best practice.

In Q1 2026, a review of existing AML training materials was undertaken. The review identified a number of opportunities to enhance the programme, resulting in the development of additional AML training content. To ensure staff benefited from this enhanced training at the earliest opportunity, the new content will be rolled out to staff in Q4 2026. It will subsequently be incorporated into the annual AML refresher programme from 2027 onwards.

Key Developments in 2025-26

1 Expanded Onsite Inspection Activity

A significant development during the 2025-26 reporting period was the increased level of onsite AML supervision undertaken by CRL. Following the appointment of a dedicated AML Officer in May 2025, CRL's supervisory capacity increased, enabling a greater level of detailed supervisory activity across the regulated population.

As part of this enhanced supervisory approach, CRL undertook three risk-based onsite AML inspections during Q1 2026. These represented the first onsite AML inspections conducted by CRL for several years and were designed to complement the existing AML Statement review process by testing the effectiveness of firms' AML controls in practice.

The firms selected for inspection were identified through analysis of AML Statement submissions, supporting documentation and supervisory risk assessments. The inspections reviewed a broad range of AML controls, including:

- AML governance arrangements.
- AML policies and procedures.
- Practice-Wide Risk Assessments.
- Customer Due Diligence processes.
- Client and Matter Risk Assessments.
- Source of Funds procedures.
- PEP and sanctions controls.
- SAR reporting arrangements.
- Regulation 24 training compliance.

The inspections broadly validated the findings arising from desk-based reviews and provided additional assurance regarding the operation of firms' AML frameworks. Whilst each inspection identified opportunities for improvement, no significant compliance failures requiring enforcement action were identified.

2 Future Inspection Activity

Building on the success of the Q1 2026 inspection programme, CRL intends to continue expanding onsite supervisory activity throughout 2026. Between two and three additional risk-based onsite AML inspections are expected to be undertaken before the end of Q1 2027. Firms will be selected using AML Statement findings, supervisory intelligence, thematic review outcomes and ongoing risk assessment activity.

Future inspections will continue to focus on areas where residual risk remains highest, including Source of Funds controls, PWRAs, AML training, sanctions compliance and the evidencing of CDD measures. Findings will be used to inform future thematic reviews, supervisory priorities and the 2026-27 Sectoral Risk Assessment.

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 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

AML Statements formed the cornerstone of supervisory activity during the reporting period.

Firms were required to provide information relating to:

- AML governance.
- Sanctions compliance.
- Risk assessments.
- Customer Due Diligence.

- Source of Funds controls.
- Training.
- SAR reporting.
- Fraud risks.

Supporting documentation was reviewed alongside AML Statement responses.

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 CRL firms indicates that the overall risk profile has decreased from Medium to Low risk.

Services Offered

Services remain concentrated within lower-risk legal sectors, including probate, estate administration, family law, litigation and advocacy. Limited TCSP exposure remains present but generally forms only a small part of broader service offerings.

Risk Rating: Low

Client Profiles

The supervised population remains predominantly focused on individual, UK-based clients. Corporate client exposure is limited and generally involves small entities with straightforward ownership structures. No sanctioned clients were reported, and PEP exposure remains minimal.

Risk Rating: Low

Geographical Location

Most firms operate exclusively within the United Kingdom and have very limited exposure to overseas clients. No firms reported exposure to FATF high-risk jurisdictions.

Risk Rating: Low

Nature of Financial Transactions

Client account balances remain significant in certain probate and estate administration practices. However, compared with 2024-25, there is clear evidence of improvement in Source of Funds procedures, documented controls and customer due diligence frameworks.

Source of Funds remains the principal residual AML risk across the supervised population.

Risk Rating: Low

Training and Governance Frameworks

AML governance arrangements have strengthened considerably compared with 2024-25. Firms generally maintain current AML policies, identified compliance officers and documented reporting arrangements. Weaknesses relate primarily to evidencing training rather than undertaking training.

Risk Rating: Low

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 has updated 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 supervised firms are required to complete an Annual Return and an AML Statement, confirming the extent of their compliance with AML regulatory requirements for the 2025-26 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 when the situation arises.

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 were subject to an in-depth risk assessment by CRL during the April 2025 to March 2026 reporting period. This represents an 8.3% decrease compared with the previous reporting period, primarily due to two firms ceasing to trade during the year.

Inspections - DBRs	2023-24	2024-25	2025-26
DBRs Conducted	20	24	22
'Compliant' Rating	4	9	22
'Generally Compliant' Rating	7	13	0
'Non-Compliant' Rating	9	2	0
Informal Action Taken	16	174	99
Formal Action Taken	0	0	0

All firms assessed as compliant with the Money Laundering Regulations (MLRs) received detailed feedback designed to help them identify areas for improvement. CRL expects firms to carefully consider this feedback and implement any necessary enhancements to their AML framework, with these improvements being evidenced during subsequent AML Statement review cycles.

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. One such firm agreed to an onsite inspection during the reporting period.

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.

Beneficial Owners, Officers, or Managers (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, supervised 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

Unlike 2024-25, supervisory reviews for 2025-26 did not identify widespread systemic weaknesses. Findings were predominantly focused on enhancement and refinement of existing controls.

Common themes included:

- PWRA development.
- Source of Funds evidence.
- AML training records.
- PEP & Sanctions screening audit trails.
- Ongoing monitoring records.
- Regulatory submission quality assurance.

The strongest areas observed included:

- Governance.
- AML policies.
- CDD.
- Sanctions compliance.
- Customer risk assessments.
- Positive compliance culture.

Financial Sanctions

Sanctions compliance demonstrated the greatest improvement when compared with 2024-25.

The sanctions compliance products supervised firms report they now utilise include:

- InfoTrack.
- LEGL.
- NameScan.
- Dilisense.
- LexisNexis IDU.
- EstateSearch.
- Checkboard.

No supervised firm reported acting for sanctioned clients and no sanctioned individuals were identified during the reporting period.

Enforcement Action

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, no such occasions occurred during the reporting 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 2025-26 reporting period.

Disciplinary measures for contraventions of the Regulations	2023-24	2024-25	2025-26
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)
- OPBAS
- CILEX

- HM Treasury Supervisory Reform
- 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 and webinars, 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

CILEX is the named Professional Body under the regulations and, whilst it has delegated operational responsibility for regulation to CRL, it remains an interested party and attends LSAG and AMLSF meetings with CRL. CRL also attends LISEWG and OFSI legal sector engagement groups.

Strategic Priorities for 2026-27



Onsite Inspections:

- Complete an additional 2-3 onsite AML inspections before the end of Q1 2027.
- Use findings to refine supervisory methodologies
- Incorporate inspection findings into future thematic reviews.



Source of Funds:

- Develop enhanced guidance and evidential expectations for firms.



Training:

- Publish additional guidance on Regulation 24 compliance.
- Promote competency-based AML training approaches.



Practice Wide Risk Assessments:

- Improve sector understanding of residual risk analysis.
- Promote stronger risk-scoring methodologies.
- Enhance Proliferation Financing assessment requirements.



PEP & Sanctions Compliance:

- Continue strengthening PEP & Sanctions audit trails.
- Enhance guidance regarding ongoing monitoring requirements.

Conclusion

The 2025-26 reporting period demonstrates a significant improvement in AML compliance maturity across the CRL supervised population. Compared to the previous reporting period, firms have strengthened governance arrangements, improved customer due diligence controls, implemented more mature sanctions compliance frameworks and demonstrated greater awareness of economic crime risks.

Thematic review findings and onsite inspections indicate that the principal supervisory challenges are now centred on evidencing compliance activity rather than implementing basic AML controls. Source of Funds arrangements, Practice-Wide Risk Assessments, Regulation 24 training records and audit trail quality remain priority areas for continued improvement.

Based on the evidence obtained through AML Statement reviews, supporting documentation, thematic analysis and onsite inspections, CRL considers that the overall risk profile of the supervised population has improved sufficiently to justify a reduction in the risk assessment from Medium Risk to Low Risk whilst maintaining focused supervision on the residual risks identified throughout this report. The wider legal sector risk assessment remains as Medium Risk.

Looking ahead, CRL recognises that the proposed transfer of AML supervisory responsibilities to the FCA represents a significant change for the legal services sector. CRL will continue working closely with firms and stakeholders to support an effective transition while maintaining robust supervision and consumer protection throughout the implementation period.

The improvement observed during 2025-26 demonstrates the value of proactive engagement, targeted supervision and practical support. While important risks remain, particularly in relation to Source of Funds controls and evidencing compliance activity, CRL is satisfied that supervised firms are continuing to strengthen their financial crime frameworks and contribute positively to the wider effort to combat money laundering, terrorist financing and wider 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.
CRL Firms	All entities regulated by CILEx Regulation (22 as of 31 March 2026).
CRL AML Supervised Firms	Relevant entities regulated by CILEx Regulation for AML (6 as of 31 March 2026).
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.
Sole Practitioners	Individuals subject to AML supervision by CILEx Regulation (3 as of 31 March 2026).
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.