Title: Office for Professional Body AML Supervision (OPBAS) **IA No:** Not applicable **RPC Reference No:** RPC-4007(1)-HMT **Lead department or agency:** HM Treasury **Other departments or agencies:** Financial Conduct Authority (FCA)	**Impact Assessment (IA)** **Date:** 01/09/2017 **Stage:** Final **Source of intervention: EU** **Type of measure: Secondary legislation** **Contact for enquiries:** Mark Frost

Summary: Intervention and Options

RPC Opinion: Green

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANDCB in 2014 prices)	**One-In, Three-Out**	**Business Impact Target Status**
-18.58	-18.58	1.9	Not in scope	Non qualifying provision

What is the problem under consideration? Why is government intervention necessary?

There are vulnerabilities in the UK's Anti-Money Laundering (AML) supervisory regime. Several weaknesses were highlighted in the UK's 2015 National Risk Assessment (NRA15), including scope for improvement in understanding and applying a risk based approach and providing a credible deterrent. Government intervention is considered necessary to address these weaknesses and ensure the UK is a hostile environment for illicit finance. The government committed to reform the supervisory regime in April 2016 and launched a Call for Information. The proposed policy is the outcome of that Call for Information, and two further consultations. Ensuring effective supervision is also necessary for compliance with Article 48 of EU 2015/849 (the Fourth Money Laundering Directive or 4MLD).

What are the policy objectives and the intended effects?

The government's objective is to address weaknesses in AML supervision (ensuring compliance with 4MLD) whilst minimising unnecessary burdens on business. To achieve this, the FCA will take on a new role – the Office of Professional Body AML Supervision (OPBAS) overseeing the 22 professional body AML supervisors (PBSs) that supervise the accountancy and legal sectors' compliance with the Money Laundering Regulations (MLRs). The intended effects include improved AML supervisory standards; more open collaboration and sharing of best practice; and improved collaboration among supervisors and with law enforcement.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Two options are considered:

1. Do nothing.
2. Legislate to provide FCA with a new role overseeing the AML supervision of the 22 PBSs in the accountancy and legal sectors.

Option 2 is the preferred option. It will address the vulnerabilities in the supervisory regime highlighted by the NRA15 and ensure the UK complies with Article 48 of 4MLD, whilst retaining the benefits of AML supervision. It is considered the simplest and most cost effective method of achieving the policy objective.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 12/2022

Does implementation go beyond minimum EU requirements?	No			
Are any of these organisations in scope?	**Micro** No	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)	**Traded:** n/a	**Non-traded:** n/a		

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: ***Date:*** 02/10/17

Summary: Analysis & Evidence

Policy Option 1

Description: Do Nothing

FULL ECONOMIC ASSESSMENT

Price Base Year 2017	PV Base Year 2017	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 0	**High: 0**	**Best Estimate: 0**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	0		0	**0**
High	0		0	**0**
Best Estimate	0		0	**0**

Description and scale of key monetised costs by 'main affected groups'

No change from baseline.

Other key non-monetised costs by 'main affected groups'

No change from baseline.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	0		0	**0**
High	0		0	**0**
Best Estimate	0		0	**0**

Description and scale of key monetised benefits by 'main affected groups'

No change from baseline.

Other key non-monetised benefits by 'main affected groups'

No change from baseline.

Key assumptions/sensitivities/risks **Discount rate** 3.5%

The weaknesses in the supervisory regime identified in the NRA15 will persist and the UK's defences against money laundering will not improve. The UK will not be compliant with Article 48 of 4MLD.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			**In scope of OIOO?**	**Measure qualifies as**
Costs: 0	**Benefits:** 0	**Net: 0**	No	NA

Summary: Analysis & Evidence — Policy Option 2

Description: Legislate to help, and ensure, PBSs comply with their obligations in the MLRs

FULL ECONOMIC ASSESSMENT

Price Base Year 2017	PV Base Year 2017	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -18.7	**High: -18.5**	**Best Estimate: -18.6**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	0.9	3	2.1	**18.5**
High	0.9		2.1	**18.7**
Best Estimate	0.9		2.1	**18.6**

Description and scale of key monetised costs by 'main affected groups'

OPBAS will be funded by a fee on the 22 PBSs. The FCA's latest model suggests that OPBAS will cost c£2m p.a. when operational and in steady state.
The 22 PBSs will also incur a familiarisation cost if they need to adapt their supervisory approach to meet OPBAS's best practice and they will incur ongoing costs from engaging with OPBAS.
7 of the 22 PBSs may incur costs from participating in information sharing initiatives SIS and FINNET.

Other key non-monetised costs by 'main affected groups'

If PBSs do not comply with their obligations in the MLRs, OPBAS will be able to issue publicly censure them, and ultimately recommend HMT removes them from their responsibility as an AML supervisor. The costs that PBSs may incur due to these possible actions are not included. For the purposes of this Impact Assessment, all PBSs are assumed to comply with their obligations in the MLRs voluntarily.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	0.0	-	0.0	**0.0**
High	0.0		0.0	**0.0**
Best Estimate	0.0		0.0	**0.0**

Description and scale of key monetised benefits by 'main affected groups'

It is not possible to monetise the benefits of this option with the available data.

Other key non-monetised benefits by 'main affected groups'

- PBSs will benefit from OPBAS improving information sharing and increasing collaboration, therefore enabling them to target their resources more effectively.
- Regulated businesses and their customers will benefit from supervisors taking a more risk-based approach, and having more consistent standards and expectations.
- There will also be a benefit to the wider economy as stronger supervision reduces economic crime.

Key assumptions/sensitivities/risks — **Discount rate** 3.5%

The creation of OPBAS will alter the framework of the AML regime, which may lead to some PBSs leaving, or being removed from, the regime and their members moving to other supervisors. Accountants could move to another accountancy professional body or to HMRC. In the legal sector, the government continues to explore options, and will ensure an organisation stands ready to supervise legal services providers should the need arise.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m: NA
Costs: 1.9	**Benefits: 0.0**	**Net: -1.9**	n/a

Evidence Base (for summary sheets)

Problem under consideration

- There are weaknesses in the UK's AML supervisory regime. This reduces the UK's effectiveness in tackling economic crime. Economic crime is estimated to cost the UK £24bn per year. Ensuring effective AML supervision is also an EU requirement.
- Following extensive consultation, the preferred policy option is to legislate to provide FCA with a new role overseeing the AML supervision of the 22 PBSs in the accountancy and legal sectors.

Rationale for intervention

Weaknesses in current regime

- In the UK, AML supervision is currently the responsibility of 25 different bodies (competent authorities), of which 22 are PBSs overseeing the legal and accountancy sectors.
- The NRA15 identified a number of vulnerabilities in the UK's supervisory regime. The NRA15 found that the effectiveness of the UK's supervisory regime was inconsistent and, while some supervisors were found to be highly effective in some areas, room for improvement was identified across the board, including in understanding and applying a risk-based approach to supervision and in providing a credible deterrent. The number of PBSs in some sectors risks inconsistencies of approach, and data was not yet seen to be shared between supervisors (or with law enforcement agencies) freely or frequently enough. The 2017 National Risk Assessment (NRA17) found that challenges remain, though focused on the role OPBAS will play in resolving these challenges and ensuring supervision is effective.
- The Treasury currently has responsibility for making regulations to appoint and remove AML supervisors through the MLRs. However, there is no formal and systematic mechanism for detailed assessment of supervisors' performance or to drive change in PBSs to ensure effective AML supervision is in place.

EU obligation[1]

- 4MLD is designed to strengthen the EU's defences against money laundering and terrorist financing, in line with the latest international AML standards. It is primarily transposed into UK law through the MLRs. Article 48 of 4MLD requires that the UK ensure businesses subject to the MLRs are effectively supervised.
- For example:
  - Under Article 48 (1), "*Member States shall require the competent authorities to monitor effectively, and to take the measures necessary to ensure, compliance with this Directive*"; and
  - Under Article 48 (6), "*Member States shall ensure that when applying a risk-based approach to supervision, the competent authorities: (a) have a clear understanding of the risks of money laundering and terrorist financing present in their Member State; (b) have on-site and off-site access to all relevant information on the specific domestic and international risks associated with customers, products and services of the obliged entities; and (c) base the frequency and intensity of on-site and off-site supervision on the risk profile of obliged entities, and on the risks of money laundering and terrorist financing in that Member State*".
- The proposed policy, to establish OPBAS, is considered the most efficient means of ensuring AML supervision in the UK is effective and further strengthens our compliance with requirements in 4MLD. Therefore, the proposed policy is not gold-plating.

[1] On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

- The UK's compliance with international AML standards, implemented via 4MLD, will be assessed in 2018 through the Mutual Evaluation.

Policy objective:

- The policy objective is to make the UK's AML supervision more effective, ensuring the UK's financial system is a hostile environment for illicit finance, whilst minimising burdens on business. This will also ensure the UK complies with the EU requirement to ensure effective AML supervision, and meet a commitment the government made in the 2016 Action Plan for AML/ Counter Terrorist Financing (CTF) to reform the AML supervisory regime.

Description of options considered:

- The Treasury considered a number of options to improve the AML supervisory regime, taking into account international best practice. For example, some countries have a centralised body responsible for AML supervision and financial intelligence.
- However, there are benefits to supervision by professional bodies which the government wanted to retain, including PBSs' detailed understanding of their members' services, and the integration of AML and wider supervision which minimises supervisory burdens on members.
- As a result, the Treasury decided that retaining the existing system but providing greater government oversight would address weaknesses in the system whist preserving the benefits. This approach also involves the minimum amount of change to the current regime considered necessary to achieve the policy objective.
- The Treasury considered various alternatives for an oversight body, including expanding the Treasury's resources or those of other existing organisations or creating a new organisation. Some of the key criteria the Treasury took into account in this decision included:
  - How effectively the option would address the issues identified in the NRA15, and fulfil the requirements of 4MLD.
  - How efficient the option would be, in terms of minimising cost to business.
  - Familiarity with supervision, and implementing a risk based approach;
  - How a new objective of strengthening AML supervision could best fit alongside existing responsibilities in this area, without duplicating or cutting across existing activity; and
  - Whether the organisation has oversight across the UK, in line with the scope of the MLRs.
- The FCA was considered the best fit for the role. The FCA has an overarching responsibility for protecting the integrity of the UK financial system. In addition, the FCA already supervises financial institutions and oversees professional body supervision of regulated activities under Part XX of the Financial Services and Markets Act 2000. The FCA also has the geographical mandate to work with professional bodies across the UK. Creating a new team in an existing organisation is also more cost effective than establishing a new organisation. Therefore, this option was considered to be the most efficient way of ensuring effective supervision, and therefore complying with 4MLD.
- This impact assessment considers the 2 main options:
  - Option 1 is to do nothing.
  - Option 2 is to legislate to create OPBAS – this is the preferred option.

Monetised and non-monetised costs and benefits of each option

- Option 1 is to do nothing. This would not impose any additional costs on business but it also would not address the weaknesses identified in the AML supervisory regime.
- Option 2 is to legislate to create OPBAS – this is the preferred option. The monetised costs include the fee the 22 PBSs will pay, the familiarisation cost (in staff time) for the 22 PBSs in adapting their

supervisory approach to meet OPBAS's best practice and the ongoing costs (in staff time) the 22 PBSs will incur in liaising with OPBAS. 7 of the 22 PBSs may also incur the cost (both a financial cost and a staff time cost) of joining information-sharing initiatives SIS and FINNET. The benefits of creating OPBAS have not been monetised but include benefits to PBSs from being able to target their resources more effectively; benefits to regulated businesses and their customers from more consistent supervision; and benefits to the wider economy from reduced economic crime.

Rational and evidence

- The government has consulted extensively in the development of this policy. The NRA15 and NRA17 were both the product of consultation with law enforcement agencies, UK intelligence agencies, the UK's Financial Intelligence Unit, supervisors and private sector representatives.
- As part of the 2016 Action Plan for AML/CTF, the government launched a public Call for Information on the AML supervisory regime to build an evidence base for reform. Separately, as part of the commitment to simplify and improve legislation and its implementation, the government completed a Cutting Red Tape review of the UK's AML/CFT regime (CRT). Responses were received from supervisors, supervised businesses and their representative organisations as well as from civil society.
- Respondents to the call for information supported greater oversight of the regime to monitor supervisors' compliance with the MLRs; strengthen coordination; and share best practice, especially where multiple supervisors operate in the same sector. In practice, this primarily refers to the accountancy and legal services sectors where 23 supervisors are active, of which 22 are PBSs. In addition, businesses suggested that greater oversight could hold supervisors to account for their performance.
- In its response to the call for information and the CRT, on 15 March 2017 the Treasury set out the government's intention to create OPBAS and issued a call for further information, to seek evidence to support its final policy proposal and to seek views on OPBAS's mandate and powers. Most respondents agreed the reforms proposed would strengthen the supervisory regime. PBSs raised concerns about funding the oversight body and considered that an inconsistency could arise because HMRC will not be overseen by OPBAS (see below for detail and mitigations).
- Contributions to the call for further information led to refinements to OPBAS's powers and activities in line with the evidence presented, including focusing OPBAS's powers on engaging with PBSs rather than the regulated businesses they oversee, which would be unnecessary duplication.
- On 20 July, the government published the response to the call for further information, and consulted on whether the draft regulations to underpin OPBAS met the policy intent, and the potential costs and benefits of the reforms. The findings of these calls for information and the consultation have informed this Impact Assessment.
- The FCA has launched a complementary consultation on OPBAS's sourcebook, setting out and seeking views on the principles of supervisory best practice it expects PBSs to meet.
- Separately, since OPBAS was announced, the FCA's OPBAS project team has engaged with PBSs and other stakeholders as they develop the model for OPBAS. The Treasury has monitored this process to build the evidence base for the final impact assessment.

Risks and assumptions

- The primary risk is that OPBAS fails in its overarching objective to help, and ensure, PBSs comply with their obligations in the MLRs, liaising across the regime to facilitate sharing of information and best practice. The FCA and the Treasury will mitigate this risk by ensuring OPBAS is held to account for its performance, including through ongoing internal FCA monitoring and review, as well as OPBAS publishing updates on its progress against its objectives in a chapter in the FCA's Annual Report. In addition, the Treasury will be required by legislation to review the regulations underpinning OPBAS within 5 years, in line with government's obligations under the Small Business, Enterprise and Employment Act 2015.

- The secondary risks of this reform include:
  - Some PBSs may choose to step back from their responsibility as an AML supervisor, or OPBAS may recommend their removal. The Treasury will work with OPBAS and those PBSs that wish to step down from this role to ensure a smooth transfer of the regulated population and supervisory records to another appropriate AML supervisor.
  - The fee on PBSs will increase the costs of PBS supervision relative to HMRC, and so could risk incentivising their members in the accountancy sector to move to HMRC, potentially overloading HMRC's AML supervision work. However, the estimated cost of OPBAS is relatively low, at around £10 - £20 per supervised accountant and lawyer, whilst PBSs membership confers many commercial benefits that HMRC does not, including professional recognition, continuous professional development and the advantage that AML supervision is integrated into wider supervision of their work. Therefore, the government considers this risk to be relatively low.
  - Exclusion of HMRC from OPBAS's oversight could lead to PBSs and HMRC, as a fellow supervisor of accountancy and trust and company services providers, adopting different standards. To ensure consistency, HMRC intends to meet OPBAS regularly to discuss its approach and also to adopt OPBAS's standards to ensure consistency across the regime. HMRC will publish an annual report setting out how its teams have drawn on OPBAS's sourcebook and explain any relevant deviations from it.

Direct costs and benefits to business

- The government's intention to introduce OPBAS was announced on 15 March, and since then the Treasury and the FCA have engaged with the sector to develop the evidence base to underpin the impact assessment.
- The FCA has estimated the costs of resourcing OPBAS and OPBAS working with PBSs, drawing on its experience as a supervisor of financial institutions and discussions with other organisations that oversee PBSs. These figures were published as part of the FCA consultation on OPBAS's sourcebook. The Treasury sought views on the costs of engaging with OPBAS in the consultation on draft regulations and the impact of OPBAS.
- Table 1 summarises the projected costs of implementing OPBAS. It includes the financial cost (the fee) as well as the staff time cost, including both familiarisation costs and ongoing costs. Due to the nature of issues OPBAS is intended to address, it is very difficult to quantify the benefits of this reform.

Table 1: Summary of total costs (for the 22 PBSs)

	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22 (and beyond)**
Fee (including transitional and ongoing costs)	-	£2,300,000	£2,300,000	£2,300,000	£2,000,000
PBS staff time cost (familiarisation cost in 2017/18 and ongoing cost from 2018/19)	£255,200	£298,900	£298,900	£298,900	£298,900
Total	£255,200	£2,598,900	£2,598,900	£2,598,900	£2,298,900

<u>Detail on cost estimates:</u>

<u>The fee</u>

- The FCA will raise a fee from the 22 PBSs to fund OPBAS's activities. The FCA's current intention for the structure of OPBAS is for it to have two teams of five supervisory experts each, focusing on the accountancy and legal sectors respectively, and with associated support. The OPBAS transitional costs, including the operational costs until March 2018, are estimated to be £0.9m. The FCA will consult on over how many years it will recoup this cost – this IA assumes the cost will be recouped over three years. The operating costs for OPBAS are estimated to be £2m per year in steady state. The FCA continues to develop the right model for OPBAS, and once operational, the FCA will keep OPBAS's resources under review through its internal monitoring and review processes, and will adapt the model as necessary to deliver its objectives efficiently.

PBS staff time cost: familiarisation costs

- PBSs may face some familiarisation costs as they adjust their supervisory approach to meet the required standards set out in OPBAS's sourcebook. The FCA's best estimate of the one-off costs of PBSs adjusting to the sourcebook is £11,600 for each of the 22 PBSs. This is a cost in terms of time spent on activities rather than the fee (see above). In responses to the consultation, most PBSs felt it was too early to comment on the accuracy of FCA's cost estimates and whether the activities of OPBAS would impose new burdens. Some business respondents noted that improved consistency across supervisors would be welcome, and that as supervisors' expectations are standardised across sectors, the costs of doing business should fall for some transactions, but noted that it is difficult to estimate these benefits at this stage.

Table 2: One-off familiarisation costs in 2017/18

Task	One-off or on-going cost	Number of supervisors for whom this is a new burden	Average number of person-days annually	Cost per supervisor (assuming labour costs £290 per day)	Total cost of task
Reviewing and changing supervision procedures to align w/OPBAS's sourcebook	One-off	22	40	£11, 600	£255, 200

- Whilst it is assumed that all PBSs will voluntarily align their approach with OPBASs sourcebook, or satisfactorily justify deviations, some PBSs may not do so. In these situations, OPBAS will take enforcement action, and will recoup the cost of doing so through the fee on PBSs.

PBS staff time cost: ongoing costs

- OPBAS will engage with PBSs to improve the regime. OPBAS will need to request information from PBSs, visit their premises, and facilitate the sharing of information across supervisors. OPBAS may also encourage PBS to join information sharing initiative such as SIS and FINNET. The FCA estimates this will cost £10,150 for PBSs that already participate in SIS and FINNET and £20,950 for PBSs that do not already participate in SIS/FINNET.
- In the consultation, two PBSs suggested they would absorb this activity within their existing budgets, three agreed on FCA's estimates, and several others felt the costs could be significant but didn't provide figures. The majority, however, again felt it was too early to comment on the estimates' accuracy and whether these would impose new burdens. This Impact Assessment assumes that all PBSs incur the costs estimated by FCA as they engage with OPBAS. PBSs will be encouraged to become members of SIS/FINNET so those that aren't already members will incur a cost if they join. The current cost of SIS and FINNET is £5,000 a year. 15 of the 22 supervisors are already members of SIS or FINNET and so the cost is only considered a new burden for the remaining 7 as indicated in the table below.
- PBSs are already required to provide returns to Treasury under the MLRs. This responsibility will be passed to OPBAS to help it build expertise and facilitate engagement with the sector, but the impact of collecting and providing this information is not considered to change significantly.

Table 3: Ongoing staff costs

Task	Fixed or on-going cost	Number of supervisors for whom this is a new burden	Average number of person-days annually	Cost per supervisor (assuming labour costs £290 per day)	Total cost of task
Participating in onsite OPBAS inspections	Ongoing	22	20	£5, 800	£127, 600
On-going liaison with OPBAS	Ongoing	22	15	£4, 350	£95, 700
Participating in SIS/FINNET – staff time cost	Ongoing	7 *(note – this is only a new burden for 7 of the 22 PBSs because the other 15 already participate)*	20	£5, 800	£40, 600
Participating in SIS/FINNET – financial cost	Ongoing	7 *(note – this is only a new burden for 7 of the 22 PBSs because the other 15 already participate)*	N/A	£5,000	£35,000
Total					£298, 900

Benefits:

- PBSs will benefit from OPBAS improving information sharing and increasing collaboration, therefore enabling them to target their resources more effectively. Regulated businesses and their customers will benefit from supervisors taking a more risk-based approach, and having more consistent standards and expectations.
- There will also be a benefit to the wider economy as stronger supervision reduces economic crime. Whilst it is very difficult to estimate the monetary benefits of OPBAS in this area, Home Office research indicates that organised crime costs the UK economy £24bn a year, and the NCA considers the scale of laundering of criminal proceeds to be a strategic threat to the UK's economy and reputation. As OPBAS helps tighten the UK's defences against money laundering and terrorist financing, UK businesses will help deter and disrupt criminals and terrorists more efficiently and the corresponding social and economic cost to the UK will fall.

Business impact target

- This legislation will ensure that supervisors comply with their obligations in the MLRs to supervise effectively, as required by 4MLD. Therefore, it is exempt from the Business Impact Target.

Wider impacts

- The groups affected by this legislation include:
  - The 22 PBSs whose AML activity OPBAS will oversee. These are the costs covered in tables 1-3 above.
  - The 3 statutory AML supervisors - the FCA, HM Revenue and Customs and the Gambling Commission – who OPBAS will liaise with to ensure effective supervision across the regime.
  - Law enforcement agencies, including the National Crime Agency, who will benefit from better information sharing with supervisors.
  - Members of PBSs that are subject to the MLRs – including accountancy, legal and trust or company services providers – and their clients, who will benefit from greater consistency of supervisory standards across the regime.
  - The public, who benefit from the reduced threat of serious and organised crime.

Summary and preferred option [Option 2] with description of implementation plan

- The proposed policy is to create an oversight body (OPBAS) to raise the standards of the 22 PBSs and ensure they provide a credible deterrent.
- OPBAS will work with PBSs to help, and ensure, they meet the high standards expected of an AML supervisor and hold them to account for their performance, whilst liaising with statutory supervisors and law enforcement to share information, discuss best practice and help ensure consistently high standards across the regime.
- OPBAS will have powers to request information from PBSs and, where necessary, direct them to take action to ensure compliance with the MLRs. Where PBSs do not comply with the regulations, OPBAS will be able to investigate them and, if necessary, publicly censure them or recommend to Treasury that they be removed from their role as an AML supervisor. These powers will be complemented by appropriate safeguards.
- OPBAS will focus on outcomes. Guidance will be set out in a specialist sourcebook and, whilst this will not in itself be legally binding, if PBSs deviate from it, the FCA must take this into account when deciding whether to issue directions to the PBS, publish a statement censuring the PBS or recommend that the PBS is removed from their role as an AML supervisor. OPBAS will have an ongoing dialogue with PBSs as it develops its sourcebook on supervisory best practice, drawing on and promoting best practice in the sector.
- As far as appropriate, OPBAS's sourcebook will cover all obligations on PBSs under the regulations from ensuring operational independence between their advocacy and supervisory teams, to ensuring they monitor their members and take necessary action to ensure their members' compliance with the regulations, to ensuring they provide adequate training for their staff and their members.

Implementation

- The Treasury has published the draft regulations to underpin OPBAS, and sought views on whether these meet the policy intent and on the impact of OPBAS. This consultation closed on 17 August.
- The FCA has separately published OPBAS's draft sourcebook – this consultation closed on 23 October. The FCA is currently consulting on how the fee might best be distributed, and this consultation closes on 8 January.
- The Treasury has committed to legislate by the end of the year, and intends to do so in December 2017.

Monitoring and Evaluation

- OPBAS will have its own chapter in the FCA's Annual Report, where it will publish its progress against its objectives, its priorities for the coming year, and its expectations around emerging risks.
- The FCA will regularly review OPBAS's performance against its objectives, and amend the approach as necessary, in line with its broader commitment to providing value for money.
- The Treasury will be required by legislation to review the regulations underpinning OPBAS within 5 years, in line with government's obligations under the Small Business, Enterprise and Employment Act 2015.