

Association of Accounting Technicians response to FCA Consultation CP19/24: Recovering the costs of the Office for Professional Body Anti-Money-laundering Supervision (OPBAS)

1. Introduction

- 1.1. The Association of Accounting Technicians (AAT) is pleased to respond to “Recovering the costs of the Office for Professional Body Anti-Money-laundering Supervision (OPBAS): feedback on CP19/13 and consultation on fee-rate for 2019/20” published in July 2019.
- 1.2. AAT is submitting this response on behalf of our membership and for the wider public benefit.
- 1.3. AAT has added comment in order to add value or highlight aspects that may need to be considered further.
- 1.4. AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are more than 4,250 licensed accountants who provide accountancy and taxation services to over 400,000 British businesses.

2. Executive summary

- 2.1. **The Association of Accounting Technicians (AAT) strongly supports the UK’s drive to combat money laundering and terrorist financing.**
AAT also recognises that establishing a consistent, robust AML supervisory regime in the UK is of paramount importance.
- 2.2. **AAT supports the decision to retain the minimum fee threshold.**
AAT considers that the tariff measure of supervised individuals remains the most suitable, and that 6,000 supervised individuals is a reasonable point at which to set the minimum fee threshold. Retaining a threshold mitigates the potential unfairness of a methodology based on a supervised population.
- 2.3. **The basis for the OPBAS running costs figure, used to arrive at the fee level under consultation, remains unclear.**
AAT acknowledges that being able to take account of actual expenditure has enabled a reduction in the forecast running costs for 2019/20 and the AFR but believes much more could be done to explain its costs (see 3.9-3.11 below).

3. AAT response to the consultation paper

- 3.1. Like most other Professional Body Supervisors (PBSs), AAT has been considerably inconvenienced and frustrated by the repeated delays to making this decision. AAT is therefore relieved that after almost two years there is finally certainty about the funding arrangements for both past and future years.

The minimum threshold

- 3.2. As detailed in the feedback AAT provided on CP19/13, AAT has consistently supported maintaining the minimum fee threshold. Given that the FCA internal review on the OPBAS fees consultations concluded that the metric of supervised individuals is a fair indicator of the scale of regulatory activities of PBSs; and that the FCA is satisfied that the threshold of 6,000 supervised individuals is a reasonable demarcation point, AAT saw no reason to challenge those conclusions.
- 3.3. AAT considers that the minimum fee structure was always likely to result in polarising the views between those bodies that fall below the minimum fee threshold of 6,000 supervised individuals and those that are above the threshold. In fact, irrespective of where the threshold is set, this

was always going to be the case. AAT also considers that it is reasonable to assume that the FCA would similarly have expected this to be the likely outcome of the proposed approach.

- 3.4. Further to the above, it was not surprising to see in the summary of responses to CP19/13 that the PBSs that fall above the fee threshold have suggested that reducing the threshold would represent a more equitable distribution of the fees. Likewise, it was not surprising to note that those bodies below the threshold highlighted that without the minimum fee the cost recovery would be weighed against the smaller PBSs as they supervise more sole practitioners.
- 3.5. Ultimately AAT considers the decision to retain the threshold appropriate. The threshold of 6,000 supervised individuals required before the variable fee begins to operate is reasonable and evidence based. From AAT's perspective, under the minimum fee structure, the threshold mitigates the inherent potential unfairness of a methodology based on a supervised population ranging from sole/self-employed practitioners to very large firms with many fee earners.

Proposed variable fee of £44.36 per supervised individual

- 3.6. AAT falls well below the 6,000 threshold and the cost per supervised individual may be considered of little direct relevance to its members.
- 3.7. However, the manner at which these fees are arrived at is directly relevant to AAT and other PBSs, including those that fall below the threshold.
- 3.8. The proposed fee of £44.36 per head for 2019/20 is more than double that originally proposed in 2017. AAT understands that over reporting is largely responsible for the increase to £36.25 in 2018/19, it is unclear why there is to be a further 22% increase between 2018/19 and 2019/20.
- 3.9. AAT understands that the figure arrived at is based upon the results of previous consultations and is in accordance with the number of individual supervisors declared by the supervisory bodies as a result of those consultations but as AAT and other PBSs have repeatedly stated, the basis for these running costs remains unclear. Without this understanding it is not only unclear how the figures are being calculated, it is also difficult to know what increases can be expected in future years.
- 3.10. In the absence of a clear business plan mapping running costs against specific activities or outcomes, it is difficult to comment on the relationship between the variable fee and the overarching costs basis for calculating it.
- 3.11. AAT urges OPBAS to provide greater clarity on this issue as soon as is practicable.

4. About AAT

- 4.1. AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,250 licensed accountants who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.
- 4.2. AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

5. Further information

If you have any questions or would like to discuss any of the points in more detail then please contact Adam Williamson, AAT Head of Professional Standards, at:

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