

# U4 Helpdesk Answer

---

U4 Helpdesk Answer 2021:15

## Supervisory and professional bodies dealing with professional enablers of illicit financial flows

Professional enablers play a crucial role in illicit financial flows (IFFs). Tackling professional enablers requires, among other methods, consistent and effective regulation, and supervision of critical occupations, including financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs). A scan of publicly available information on such bodies reveals a scenario of scattered supervision for DNFBPs, with supervisory frameworks often following the profession and not the high-risk activity. Supervision can be under the responsibility of self-regulatory bodies or government agencies, or a mix of the two.

27 August 2021

### AUTHOR

**Kaunain Rahman (TI)**

[tihelpdesk@transparency.org](mailto:tihelpdesk@transparency.org)

### REVIEWED BY

**Sophie Lemaitre (U4)**

[sophie.lemaitre@cmi.no](mailto:sophie.lemaitre@cmi.no)

**Maira Martini (TI)**

[tihelpdesk@transparency.org](mailto:tihelpdesk@transparency.org)

### RELATED U4 MATERIAL

- [Professional enablers of economic crime during crises \(2020\)](#)
- [Professional enablers of illicit financial flows and high-risk service and jurisdictions](#)

# Query

Who supervises the enablers in terms of anti-money laundering? What are the main international professional bodies (for example IFAC, IBA) who have policies/guidelines in place for this? How global is their coverage? Are there other bodies with relevant policies or guidelines in place?

## Contents

1. Background
2. Supervisory bodies
3. Examples of supervision
4. Guidance by international professional bodies
5. Other resources
6. References

## Caveat

Caveat: the list of supervisory and professional bodies mentioned in this answer is meant to be illustrative and not exhaustive. The answer is the second in a two-part series on professional enablers of illicit financial flows. The first part can be accessed [here](#).

## Background

There is a wide range of activities and services provided or offered by financial and non-financial businesses and professionals that can be abused to facilitate the flows of illicit funds. These services, which include the incorporation and management of offshore companies, tax advice, intermediation in the selling and purchase of real estate properties, among others, can help criminals to perpetrate offences, such as corruption and tax evasion, and to launder the proceeds of crime through the process of placing, layering and reintegration.

### MAIN POINTS

- Professional enablers can come from various financial and non-financial sectors.
- Tackling such professional enablers requires, among other methods, consistent and effective regulation, and supervision of critical occupations such as accountants, lawyers, bankers, real estate agents, art dealers and luxury good traders, etc.
- Different jurisdictions have varying AML/CFT regimes and inconsistent standards for professional conduct, making regulation scattered and uneven.

These services are offered and carried out by professionals such as bankers, corporate service providers, real estate agents, accountants, lawyers, and dealers in luxury good (OECD 2021; FATF 2012: 19,20). Since they are in a privileged position to identify suspicious transactions that could be connected to crime, they are often referred to as gatekeepers of the financial system “through which potential users of the system, including launderers, must pass in order to be successful” (FATF 2010: 44). When these professional “intentionally and actively devise strategies to facilitate the commission of crimes” they are also referred to as professional enablers (OECD 2021: 10). These

---

### U4 Anti-Corruption Helpdesk

professionals may also facilitate corruption and the flow of dirty money unwittingly or due to negligence when conducting the necessary checks on clients.

In this context, professionals offering services that are considered as high-risk when it comes to illicit financial flows (IFF) such as money laundering have often been regulated through anti-money laundering (AML) frameworks. International standards, such as the Financial Action Task Force (FATF), recommend countries ensure these professionals fulfil a set of requirements related to client identification, checks on the source of funds and wealth, additional checks on politically exposed persons (PEPs), as well as measures to report suspicious transactions to relevant authorities (FATF 2012: 73, 90).

Mitigating the risks of high-risk activities conducted by these professionals requires, among others, consistent and effective regulation, and supervision of critical occupations (OECD 2021: 31). Guaranteeing the independence of supervisors and regulators and empowering them with the ability to sanction those who break the rules is imperative to stop illicit financial flows (Global Witness 2017).

## Supervisory bodies

The supervision of professionals involved in activities that could be abused for criminals to move and launder illicit funds varies significantly across countries.

For those professionals operating in the financial sector, prudential<sup>1</sup> and anti-money laundering supervision are important to ensure they fulfil their

---

<sup>1</sup> Prudential supervision, broadly construed, involves government regulation and monitoring of the banking system to ensure its safety and soundness (Mishkin 2002).

obligations. Supervision in this case is often carried out by the country's central bank and/or a dedicated financial supervisory body. Suspicious transactions reports are usually submitted directly to the country's financial intelligence unit (FIU) (FATF 2015: 5).

For professionals and businesses operating in the non-financial sector, including lawyers, accountants, corporate service providers, real estate agents, dealers in luxury good, among others, supervision can be carried out by different bodies, depending on a country's legal framework (FATF 2012: 19, 20, 24).

Existing international recommendations and principles call for the establishment of a set of regulatory and supervisory measures (FATF 2012: 23). Appropriate self-regulatory bodies or other supervisory bodies should be responsible for providing detailed regulations, guidelines, and training (FATF 2015: 31). These bodies should also ensure professionals comply with their obligations.

Countries have the prerogative to implement the framework that best responds to the money laundering risks and challenges they face. As many countries have opted for a legal and institutional approach, that focuses on professions rather than on the activities or services provided, supervision often gets scattered (RUSI 2018: viii, xii). Each specific profession may be supervised by a different body. In some cases, this body may be a government agency and in others a self-regulatory/professional association.

For example, in Canada, FINTRAC, the country's financial intelligence unit, is responsible for supervising the financial sector as well as

accountants, notaries and real estate agents (FINTRAC 2021a). In the UK, on the other hand, accountants can be supervised by 14 different professional bodies or by Her Majesty's Revenue and Customs (HMRC), solicitors by the Solicitors Regulation Authority and real estate agents by HMRC (TI UK 2015; FCA 2021a).

The inconsistent approach to supervision of professions may lead to several challenges. For example (FATF 2021: 61-63):

- a limited understanding of money laundering risks as different supervisory bodies have a fragmented understanding of the risks in a given sector or type of service
- risks of conflict of interest as professional associations might be less inclined to punish their peers
- lack of communication between supervising agencies as well as FIUs

When it comes to members of professional bodies, they could be formally regulated or guided through a code of conduct or a similar set of ethical obligations. Examples of such professional bodies could include a bar association or law society for lawyers, or chartered accountancy or international ethics and standards board for accountants (OECD 2021: 31). Such professional bodies are often in a position to receive suspicious transaction reports (STR) of their members' wrongdoing or unlawful conduct in the form of "red flags", and they may be able to apply sanctions (i.e., suspend or remove licences for businesses to legally trade, or expel members) (Martini 2017: 35, OECD 2021: 31).

### **Importance of appropriate supervision and regulation to address conflict of interest in tackling professional enablers: the case of India**

India set up a special task force in 2017 to identify and eradicate shell companies. This was done by performing data analytics on the information held by the three separate government departments (i.e., Ministry of Corporate Affairs, Income Tax Department and Unique Identification Authority). In the resulting crackdown on shell companies, close to 400 professional enablers were identified as responsible. This list of 400 professional enablers was then shared with the Institute of Chartered Accountants of India (ICAI) to take disciplinary actions against those on the list who were its members. However, due to conflicts of interest with members of ICAI, the disciplinary procedures were delayed and eventually never proceeded.

Previously, ICAI had been a self-regulating professional accounting body. However, the recently created National Financial Reporting Authority (NFRA) now acts as the oversight organisation for accounting and audit sectors. The NFRA is tasked with investigating matters of professional misconduct by chartered accountants or chartered accountancy firms, with the ability to impose penalties and debar the chartered accountant or firm for up to 10 years. As an independent regulator, the NFRA is now equipped to adequately review the conduct of the professional enablers identified by the Task Force on Shell Companies and take suitable disciplinary action, including debarring accountants found guilty of misconduct (OECD 2021: 25, 32).

## **U4 Anti-Corruption Helpdesk**

# Examples of supervision

## Canada

### Supervision of the financial sector

In the Canadian context, with respect to Federally Regulated Financial Institutions (FRFIs), including banks, trust companies and insurance companies, FINTRAC is the primary agency conducting AML/ATF assessments to ensure compliance with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (2000) since 2020. On the other hand, as part of the ongoing assessment of FRFI's regulatory compliance management frameworks, the Office of the Superintendent of Financial Institutions (OSFI) will focus on the "prudential implications" of the entities' AML/ATF compliance (OSFI 2020).

### Relevant guidance/material

- [Table of Guidelines](#) and [Table of Advisories](#) – OSFI maintains a bank of resources outlining what it considers are "best" or "prudent" practices for FRFIs to follow. [Standards of Sound Business and Financial Practices for Life Insurance Companies](#)

### Supervision of the non-financial sector

While FINTRAC and OSFI supervise both financial and non-financial sectors on a risk-sensitive basis, it is FINTRAC which "applies more intensive supervisory measures to DNFBPs" (FATF 2016a: 7).

---

<sup>2</sup> Lawyers are exempted from reporting suspicious transactions to FINTRAC by the Supreme Court of Canada in 2015. It declared this requirement unconstitutional as it put lawyers at risk of

Persons and entities defined as reporting entities under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) are supposed to report certain transactions to FINTRAC (FINTRAC 2021a). There are different criteria and reporting requirements that apply to different entities. For example, dealers in precious metals and stones (DPMS) must file a report with FINTRAC in the following situations (FINTRAC 2019):

- receipt of a total of CAN\$10,000 or more in cash from a single entity within 24 hours (even if the payment is done in parts)
- knowledge that a property/item in their possession or under their control is wholly or partially owned/controlled by a terrorist organisation
- when they have reasonable grounds to suspect that a transaction or an attempted transaction is related to a money laundering or terrorist financing offence

The entities covered<sup>2</sup> by FINTRAC supervision include (FINTRAC 2021b):

- [accountants](#)
- [agents of the Crown](#)
- [British Columbia notaries](#)
- [casinos](#)
- [dealers in precious metals and precious stones](#)
- [financial entities](#)
- [life insurance companies, brokers, and agents](#)
- [money services businesses](#)
- [real estate](#)
- [securities dealers](#)

unreasonable search and seizure or jail time if they refused to give up records and violated their solicitor-client privilege (Hager 2019).

---

## U4 Anti-Corruption Helpdesk

## Relevant guidance/material

- [compliance programme requirements \(2021\)](#)
- [risk assessment guidance \(2021\)](#)

## United Kingdom

### Supervision of the financial sector

The United Kingdom's AML/CFT regime is based on FATF's international standards. Under the country's money laundering regulations (MLR), the Treasury is responsible for appointing AML supervisors (HM Treasury 2018: 5).

The UK AML regime is considered a "patchwork" consisting of different supervisory bodies with varying regulatory standards, which could lead to a situation of "inadequate compliance with the rules by firms within sectors, low reporting of suspicions and poor-quality reporting" (TI UK 2015: 5).

The Financial Conduct Authority (FCA), operating as per the Financial Services and Markets Act 2000 (FSMA), regulates the financial services industry in the UK. Its role includes "protecting consumers, keeping the industry stable, and promoting healthy competition between financial service providers" (Gov.uk 2021). The FCA is the "conduct regulator for around 51,000 financial services firms and financial markets in the UK and the prudential supervisor for 49,000 firms, setting specific standards for around 18,000 firms". FCA is accountable to the UK Treasury and Parliament (FCA 2021a).

### Supervision of the non-financial sector:

Supervision of DNFBPs in the UK is largely through the professional bodies. If an entity is a member of any of the recognised UK professional

bodies, they are supervised via their membership or practicing certificate conditions (ATT n.d.). Also, it ought to be noted that UK firms can be regulated by more than one supervisory authority (depending on the sector of operation and membership of different professional bodies). In such circumstances, the appropriate supervisory authorities must share the information that is deemed necessary for the professional body to carry out their role as regulators. For example, the leading UK tax compliance professional body, Association of Taxation Technicians (ATT), even performs spot checks on those not registered with them to determine who is monitoring such tax advisers (ATT n.d.).

Looking at an example from the legal sector, the Inns of Court or "Inns" are professional membership associations for barristers in England and Wales. Usually working as non-academic societies providing collegiate and educational activities and support for barristers and students, Inns also include training in areas of "ethics, standards and values". Every barrister in Great Britain must be a member of an Inn before beginning the vocational element of their training for the bar (Bar Standards Board 2021).

The multitude of supervisors responsible for AML/CFT in the UK creates additional challenges as mentioned earlier. To counter this, the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) was created to supervise the various supervising bodies.

### Office for Professional Body Anti-Money Laundering Supervision (OPBAS)

The Office for Professional Body Anti-Money Laundering Supervision (OPBAS) is housed within the FCA. Given the wide variety of supervisors (listed below) for the accountancy and legal sectors,

---

## U4 Anti-Corruption Helpdesk

OPBAS was created in 2018 to facilitate cooperation and information sharing between the different supervisory bodies operating in the country. The OPBAS Regulations 2017 give OPBAS powers to ensure the professional body AML supervisors meet the standards required by the Money Laundering Regulations 2010. The body's key objectives are to (FCA 2021b):

- guarantee a robust and consistent high standard of supervision by the professional body AML supervisors (PBSs) overseeing the legal and accountancy sectors
- facilitate cooperation and information and intelligence sharing between statutory supervisors and law enforcement agencies.

OPBAS maintains a [Sourcebook for professional body anti-money laundering supervisors](#) to guide professional body AML supervisors on how they can meet their obligations (FCA 2021b).

The following legal and accountancy professional body supervisors are overseen by OPBAS<sup>3</sup> (FCA 2021b):

Accountancy:

- Association of Accounting Technicians
- Association of Chartered Certified Accountants
- Association of International Accountants
- Association of Taxation Technicians
- Chartered Institute of Management Accountants
- Chartered Institute of Taxation
- Institute of Certified Bookkeepers

---

<sup>3</sup> These professional bodies are within the OPBAS's jurisdiction to supervise.

<sup>4</sup> As mentioned earlier, OPBAS supervises the professional body supervisors, hence, it does not

- Institute of Chartered Accountants in England and Wales
- Institute of Chartered Accountants in Ireland
- Institute of Chartered Accountants of Scotland
- Institute of Financial Accountants
- International Association of Bookkeepers
- Insolvency Practitioners Association

Legal:

- Chartered Institute of Legal Executives/CILEX Regulation
- Council for Licensed Conveyancers
- Faculty of Advocates
- Faculty Office of the Archbishop of Canterbury
- General Counsel of the Bar/Bar Standards Board
- General Counsel of the Bar of Northern Ireland
- Law Society / Solicitors Regulation Authority
- Law Society of Northern Ireland
- Law Society of Scotland

It also ought to be noted that OPBAS does not supervise<sup>4</sup> (FCA 2021b):

- members of professional bodies (i.e., firms, accountants and solicitors, or any other type of business subject to AML standards)
- statutory AML supervisors such as the Gambling Commission and HM Revenue and Customs
- any activity carried out by professional body supervisors beyond the UK's borders

directly regulate professionals from different sectors directly. Moreover, it does not regulate statutory supervisors as well.

- the competence of any tasks performed by professional body supervisors unrelated to AML supervision (for example, oversight of their members' controls over other types of financial crime, i.e., fraud prevention, improving data security, etc.)

#### Relevant guidance/material

#### [Sourcebook for professional body supervisors on anti-money laundering supervision \(2018\)](#).

The sourcebook standards apply to all the aforementioned bodies that come under the mandate of OPBAS. Calling for precise allocation of responsibility, evidence of senior management's active involvement, separation of advocacy and investigative functions, and procedures for handling conflict of interest, among others, the sourcebook lists examples of good and poor practices.

#### [HM Revenue and Customs and HM Treasury. Anti-money laundering supervision: detailed information \(2021\)](#)

The two bodies offer an online repository for reporting, guidance, and any other support with AML supervision. A few guidance pieces for different professions from the repository are as follows:

- [anti-money laundering guidance for the accountancy sector \(2018\)](#)
- [art market participants guidance for money laundering supervision \(2020\)](#)
- [estate agency business guidance for money laundering supervision \(2014, updated 2021\)](#)

<sup>5</sup> Allowing for the accounts of suspected terrorists or other criminals with credit institutions registered in Germany to be identified and for information to be passed on to the corresponding

- [high-value dealer guidance for money laundering supervision \(2010, updated 2020\)](#).
- [money service business guidance for money laundering supervision \(2014, updated 2020\)](#)
- [trust or company service provider guidance for money laundering supervision \(2010, updated 2020\)](#)

## Germany

### Supervision of the financial sector

An independent institution created by public law, the Federal Financial Supervisory Authority (BaFin) is accountable to the German Federal Ministry of Finance. The body encompasses supervision of banks and financial services providers, insurance undertakings and securities trading (BaFin 2021a).

All AML responsibilities have been with the Department for the Prevention of Money Laundering within BaFin since 2003. The department undertakes AML supervision of all institutions, companies and persons specified by the Geldwäschegesetz – GwG (Money Laundering Act). It also monitors the implementation of statutory regulations to prevent criminal offences related to MLR (BaFin 2021b).

Some of BaFin's AML strategies include employing simplified and enhanced due diligence measures, establishing an electronic account retrieval system,<sup>5</sup> and promoting international knowledge sharing and cooperation (BaFin 2021b).

authority making the request (particularly law enforcement agencies).

## U4 Anti-Corruption Helpdesk

Supervisory and professional bodies dealing with professional enablers of IFFs



Inaugurated in 2019, the Anti-Financial Crime Alliance (AFCA) operates in Germany at the federal level. It is a partnership between BaFin, the Federal Criminal Police Office (BKA) and “obliged entities” from the banking sector as a part of a broader FIU umbrella initiative. This arrangement allows for a strategic exchange of information between “obliged entities” in the private sector and the authorities tasked with AML prevention and law enforcement (BMF 2020: 10).

According to the German Federal Ministry of Finance (BMF) (2020), in the future, “subject- and sector-specific working groups can be established under AFCA’s umbrella. There are plans to include obliged entities and Länder<sup>6</sup> representatives from the DNFBP sector” (BMF 2020: 11).

#### Relevant guidance/material

**Guideline on carrying out and ensuring the quality of the ongoing monitoring of credit and financial services institutions by the Deutsche Bundesbank (2013, updated 2016).**

Since BaFin and the Deutsche Bundesbank share banking supervision in Germany, the guidelines highlight the functions and roles and responsibilities for each institution.

#### Supervision of the non-financial sector

Professionals providing services that offer risks of money laundering are regulated under the German anti-money laundering law (Geldwäschegesetz – GwG). Their supervision falls under the responsibility of different bodies. Depending on the profession, the responsibility lies with a federal or a

regional body that can be either a state body or a professional association.

The Rechtsanwaltskammer are bar associations incorporated under public law. There are a total of 28 bar associations in Germany. The bar association plays a supervisory role by being responsible for compliance of their members with the laws (Berufsrecht) relevant to their profession. Apart from performing its main functions of admitting lawyers to the bar, the association also has a supervising AML compliance role along with powers to sanction members for offences under the prescribed money laundering laws (Anwaltzentrale 2021).

The Bundesnotarkammer acts at the professional body for notaries in Germany and delineates AML as a top priority area for notaries. Anti-money laundering supervision of notaries, however, is carried out by the president of regional courts (Präsidenten der Landgerichte) (§ 50 Nr. 3 - 5 GwG<sup>7</sup>). When it comes to suspicious transaction reports, notaries are supposed to report any fact related to money laundering to the financial intelligence unit (Bundesnotarkammer 2021).

The supervision of real estate agents when they engage in activities considered to be at risk of money laundering is the responsibility of each German State according to the money laundering act (§ 50 Nr. 9 GwG). The responsibility is usually with regional departments/ministries. For instance, in Berlin, anti-money laundering supervision of real estate agents is the responsibility of the Department for Economics, Energy and Public Enterprises (Senatsverwaltung für Wirtschaft, Energie und Betriebe). In the context of Berlin, this particular department is also

---

<sup>6</sup> States/Province

<sup>7</sup> Money Laundering Act: Aufspüren von Gewinnen aus schweren Straftaten (Geldwäschegesetz – GwG)

§ 50 Zuständige Aufsichtsbehörde.

the competent supervisory authority for goods traders, art agents and art storekeepers; insurance intermediaries; service providers for companies and trust property and trustees; and financial companies (Senatsverwaltung für Wirtschaft, Energie und Betriebe 2021).

Accountants are supervised by the Chamber of Public Accountants (Wirtschaftsprüferkammer – WPK), a self-regulatory body. The chamber is supervised by the Federal Ministry of Economic Affairs and Energy to ensure that the body carries out its duties and adheres to laws and charters (Wirtschaftsprüferkammer 2021).

## United States

### Supervision of the financial sector

One of the world's top financial intelligence units (FIU), the Financial Crimes Enforcement Network (FinCEN), employs the idea of “following the money” to guide its core activities. FinCEN performs its major functions by collecting and maintaining financial transactions data; evaluating and distributing that data to aid law enforcement, and actively cooperating with counterpart organisations in different national contexts as well as with international bodies (FinCEN n.d.). However, it ought to be noted that financial institutions which are not federal in nature are supervised by the competent authorities in their respective states (Congressional Research Service 2020: 24).

FinCEN works closely with the Bank Secrecy Act Advisory Group to issue both public and confidential advice on IFFs trends and risks (FATF 2021c: 78). Apart from FinCEN, it ought to be noted that other US federal financial regulators, such as the federal banking agencies (Securities and Exchange Commission and Commodity

Futures Trading Commission) and self-regulatory organisations, also issue guidance on ML/TF risks for the FIs that they supervise (FATF 2021c: 78, 79). Recent efforts to set up public-private partnerships involving various entities (individuals and businesses) have contributed to higher quality reporting of suspicious activity, thereby assisting supervisors in delineating current IFF trends (FATF 2021c: 78).

### Supervision of the non-financial sector:

When it comes to AML, casinos and precious metals/jewellery industry are the few DNFBPs fully supervised by FinCEN. Key professions such as lawyers, accountants, real estate agents are not subject to AML laws and therefore not under supervision (FATF 2016b: 137).

### Relevant guidance/material

[Frequently asked questions regarding customer due diligence \(CDD\) requirements for covered financial institutions – the entities that this guidance is directed at include](#) (2020):

- depository institutions
- money services businesses
- securities and futures

[Answers to frequently asked questions regarding suspicious activity reporting and other anti-money laundering considerations](#) (2021) - the entities this guidance is directed at include:

- casinos
- depository institutions
- insurance industry
- money services businesses
- mortgage company/broker
- precious metals/jewellery industry
- securities and futures

---

## U4 Anti-Corruption Helpdesk

Supervisory and professional bodies dealing with professional enablers of IFFs

Frequently asked questions regarding customer due diligence requirements for financial institutions (2018) – the institutions covered are:

- depository institutions
- securities and futures

Interim final rule for dealers of precious metals, stones, or jewels.

## European Union (EU)

In the context of the EU, it is the European Commission (EC), working along with the three European supervisory authorities (ESA) (i.e., the European Banking Authority – EBA, the European Insurance and Occupational Pensions Authority – EIOPA and the European Securities and Markets Authority – ESMA) that sets out to implement the

EU AML/CFT directives and perform supervisory functions. A joint ESA committee on AML/CFT issues guidelines for national supervisory authorities that are a part of the EU (EC 2021c).

Anti-money laundering supervision of the financial and non-financial professionals operating in EU countries falls under the responsibility of each Member state. However, in recent years, there have been increased concerns that different approaches to supervision adopted by Member states combined with different capacities across supervisory bodies could be harming the union’s ability to stop illicit funds from entering the region (Binder 2021; Transparency International 2021).

To improve anti-money laundering supervision across the European Union, the European Commission submitted in July 2021 to the EU

### Other illustrative country cases of professional enablers’ supervision

Singapore’s Anti-Money Laundering/Countering the Financing of Terrorism Division (ACD) working with the private sector: for enhanced supervision, ACD has been working with Industry Associations to continue to inform and raise the precious stone and precious metal dealer (PSMD) sector’s ML/TF risk awareness. IAs themselves are comprised of diverse sub-sectors within the PSMD sector, such as jewellery retailers, watch dealers, diamond dealers and bullion traders (FATF 2021c: 88, 89)

Mexican Supervisors “SupTech”<sup>1</sup> Inspection Tool: FI supervisors began using a SupTech tool during inspection visits to gather various operational information from regulated entities (databases of clients and transactions, alerts, reports). The tool enabled supervisors to validate this information in a matter of hours instead of days through application programming interfaces. By using machine learning to identify risk patterns and unusual scenarios based on risk criteria set by supervisors, the tool has helped generate supervisory recommendations to optimise the warning systems of the regulated entities (FATF 2021c: 76)

Tunisia’s use of blockchain to assess cross-border cash transportation risks and target supervision of entities: known as “Hannibal”, the national platform using blockchain technology, stores, and analyses data from the Tunisian FIU, the central bank, customs, and the Ministry of Interior in partnership with the private sector (banks and currency exchange offices). The platform produces dynamic dashboards to improve analysis of ML/TF risks related to cross-border cash transportation (FATF 2021c: 77).

## U4 Anti-Corruption Helpdesk

Supervisory and professional bodies dealing with professional enablers of IFFs

Parliament and Council a package proposing a series of measures. Among other things, the European Commission is proposing the establishment of a new anti-money laundering agency with powers to directly supervise certain financial institutions, according to their risk profile, as well as to supervise national level supervisory authorities (Transparency International 2021; European Commission 2021a).

When it comes to the non-financial sector, the package includes an amendment to the EU anti-money laundering directive to address the supervision of professionals with anti-money laundering obligations. According to the proposal, “where a member State confers anti-money laundering supervision of certain obliged entities to a self-regulatory body (SRB), there must be oversight of the SRB by a public authority, with the aim of ensuring that the SRB carries out its tasks to the highest standard. The oversight body must have adequate powers, including the power to obtain information, and will publish an annual report on its activity and on the supervisory activities of the SRBs under its oversight” (European Commission 2021b: 10, 11). This supervision is set to be done by a “dedicated EU supervisor”, with a sharpened focus on the non-financial sector, in addition to the management of FIs (Binder 2021).

### Relevant guidance/material

[Joint guidelines under Articles 17 and 18\(4\) of directive \(EU\) 2015/849 on simplified and enhanced customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions](#) (2018)

[Communication on strengthening the Union framework for prudential and anti-money laundering supervision](#) (2018)

[EBA guidelines on customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions](#) (“The ML/TF Risk Factors Guidelines”) under Articles 17 and 18(4) of Directive (EU) 2015/849 (2021)

[List of authorities designated as competent for the AML/CFT supervision of financial institutions in the EU](#) (2021)

## Guidance by international professional bodies

A scan of resources in the public domain shows that the mandate, functions, and jurisdictions of professional bodies dealing with DNFBPs largely depend on the context and are therefore sporadic. A few examples of professional organisations, as well as the guidance they offer are as follows:

### International Federation of Accountants (IFAC)

The IFAC is the main global consortium for the accountancy profession. It has 180 professional accountancy organisations spread across 135 countries and jurisdictions (IFAC 2021a). Regulation and supervision functions at the IFAC are carried out by members’ (CIMA 2020):

- adherence to ethical standards set by IFAC’s International Ethics Standards Board for Accountants (IESBA)
- participation in the IFAC member body compliance programme

---

## U4 Anti-Corruption Helpdesk

Supervisory and professional bodies dealing with professional enablers of IFFs

- compliance with IFAC’s statements of membership obligations (SMOs)

#### Relevant guidance/materials

- [Anti-money laundering, the basics: Installment 1 - introduction to anti-money laundering for professional accountants \(2020\)](#)
- [Anti-money laundering, the basics: Installment 2 – a risk-based approach \(2020\)](#)
- [Anti-money laundering, the basics: Installment 3 – company formation \(2020\)](#)
- [Anti-money laundering, the basics: Installment 4 – asset transfers \(2021\)](#)
- [Anti-money laundering, the basics: Installment 5 – tax advice \(2021\)](#)
- [Anti-money laundering, the basics: Installment 6 - businesses in difficulty \(2021\)](#)
- [Approaches to beneficial ownership transparency: The global framework and views from the accountancy profession \(2019\)](#)

#### International Bar Association (IBA)

The IBA comprises more than 80,000 individual international lawyers and 190 bar associations and law societies covering over 170 countries (IBA 2021a). The Regulation of Lawyers’ Compliance Committee focuses on the supervision of law firms in the areas including but not limited to (IBA 2021b):

- anti-money laundering
- sanctions
- bribery and corruption
- engagement letters and terms of business in a multijurisdictional context
- conflicts and confidentiality

- insider dealing and market abuse procedures
- outside business interests
- managing licensing, registration, and practice requirements – lawyer and entity level
- complaints and claims handling
- audit programmes
- regulatory notices or requests for disclosure
- risk management training
- managing regulator audits and practice visits
- internal investigations and external reporting

#### Relevant guidance/materials:

- [IBA Anti-Money Laundering Forum](#) – it gives lawyers guidance on the AML regimes in different jurisdictions (and their direct or indirect applicability to legal professionals).
- [IBA Legal Regulators’ Directory](#) – a comprehensive list of organisations responsible for regulating the legal profession around the world. The directory may be helpful in checking qualifications or disciplinary records of lawyers from other countries and for lawyers and law firms interested in cross-border working.
- [IBA and OECD Report of the Task Force on the Role of Lawyers and International Commercial Structures](#) – lists a Statement of Principles on conduct recommending them to national bar associations and law societies.

---

#### U4 Anti-Corruption Helpdesk

Supervisory and professional bodies dealing with professional enablers of IFFs

## International Association of Insurance Supervisors (IAIS)

IAIS is a voluntary membership association of insurance supervisors and regulators from more than 200 jurisdictions, forming 97% of the world's insurance premiums. It is the global standard-setting organisation that develops and supports the implementation of principles and standards to aid the insurance sector's supervision (IAIS 2020).

### Relevant guidance/material

[Guidance paper on the treatment of non-regulated entities in group-wide supervision](#) (2010)

## International Real Estate Federation (FIABCI)

Operating primarily as an international business networking organisation for real estate professions across the world, FIABCI is a member of the International Ethics Standards Coalition and cites compliance with the ten principles of the UN Global Compact (number 10 of which deals with anti-corruption) (FIABCI 2018).

## International Organisation of Securities Commissions (IOSCO)

IOSCO brings together securities regulators from across the world. The international body develops, implements, and promotes the observance of recognised standards for securities regulation. Its membership regulates more than 95% of the global securities markets in over 130 jurisdictions.

### Relevant guidance/material

- [Guidelines to emerging market regulators regarding requirements for minimum entry](#)

---

<sup>8</sup> American Bar Association, American College of Trust and Estate Counsel, Federation of Law Societies of Canada, Conseil National des Barreaux, Federation

[and continuous risk-based supervision of market intermediaries](#) (2009)

- [Anti-money laundering guidance for collective investment schemes](#) (2005)
- [Issues, risks, and regulatory considerations relating to crypto-asset trading platforms](#) (2020)

## Council of Bars and Law Societies of Europe (CCBE)

A non-profit body for legal professionals, the CCBE's membership comprises of bar associations and law societies from 45 countries from the European Union, the European Economic Area, and wider Europe (CCBE 2016). It hosts a repository of [professional regulations](#) consisting of codes of conduct and ethics from various European jurisdictions.

It ought to be noted here that the several international legal professional bodies<sup>8</sup>, including the CCBE, have expressed concerns that in the effort to stamp out money-laundering, the values recognised in international and constitutional laws of professional confidentiality and trust and independence of the bar are not receiving adequate consideration" (ABA et al. 2003).

## European Association of Real Estate Professionals (CEPI)

CEPI is a non-profit organisation with its members being national associations for estate agents and property managers that operate in Europe (CEPI 2021a). With AML being one of the three priority areas for CEPI, the organisation recognises the importance of AML rules in tackling criminal

of European Bars, Fédération Suisse des Avocats, Japan Federation of Bar Associations, and Self-regulatory organisation of Swiss lawyers and notaries.

---

## U4 Anti-Corruption Helpdesk

Supervisory and professional bodies dealing with professional enablers of IFFs

activity in the real estate sector. In this regard, CEPI's works towards (CEPI 2021b):

- implementing EU level AML/CFT laws
- providing guidance to member associations on AML rules and best practices
- supporting the real estate sector with the evaluation of risk scenarios concerning money laundering

### The Wolfsberg Group

Comprised of 13 global banks, the Wolfsberg Group endeavours to build frameworks and guidance to manage financial crime risks, especially Know Your Customer and AML/CFT (Wolfsberg Group 2018). The banks making up the group include (Wolfsberg Group 2018):

- Banco Santander
- Bank of America
- Barclays
- Citigroup
- Credit Suisse
- Deutsche Bank
- Goldman Sachs
- HSBC
- J.P. Morgan Chase
- MUFG Bank
- Société Générale
- Standard Chartered Bank
- UBS

### Relevant guidance/material

- [Wolfsberg Group tax evasion guidance \(2019\)](#)
- [Wolfsberg Group trade finance principles \(2019\)](#)
- [Wolfsberg Group sanctions screening Guidance \(2019\)](#)

- [Wolfsberg Group SWIFT relationship management application due diligence guidance \(2016\)](#)
- [Wolfsberg anti-money laundering principles for correspondent banking \(2014\)](#)

## Other resources

### Financial Action Task Force (FATF)

An inter-governmental body established by the 1989 G7 Summit in Paris, the Financial Action Task Force (FATF), acts as the “global money laundering and terrorist financing watchdog” with a critical responsibility to develop international standards for AML/CFT (FATF 2021a; IMF 2021).

FATF's goals include setting standards and promoting the adequate implementation of legal, regulatory, and operational rules for countering money laundering, terrorist financing and other associated threats to the international financial system's integrity (FATF 2021b).

### Relevant guidance/material

#### [FATF guidance for a risk-based approach: supervisors \(2021\)](#)

The 2021 FATF guidance explicitly for AML supervisors delineates a risk-based approach to their activities according to the FATF Standards. The high-level guidance does not call for specific supervisory institutional frameworks, instead, it states that jurisdictions should tailor AML regimes to suit the milieu (FATF 2021c: 7).

The guidance highlights specific characteristics of a practical risk-based supervisory framework such as:

---

## U4 Anti-Corruption Helpdesk

- informed by national laundering (ML)/terrorism financing (TF) assessments, these supervisory bodies build and sustain sound knowledge of ML/TF risks at the sectoral and entity level
- produce and implement a supervisory strategy that focuses on higher or emerging ML/TF risks, simultaneously ensuring that proper, risk-based strategies are in place to address lower risks effectively without affecting services
- positively influence entities' behaviour by making sure that they have effective AML/CFT policies in place and providing targeted feedback and guidance for recognised risks
- monitor the evolving risk environment and be alert to recognise emerging risks and respond promptly
- have adequate expertise, powers, discretion, and tools needed to perform its functions
- coordinate with other responsible authorities when relevant, including but not limited to FIUs, law enforcement agencies and other supervisory bodies, as well as its international equivalents.

### **FATF's risk-based approach guidance for different sectors**

FATF provides risk-based approach sectoral guidance on (covering both financial entities as well as DNFBPs):

- [legal professionals](#) (2019)
- [accountants](#) (2019)
- [virtual assets and virtual asset service providers](#) (2019)
- [trust and company service providers](#) (2019)
- [securities](#) (2018)

- [life insurance](#) (2018)
- [money or value transfer services](#) (2016)
- [virtual currencies](#) (2015)
- [banking sector](#) (2014)
- [prepaid cards, mobile payments, and internet-based payment services](#) (2013)
- [casinos](#) (2008)
- [dealers in precious metals and stones](#) (2008)
- [real estate agents](#) (2008)

### **FATF guidance on effective supervision and enforcement by AML/CFT: supervisors of the financial sector and law enforcement (2015)**

It explains the characteristics of an effective supervisory system, intending to improve countries' knowledge on relevant FATF requirements by listing best practices and offering illustrative case examples.



## References

Anwaltzentrale. 2021. [Rechtsanwaltskammern in Deutschland](#).

Association of International Certified Professional Accountants (CIMA). 2020. [IFAC](#).

Association of Taxation Technicians (ATT). No Date. [Other Supervisory Bodies](#).

Australian Transaction Reports and Analysis Centre (AUSTRAC). 2021. [AUSTRAC overview](#).

Bar Standards Board. 2021. [Joining an Inn](#).

Binder, E. 2021. [Anti-Money Laundering Package 2021](#). European Parliament Think Tank.

Congressional Research Service. 2020. [Who Regulates Whom? An Overview of the U.S. Financial Regulatory Framework](#).

Duri, J. 2020. [Professional enablers of economic crime during crises](#). Transparency International.

European Association of Real Estate Professionals (CEPI). 2021a. [The association](#).

European Association of Real Estate Professionals (CEPI). 2021b. [Anti-Money Laundering](#).

European Commission (EU). 2018. [Preventing money laundering and terrorist financing across the EU. How does it work in practice?](#)

European Commission. 2021a. [Anti-money laundering and countering the financing of terrorism legislative package](#).

European Commission. 2021b. [Directive of the European Parliament and of The Council on the mechanisms to be put in place by the Member States for the prevention of the use of the financial](#)

[system for the purposes of money laundering or terrorist financing and repealing Directive \(EU\) 2015/849](#)

European Commission. 2021c. [Executive summary of the Impact Assessment](#).

Federal Financial Supervisory Authority (BaFin). 2021a. [About BaFin](#).

Federal Financial Supervisory Authority (BaFin). 2021b. [Prevention of Money Laundering and Terrorist Financing](#).

Federal Financial Supervisory Authority (BaFin). 2021c. [Supervisory Priorities for 2021](#)

Financial Action Task Force (FATF). 2008. [Guidance on the Risk-Based Approach for Casinos](#).

Financial Action Task Force (FATF). 2008. [RBA Guidance for Dealers in Precious Metal and Stones](#).

Financial Action Task Force (FATF). 2008. [RBA Guidance for Real Estate Agents](#).

Financial Action Task Force (FATF). 2012. [International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation](#).

Financial Action Task Force (FATF). 2013. [Guidance for a Risk-Based Approach: Prepaid Cards, Mobile Payments and Internet-Based Payment Services](#).

Financial Action Task Force (FATF). 2014. [Guidance for a Risk-Based Approach: The Banking Sector](#).

Financial Action Task Force (FATF). 2015a. [Guidance for a Risk-Based Approach to Virtual Currencies](#).

---

### U4 Anti-Corruption Helpdesk

Supervisory and professional bodies dealing with professional enablers of IFFs

- Financial Action Task Force (FATF). 2015b. [Guidance for a Risk-Based Approach Effective Supervision and Enforcement by AML/CFT Supervisors of the Financial Sector and Law Enforcement.](#)
- Financial Action Task Force (FATF). 2016a. [Mutual Evaluation Report Canada - 2016](#)
- Financial Action Task Force (FATF). 2016b. [Anti-Money Laundering and Counter-Terrorist Financing Measures United States Mutual Evaluation Report.](#)
- Financial Action Task Force (FATF). 2016c. [Guidance for a Risk-Based Approach: Money or Value Transfer Services.](#)
- Financial Action Task Force (FATF). 2018. [Professional Money Laundering.](#)
- Financial Action Task Force (FATF). 2021a. [Who We Are.](#)
- Financial Action Task Force (FATF). 2021b. [What We Do.](#)
- Financial Action Task Force (FATF). 2021c. [Guidance for a Risk-Based Approach: Supervisors.](#)
- Financial Conduct Authority (FCA). 2021. [About the FCA.](#)
- Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). 2019. [Operational Brief: Risks and Indicators for Dealers in Precious Metals and Stones.](#)
- Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). 2021a. [Guidance.](#)
- Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). 2021b. [Reporting Entities.](#)
- Global Witness. 2017. [How to Tackle the Professional Enablers of Corruption.](#)
- Hartmann, T. 2020. [Germany's Regulators Calls Non-Financial Sector on AML Duties.](#) Shield.
- Hearst, E. 2021. [Special report: Who Will Lead the AML supervision of Europe's 2M Non-Financial Businesses \(DNFBPs\)? Europe's Banks Don't Think It Should Be the Proposed New AML Supremo.](#) AML Intelligence.
- HM Revenue & Customs and HM Treasury. 2021. [Anti-Money Laundering Supervision: Detailed Information.](#)
- Immobilienverband Deutschland IVD Bundesverband der Immobilienberater, Makler, Verwalter und Sachverständigen e.V. (IVD). No Date. [The IVD – A Strong Community for International Members.](#)
- Immobilienverband Deutschland IVD Bundesverband der Immobilienberater, Makler, Verwalter und Sachverständigen e.V. 2012. [Position of the IVD Real Estate Association on the Amendment of the EU Money Laundering Directive Submitted to the European Commission and the European Parliament within the Context of the Revision of the Money Laundering Directive.](#)
- International Bar Association (IBA). 2021. [About the IBA.](#)
- International Federation of Accountants (IFAC). 2021a. [Who We Are.](#)
- International Federation of Accountants (IFAC). 2021b. [Ikatan Akuntan Indonesia.](#)

---

#### U4 Anti-Corruption Helpdesk

International Monetary Fund (IMF). 2021. [IMF and the Fight Against Money Laundering and the Financing of Terrorism](#).

International Real Estate Federation (FIABCI). 2018. [Who We Are](#)

Malaysian Institute of Accountants (MIA). 2021. [Malaysian Institute of Accountants](#).

Martini, M. 2017. [DOORS WIDE OPEN: Corruption and Real Estate in Four Key Markets](#). Transparency International.

Mishkin, F., S. 2002. [Prudential Supervision. Why Is It Important and What Are the Issues?](#)

New Zealand Law Society. 2021. [Law Firm Issued Formal Warning for Non-Compliance with Anti-Money Laundering Legislation](#).

OECD. 2019. [Money Laundering Awareness Handbook for Tax Examiners and Tax Auditors](#).

OECD. 2021. [Ending the Shell Game: Cracking Down on the Professionals Who Enable Tax and White-Collar Crimes](#).

OECD. No Date. [Policy Coherence in Combating Illicit Financial Flows: PCSD Thematic Module DRAFT](#).

Office of the Superintendent of Financial Institutions (OSFI). 2020. [Update and Consultation on OSFI's Activities on Anti-Money](#)

[Laundering/Anti-Terrorist Financing \(AML/ATF\) Supervision](#).

Office of the Superintendent of Financial Institutions (OSFI). No Date. [Who We Regulate](#).

Owen, T. and Russ, N. 2020. [Observations from Recent AML/CFT Audits: What Have We Learned?](#)

Rahman, K. and Duri, J. 2020. [Overview of International Fraud Operations Relating to Corruption](#). Transparency International.

Transparency International United Kingdom (TI UK). 2015. [Don't Look, Won't Find. Weaknesses in the Supervision of the UK's Anti-Money Laundering Rules](#).

Transparency International. 2021. [Proposal to Create EU Agency to Supervise Banks is a Major Step Towards Ending Decades-Long Abuse](#).

UK's Office for Professional Body Anti-Money Laundering Supervision (OPBAS). 2021. [OBPAS Source Book](#).

UN Global Compact. No Date. [The Ten Principles of the UN Global Compact](#).

Wirtschaftsprüferkammer. 2021. [Leitbild der Wirtschaftsprüferkammer](#).

## **DISCLAIMER**

All views in this text are the author(s)' and may differ from the U4 partner agencies' policies.

## **PARTNER AGENCIES**

GIZ/BMZ (Germany), Global Affairs Canada, Ministry for Foreign Affairs of Finland, Danida (Denmark), Sida (Sweden), SDC (Switzerland), Norad (Norway), FCDO (UK).

## **ABOUT U4**

The U4 anti-corruption helpdesk is a free research service exclusively for staff from U4 partner agencies. This service is a collaboration between U4 and Transparency International (TI) in Berlin, Germany. Researchers at TI run the helpdesk.

The U4 Anti-Corruption Resource Centre shares research and evidence to help international development actors get sustainable results. The centre is part of Chr. Michelsen Institute (CMI) in Bergen, Norway – a research institute on global development and human rights.

[www.U4.no](http://www.U4.no)

[U4@cmi.no](mailto:U4@cmi.no)

## **KEYWORDS**

Professional Enablers – Supervisory Bodies – Professional Bodies – Illicit Financial Flows (IFFs) – Anti-Money Laundering (AML)

## **OPEN ACCESS**

We apply a Creative Commons licence to our publications: CC BY-NC-ND 4.0.

