

**CILEx Regulation Response
to the LSB's Consultation on
Guidance for the New Regulatory Objective on Economic Crime**

Introduction

CILEx Regulation Limited (CRL) is the independent regulator of 58 firms (including ACCA-Probate firms), CILEX's 7,600 authorised members, as well as around 9,000 paralegals and other non-authorised members. Subject to the oversight of the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), CRL carries out the AML supervisory activities and functions, including risk assessment, monitoring and enforcement, for CILEX's firms and members. Risk based

CRL welcomes the LSB's Consultation on its draft guidance for the Economic Crime Objective. In line with the steer given by the Minister during the Parliamentary debate, the Consultation makes it clear that 'regulated persons should be supported by their regulators to not knowingly or unknowingly facilitate economic crime'.

Economic Crime Objective is defined broadly in the Economic Crime and Corporate Transparency Act 2023 and includes money laundering. Further, it applies to all CILEX firms and authorised members, not, as is the case for AML regulation, only to those which fall within the definition of independent legal professional¹.

CRL has noted the LSB's stated 'aim to align with and take into consideration regulatory requirements and standards that have been established for regulators (e.g. related to financial sanctions, anti-money laundering) so as to not set duplicative expectations for regulators' (paragraph 27 draft Guidance).

CRL's concern is that differences in approach between oversight regulators relating to the same or similar issues will result in confusing or contradictory assessments and expectations. CRL would welcome guidance how these differences will be managed.

CRL's Response to the Consultation Questions

Q1: Do you agree that guidance with outcomes is the right approach to take to assist regulators to pursue the new regulatory objective alongside the others in section 1 of the Act?

Response: Yes

Q2: Are the four outcomes we have identified in the guidance the rights ones? Are there any others we have missed?

Response: The outcomes identified follow naturally from the objective itself. The draft Guidance states at paragraph 25 that it 'will be subject to periodic review to ensure that it remains fit for purpose...'

Q3: How might the LSB, approved regulators and/or regulators better support the sharing of case studies? What other information should also be shared to support meeting the new regulatory objective?

¹ Regulation [12 MLR](#) 2017

Response: CRL agrees case studies can be a useful learning tool, though there is a tendency for them to be non-specific. This is understandable given the importance for regulators and law enforcement to avoid inadvertently disclosing intelligence.

Q4: Do you know of any case study examples that would be useful to share, that point to how legal professionals may knowingly or unknowingly facilitate economic crime?

Response: CRL does not have any case study examples.

Q5: Do you agree that undertaking a risk analysis will enable regulators to target their approaches for their regulated communities most effectively?

Response: CRL agrees that a risk analysis will be useful, though it would be helpful if there could be guidance on appropriate models. As the draft Guidance suggests, this should be evaluated at regular intervals to test whether it can be made more targeted or otherwise improved.

Q6: Do you have any other comments on this proposed outcome?

Response: No

Q7: Do you agree with the proposed outcome for regulators to help their regulated communities understand the risks they may face concerning economic crime, and support them to avoid facilitating economic crime?

Response: CRL agrees the starting point should be to assist its regulated community to comply with the Economic Crime Objective.

Q8: Do you have any other comments on the proposed outcome?

Response: No

Q9: Do you agree that an outcome relating to monitoring and enforcement will help regulators detect and prevent economic crime?

Response: CRL agrees that monitoring and enforcement will assist in the detection and prevention of economic crime.

Q10: Do you have any other comments on the proposed outcome?

Response: No

Q11: Do you agree that an outcome around continued monitoring and evaluation will help ensure any measures regulators decide to put in place are effective to address economic crime into the future?

Response: CRL agrees that continued monitoring and regular evaluation will assist regulators in improving the measures they decide to put in place. The LSB may wish to commit to a period (possibly 5 years) within which to carry out an evaluation.

Q12: Do you have any other comments on the proposed outcome?

Response: No

Q13: Do you agree with our proposed plan for implementation?

Response: CRL agrees that the proposed guidance should be incorporated into the LSB's Regulatory Performance Assessment Framework. CRL's concern is to avoid duplication of oversight/monitoring by or between oversight regulators and that a proportionate approach is adopted which minimises any unnecessary additional regulatory burden and cost.

Q14: Do you have any comments or concerns about the equality impacts of our proposed guidance?

Response: No.

Q15: Do you consider we have identified the right groups, or do you have any evidence relating to the potential impact of our proposals on other groups with certain protected characteristics, and any associated mitigating measures that you think we should consider?

Response: CRL has no comment.

Q16: Are there any wider equality issues and interventions that we should take into account?

Response: CRL has not identified any.

Q17: Do you have any comments on the potential impact of the draft guidance, including the likely costs and anticipated benefits?

Response: No.

Q18: Do you have any other comments about the proposed guidance?

Response: As the consultation paper accepts, there will be an additional cost to regulators and firms which will be met by the regulated community and ultimately by clients. CRL would like to understand how the LSB proposes to evaluate the impact of the guidance.

31 January 2025