

Anti Money Laundering (AML)



Introduction

Money laundering is the process of disguising the origins of criminally obtained funds to make them appear legitimate. The UK has strict Anti Money Laundering (AML) regulations in place to prevent financial crime and ensure businesses do not inadvertently facilitate illegal activities. Businesses in regulated sectors must comply with AML laws to avoid fines, reputational damage, and criminal liability.

Who Needs to Comply with AML Regulations?

AML regulations apply to businesses in high-risk sectors, including:

- Accountants, tax advisers, and auditors
- Law firms and solicitors handling client funds
- Financial institutions and banks
- Estate agents and property professionals
- Crypto asset firms and payment services
- High-value dealers (businesses accepting cash payments of £10,000 or more)

Key AML Requirements for Businesses

Customer Due Diligence (CDD)

Businesses must verify the identity of customers before entering into a business relationship. This includes obtaining proof of identity, verifying addresses, and assessing the risk level of transactions.

Enhanced Due Diligence (EDD)

For higher-risk clients or transactions, additional verification checks must be carried out. This applies to politically exposed persons (PEPs), customers in high-risk countries, and large or complex transactions.

Suspicious Activity Reporting (SAR)

If a business suspects money laundering, they must file a Suspicious Activity Report (SAR) with the National Crime Agency (NCA). Failure to report suspicious activity can result in severe penalties.

AML Training

Businesses must provide regular AML training for employees to ensure they can identify and report suspicious transactions.

Record Keeping

Businesses must keep records of customer due diligence checks, risk assessments, and transactions for at least five years.

AML Supervision

Many businesses must register with an AML supervisory body, such as HMRC, the Financial Conduct Authority (FCA), or a professional association like the Institute of Chartered Accountants in England and Wales (ICAEW).

Common Red Flags for Money Laundering

- Large Cash Transactions – Unexplained or unusually large cash deposits or payments, especially in high-risk industries.
- Third-Party Payments – Payments made by someone other than the named customer, without a valid explanation.
- High-Risk Jurisdictions – Transactions involving countries known for weak AML regulations or corruption.
- Rapid Movement of Funds – Clients transferring money quickly between multiple accounts without a clear business purpose.
- Unusual Business Structures – Complex or opaque company ownership structures designed to conceal the true owner.

Penalties for Non-Compliance

Failing to comply with AML regulations can result in:

- Fines and financial penalties imposed by regulators.
- Criminal prosecution, including prison sentences for serious breaches.
- Reputational damage, loss of business, and removal from professional registers.

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Best Practices for AML Compliance

Conduct Thorough Risk Assessments

Regularly review business relationships and transactions to identify potential risks.

Keep AML Policies Up to Date

Ensure internal policies align with the latest AML legislation and guidance.

Use AML Screening Tools

Automate identity verification and compliance checks with specialist AML software.

Train Staff Regularly

Employees must stay informed about money laundering risks and reporting requirements.

Conclusion

AML compliance is essential for businesses operating in regulated sectors. Implementing robust due diligence procedures and staff training can help prevent financial crime and protect your business from legal and reputational risks. Contact Parry and Parry for guidance on AML compliance and regulatory obligations.