



HM Treasury

Consultation on: Anti-Money Laundering and Counter-Terrorist Financing Supervision Reform – Duties, Powers, and Accountability

A response by
CILEx Regulation

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Introduction

This response reflects the views of CILEx Regulation (CRL), the independent regulator for Chartered Legal Executives, CILEX Practitioners, and legal entities.

Chartered Legal Executives (Fellows) are members of the Chartered Institute of Legal Executives (CILEX), the professional body representing approximately 16,500 legal professionals. CILEX is an Approved Regulator under the Legal Services Act 2007 (LSA), and both Fellows and CILEX Practitioners are recognised as authorised persons under the Act. CRL regulates all grades of CILEX membership and also authorises legal entities based on the reserved and regulated activities they provide.

Together, CRL and CILEX offer an alternative route to legal qualification and practice rights, enabling individuals from non-traditional backgrounds to become lawyers and establish their own legal practices.

CILEX was approved as a supervisory authority for anti-money laundering (AML) on 6 February 2015. Its authorised entities are supervised by CRL, which acts independently in regulating CILEX members, Practitioners, and entities. CRL is a member of the Legal Sector Affinity Group (LSAG) and the AML Supervisors Forum (AMLSF) and actively supports a risk-based approach across the AML and counter-terrorist financing regime.

CRL supervises AML compliance for its authorised entities and a small number of sole practitioners.

CRL welcomes HM Treasury's consultation on AML and CTF supervision reform. We support the transfer of AML supervision for professional services to the Financial Conduct Authority (FCA), provided the model remains proportionate, risk based and coherent with the Legal Services Act framework and the new economic crime objective in the Economic Crime and Corporate Transparency Act. Our responses are positive and constructive to facilitate a smooth transfer that maintains consumer protection and market integrity while minimising duplication for firms.

Structure: For each question we set out our **Position, Rationale, Risks and mitigations,** and **Implementation asks.**

Responses to “HM Treasury: Anti-Money Laundering and Counter-Terrorist Financing Supervision Reform – Duties, Powers, and Accountability”

Q1. FCA public registers for legal, accountancy and TCSPs

“Do you agree with our proposal to amend the MLRs to require the FCA to maintain registers of the professional services firms (legal, accountancy and TCSPs) it supervises? Are there any practical challenges or unintended consequences we should consider?”

Position: Support, with alignment to legal regulators’ registers and proportionate data fields.

Rationale: A single AML register improves transparency and helps counterparties verify status under MLRs supervision and registration provisions.

Risks and mitigations:

- **Risk:** Duplicate or inconsistent entries across legal regulators and FCA registers.
 - **Mitigation:** Define a core data schema and enable API data sharing with legal regulators to avoid duplication.
- **Risk:** Confusion where legal entities are not in scope of the MLRs.
 - **Mitigation:** Include a clear “not in scope of MLRs” flag and explanatory notes.

Implementation asks: Publish a data dictionary and change control process before go-live, and a simple correction process for firms and regulators.

Q2. Explicit power to cancel registrations where activity ceases

“Do you agree with our proposal to grant supervisors the explicit ability to cancel a business’ registration when it no longer carries out regulated activities? How might these changes affect firms of different sizes or structures?”

Position: Support.

Rationale: Accurate registers support effective supervision and perimeter activity.

Risks and mitigations:

- **Risk:** Inadvertent cancellation for seasonal or low volume practices.
 - **Mitigation:** Confirm with the firm before cancellation and provide a simple reactivation route.

Implementation asks: Operational guidance on criteria, process and a light-touch appeal route consistent with MLRs Part 10.

Q3. Apply Regulation 58 fit and proper testing across legal, accountancy and TCSPs

“Do you support the application of regulation 58 “fit and proper” tests to legal, accountancy, and trust & company service providers? Please explain your reasoning.”

Position: Support, with proportionality for small entities.

Rationale: Using Reg 58 consistently will close gaps and align gatekeeping for higher risk legal services.

Risks and mitigations:

- **Risk:** Duplication with Legal Services Act authorisation checks.
 - **Mitigation:** Mutual reliance on existing checks and use of certificates of good standing from legal regulators where appropriate.

Implementation asks: Agree an FCA-legal regulators MoU on mutual reliance to avoid duplication and unnecessary cost for small firms.

Q4. Amendments to Reg 58: pre approval of BOOMs, mandatory disclosures, and court ordered disposals

“What are your views on the proposed changes to regulation 58, including the requirement for BOOMs to pass the fit and proper test before acting, mandatory disclosure of relevant convictions, and the introduction of an enforcement power similar to those under regulation 26?”

Position: Support in principle, with safeguards for small firms.

Rationale: Aligning BOOM controls with Reg 26 will strengthen entry controls while maintaining a risk-based approach.

Risks and mitigations:

- **Risk:** Delays to key appointments in small firms.
 - **Mitigation:** Fast track processing and conditional approvals with targeted conditions where risk is low.

Implementation asks: Publish factors the FCA will consider, with examples, and confirm appeals to the Upper Tribunal. Furthermore, provide clarification that if an existing employee of a firm is promoted to BOOM status, that they are not hindered from performing their role whilst the fit and proper check is completed.

Q5. FCA powers for policing the perimeter

“Should the FCA be granted any extra powers or responsibilities with regards to “policing the perimeter” beyond those currently in the MLRs?”

Position: Strongly support. This is a clear benefit.

Rationale: A single public sector supervisor will detect and deter unsupervised AML activity more effectively, including niche legal activities.

Risks and mitigations:

- **Risk:** Confusion between professional and AML supervision.
 - **Mitigation:** Communications to explain that professional standards remain with legal regulators while AML sits with the FCA.

Implementation asks: Set up intelligence sharing gateways with legal regulators and Companies House to identify unsupervised activity quickly.

Q6. Extend Regs 17 and 46 to FCA for professional services and interaction with enforcement

“Do you foresee any issues or risks with the extension of regulations 17 and 46 to the FCA in carrying out its extended remit, particularly in relation to how these powers will interact with the FCA’s proposed enforcement toolkit (as outlined in Chapter 6)?”

Position: Support.

Rationale: Consistent duties to operate risk-based supervision and to monitor compliance are essential as responsibility transfers.

Risks and mitigations:

- **Risk:** Over use of formal enforcement rather than early supervisory tools.
 - **Mitigation:** Publish an intervention ladder that prioritises education, directions and skilled-person reviews before sanctions.

Implementation asks: Publish a professional services AML supervisory strategy with sector risk profiles and planned use of tools.

Q7. New powers to issue directions and appoint a skilled person, and availability for HMRC and the Gambling Commission

“What are your views on introducing new supervisory powers to make directions and appoint a skilled person? If this power is introduced for the FCA, should it also be available to HMRC and the Gambling Commission?”

Position: Support and extend comparable powers to other public supervisors for consistency.

Rationale: Directions and skilled person reports enable early and targeted remediation and avoid escalation.

Risks and mitigations:

- **Risk:** Cost burden for very small firms.
 - **Mitigation:** Proportionality guidance and pooled or thematic skilled person reviews for micro firms.

Implementation asks: Publish criteria for use of these powers and examples of good practice identified through reviews.

Q8. Extend information gathering and inspection powers to the new FCA sectors

“Do you agree with our proposal to extend the information gathering and inspection powers in the MLRs to the new sectors within FCA supervision?”

Position: Support.

Rationale: Extending Regs 66 to 70 and 74A provides coherent supervisory reach.

Risks and mitigations:

- **Risk:** Interaction with Legal Professional Privilege (LPP).
 - **Mitigation:** Reiterate Reg 72 protections and provide sector specific guidance on LPP boundaries.

Implementation asks: FCA-LSAG engagement to align inspection practices with legal sector norms.

Q9. Any further changes needed to information gathering powers

“Do you believe any changes are needed to the information-gathering and inspection powers in the MLRs beyond extending them to the FCA in supervising accountancy, legal and trust and company service providers for AML/CTF matters?”

Position: Limited changes only.

Rationale: The framework is sufficient if supported by guidance on LPP, data minimisation and proportionality for small firms.

Implementation asks: Publish an inspection protocol for legal services, including document handling and confidentiality.

Q10. Transfer responsibility for AML guidance to the FCA

“Do you agree that responsibility for issuing AML/CTF guidance for the legal, accountancy and trust and company service provider sectors should be transferred to the FCA?”

Position: Support FCA oversight of AML guidance but consideration should be given whether LSAG should retain a formal role in drafting and maintaining sector-specific content.

Rationale: FCA-led guidance ensures consistency, but LSAG's expertise would ensure that AML guidance continues to address issues raised by the legal sector. A hybrid model could preserve sector knowledge while meeting FCA accountability requirements.

Risks and mitigations:

- **Risk:** Loss of sector-specific expertise if LSAG guidance is fully replaced by FCA-led guidance.
 - **Mitigation:** FCA integrate LSAG into guidance development through a statutory Guidance Committee and mandate consultation with legal representative bodies and legal regulators.
- **Risk:** Confusion for firms during transition if guidance and format of guidance is changed abruptly.
 - **Mitigation:** Publish a clear transition plan and maintain LSAG-branded guidance as recognised under the MLRs until FCA guidance is fully operational.

Implementation asks: FCA to establish a Legal Sector Guidance Committee (including LSAG) with statutory consultation duties and confirm that LSAG-branded guidance remains recognised under the MLRs.

Q11. Supervisor approval of AML guidance, with HMT right of veto

“Do you agree that the MLRs should be amended to transfer responsibility for approving AML/CTF guidance to the relevant public sector supervisor, with HM Treasury retaining a ‘right of veto’ but not having responsibility for approving entire guidance documents?”

Position: Support.

Rationale: Removing routine HMT approval will speed updates, while a veto preserves policy intent.

Risks and mitigations:

- **Risk:** Divergence between supervisors.
 - **Mitigation:** Coordinate cross-supervisor guidance and maintain a public change log.

Implementation asks: Commit to periodic joint statements with HMRC and the Gambling Commission on shared topics.

Q12. Extend Reg 47 requirements to the FCA for these sectors

“Do you agree to the extension of requirements under regulation 47 to the FCA in relation to accountancy, legal and trust and company service providers?”

Position: Support.

Rationale: Timely sector risk information supports effective controls and training.

Implementation asks: Quarterly risk bulletins aligned with the National Risk Assessment and legal sector typologies.

Q13. FCA information sharing duties and powers for professional services

“Do you see any issues with the FCA’s information sharing duties and powers in regulations 46, 50 and 52 applying to the professional services firms it supervises for AML/CTF purposes?”

Position: Support.

Rationale: Effective domestic and international data sharing is central to AML effectiveness.

Risks and mitigations:

- **Risk:** Data protection and client confidentiality concerns.
 - **Mitigation:** Use clear gateways, DPIAs and LPP guidance to accompany any new data flows.

Implementation asks: Align with OPBAS expectations on intelligence sharing during transition.

Q14. NCA to share SARs with supervisors for firms in their population

“Do you agree that the MLRs should be amended to require the NCA to share SARs with the FCA and other public sector supervisors, where these have been submitted by or relate to firms within their supervisory population?”

Position: Support in principle, subject to strict access controls.

Rationale: Access to SARs can improve targeting and thematic analysis.

Risks and mitigations:

- **Risk:** Impact on investigations or privileged material.
 - **Mitigation:** Role-based access, audit trails, and delayed visibility where necessary, plus reinforced LPP guidance.

Implementation asks: Pilot SARs access with a small cohort and publish lessons learned before wider rollout.

Q15. Adequacy of whistleblowing protections

“Do you agree that these existing whistleblowing protections are sufficient and appropriate?”

Position: Broadly sufficient, with stronger signposting.

Rationale: FCA is a prescribed body. Clear AML channels will encourage disclosures.

Implementation asks: Create a single FCA AML whistleblowing portal for professional services and joint communications with legal regulators.

Q16. FCA to exercise the same enforcement powers for professional services as for financial services

“Do you foresee any issues with our proposal for the FCA to exercise the same enforcement powers already exercised by it in relation to the financial services firms for professional services firms too?”

Position: Support, with proportionate use statements.

Rationale: Consistent penalties and public censure under MLRs will drive compliance and confidence.

Risks and mitigations:

- **Risk:** Chilling effect on smaller firms if minor issues escalate too quickly.
 - **Mitigation:** Emphasise early tools and publish penalty calibration factors for professional services.

Implementation asks: Publish annual enforcement outcomes report specific to professional services.

Q17. Any additional enforcement powers required

“Are there any additional enforcement powers that you feel the FCA should be equipped with to ensure non-compliance is disincentivised effectively?”

Position: No further powers required at this time.

Rationale: The MLRs toolkit is comprehensive when combined with clear operational guidance.

Q18. Amend Regs 81 and 82 for minor administrative penalties

“Do you think any amendments to regulations 81 and 82 would help the FCA issue minor fines for more routine instances of non-compliance such as failure to register?”

Position: Support, with fixed penalty tariffs and clear thresholds.

Rationale: Routine fines deter non-registration without heavy overhead.

Implementation asks: Publish a schedule of administrative penalties, with discounts for swift remediation and first-time errors.

Q19. Appeals of FCA decisions to public tribunals

“Do you have any issues with our intention that decisions made by the FCA in relation to their AML/CTF supervision of professional services firms be appealable to public tribunals, in line with the existing system?”

Position: Support.

Rationale: Upper Tribunal oversight preserves fairness and confidence.

Q20. FCA fees and potential amendments

“Do you have any comments regarding the FCA charging fees, under regulation 102, noting the possible proposed amendments?”

Position: Support cost recovery, with a fee structure that reflects firm size and risk.

Rationale: Fees should be fair and proportionate for all firm, including small firms and sole practitioners.

Risks and mitigations:

- **Risk:** Cost burden on sole practitioners and small firms.
 - **Mitigation:** Use tiered fees based on firm size, with minimum charges for very small firms and the option to spread payments over time.

Implementation asks:

- Run a transparent fee consultation with worked examples for small firms.
- Include clear messaging on how FCA fees are calculated.

Q21. Transitional powers or arrangements for a smooth, low burden transfer

“Are there any specific powers or transitional arrangements that you believe would help the FCA, current supervisors, or HM Treasury support a smooth and low-burden transition for firms already supervised under the MLRs?”

Position: Support transitional powers focused on information transfer and case handover.

Rationale: CRL's AML supervised community is small, but legal frameworks are complex. Minimising dual reporting is key.

Implementation asks:

- Establish a joint FCA-legal regulators Transition Board to oversee data migration, case transfer and communications.
- Implement a once-only data submission model via a single gateway that routes to both FCA AML and legal regulators professional standards.

Q22. Duty to create an information sharing regime that minimises burdens

“Do you agree that a requirement should be placed on the FCA and existing professional bodies and regulators to create an information-sharing regime that minimises burdens on firms?”

Position: Strongly support.

Rationale: This prevents duplication and supports proportionality, consistent with OPBAS objectives on collaboration.

Implementation asks: Put in place statutory MoUs and a shared taxonomy for firm attributes, risk ratings and AML events.

Q23. Other legislative measures to prevent additional burdens

“Are there other legislative measures that would prevent additional regulatory burdens arising?”

Position: Support targeted measures.

Rationale: Clarify reliance on legal regulators’ checks to satisfy parts of Reg 58 where risk permits and embed LPP protections in inspection and SARs access.

Implementation asks: Cross reference LPP in inspection provisions and codes and confirm mutual reliance mechanisms in secondary legislation or guidance.

Q24. Additional OPBAS powers during transition

“Are there any additional powers that would support OPBAS to provide effective oversight of the PBSs during the transition? If so, please provide an overview.”

Position: Limited, time bound enhancements are acceptable.

Rationale: OPBAS can support coordination and standards pending wind down.

Risks and mitigations:

- **Risk:** OPBAS’s role could expand beyond the intended transition period.
 - **Mitigation:** Set clear limits on its powers and include an expiry date to ensure its role ends after the transition.

Implementation asks: Publish a transition plan that shows OPBAS roles and handover points.

Q25. Wider legislative changes for alignment with professional services frameworks

“Are there any wider legislative changes that may be necessary to support the effective implementation of this policy, including alignment with existing statutory frameworks governing professional services?”

Position: Support alignment with the Legal Services Act and ECCTA economic crime objective.

Rationale: This will avoid overlap or conflict and give firms clarity on expectations.

Implementation asks: Legal Services Board guidance on how the new objective interfaces with FCA AML supervision.

Q26. Changes to the ECCTA economic crime objective for legal regulators

“Should any changes be made to the economic crime objective introduced for legal regulators by the Economic Crime and Corporate Transparency Act?”

Position: Recommend review of the purpose and continuing relevance of the economic crime objective

Rationale: After transition, FCA will hold AML responsibility, making LSB oversight duplicative and potentially confusing.

Risks and mitigations:

- **Risk:** Continued duplication of oversight between FCA and legal regulators subject to LSB if the economic crime objective remains.
 - **Mitigation:** Review of continuing responsibilities of legal regulators subject to the economic crime objective to avoid risk of duplication
- **Risk:** duplicative cost to firms in complying with requirements of FCA and legal regulators
 - **Mitigation:** Clear separation of supervisory responsibilities between relevant regulators, in particular of duplicative demands

Implementation asks: Clarity and clear separation of responsibilities as between FCA and legal regulators, avoiding duplicative demands, particularly on small firms.

Q27. Apply FCA's existing accountability mechanisms to the expanded duties

“Do you have any issues with our intention to apply the FCA's existing accountability mechanisms in carrying out its additional supervisory duties?”

Position: Support.

Rationale: Existing parliamentary and HM Treasury accountability, and the Financial Regulators Complaints Commissioner mechanism, provide appropriate oversight.

Implementation asks: Publish an annual state of professional services AML supervision report.

Q28. Ensuring a proportionate approach that prioritises growth

“What measures do you think should be taken to ensure a proportionate overall approach to supervision, including prioritising growth?”

Position: Support explicit proportionality commitments.

Rationale: Over compliance can reduce access to legal services and raise consumer costs. Clear guidance and mutual reliance will support growth.

Implementation asks: Publish sector specific good practice case studies for small legal firms and avoid duplication through once only reporting and reliance on professional regulators' checks.

Closing Remarks

CRL supports the objective to improve AML and CTF supervision through a single public sector supervisor. The recommendations above set out practical steps to keep the model proportionate, effective and aligned with the legal services framework. CRL is ready to engage on transition planning, guidance development and supervisory design.

References

- [Money Laundering Regulations 2017 \(SI 2017/692\):](#)
 - **Relevant to:** Q1-Q4, Q6-Q9, Q12-Q20, Q23.
 - These regulations form the legal backbone of AML supervision. Specific links include:

- **Reg 58:** Fit and proper testing (Q3, Q4)
 - **Reg 17 & 46:** Risk-based supervision and monitoring (Q6)
 - **Reg 66-70, 74A-C:** Information gathering, inspections, directions, skilled persons (Q7-Q9)
 - **Reg 47:** Risk information provision (Q12)
 - **Reg 81-82:** Administrative penalties (Q18)
 - **Reg 76-89:** Enforcement powers (Q16-Q17)
- **Reg 102:** Fees (Q20)
- **Reg 72:** Legal Professional Privilege (Q8, Q13, Q14, Q23)
- **OPBAS Regulations 2017 (SI 2017/1301):**
 - **Relevant to:** Q22, Q24.
 - These regulations govern OPBAS's oversight of PBSs. They support:
 - Information-sharing expectations (Q22)
 - Potential transitional powers (Q24)
 - Coordination duties during the handover from PBSs to FCA
- **FCA cryptoassets AML regime and use of MLRs powers:**
 - **Relevant to:** Q6, Q7.
 - This shows how the FCA has used:
 - **Reg 74B:** Skilled person reviews
 - **Reg 74C:** Directions ...in the crypto sector, providing a precedent for applying these powers to legal/accountancy/TCSPs (Q7). It also supports early intervention tools (Q6).
- **FCA FOI on directions and skilled person use under the MLRs:**
 - **Relevant to:** Q7
 - This FOI response evidences how frequently and effectively the FCA uses **Reg 74B/74C** powers in practice. It supports CRL's position that these tools are valuable and should be extended to other supervisors (Q7).
- **LSAG legal sector guidance hub:**
 - **Relevant to:** Q10, Q11, Q13
 - LSAS guidance is the current AML/CTF standard for legal services. It informs:
 - Guidance transfer to FCA (Q10)
 - Supervisor approval process (Q11)
 - Sector-specific risk and intelligence sharing (Q13)
- **ECCTA factsheet on the new LSA economic crime objective:**
 - **Relevant to:** Q25, Q26
 - This introduces the new regulatory objective for legal regulators under the Legal Services Act:
 - Alignment with FCA AML supervision (Q25)
 - No immediate changes needed to the objective itself (Q26)