

The Cutting Red Tape Team  
The Better Regulation Executive  
Department for Business, Innovation and Skills  
1 Victoria Street  
London SW1H 0ET

12/10/2015

Dear Sirs

STEP is the worldwide professional association for those advising families across generations. We help people understand the issues families face in this area and promote best practice, professional integrity and education to our members.

STEP has over 20,000 members across 95 countries, with over 7,000 members in the UK. Our membership is drawn from a range of professions, including lawyers, accountants and other specialists who help families plan for their futures: from drafting a will or advising family businesses, to helping international families and protecting vulnerable family members. We take a leading role in sharing our members' expertise, working with governments and regulatory authorities to examine the likely impact of any proposed changes and providing technical advice and support where required.

STEP welcomes the review of the working of anti-money laundering (AML) and terrorist financing regulations launched as part of the broader 'Red Tape Challenge'. STEP fully supports the objective of developing effective AML processes to combat serious crimes and terrorism. In practice, however, our members are finding that the current regulations are being applied in a way that prioritises bureaucratic process over sensible assessment of the risks. This is resulting in both unintended and undesirable consequences and producing layers of duplicative reporting which imply unnecessary expense.

Below are three examples of these problems that our members have recently drawn to our attention.

**1. A 'tick box' approach to AML causing difficulties for elderly clients**

In their work with families, many STEP members help elderly clients who need to make arrangements for their on-going care or to move closer to their family, etc. Due to the 'tick-box' approach increasingly being taken to AML processing, many such clients are finding it difficult to establish accounts with financial institutions because they cannot supply the requisite identity documents. For example, it is quite common for people in their 70s or 80s not to renew their passport as their health may not be up to foreign travel and the cost of travel insurance can be prohibitive. For similar reasons, many also give up driving and so do

not renew their driving licence. Moreover if they live in a care home or sheltered accommodation they may well not have utility bills in their name.

The net result is that, through no fault of their own, large numbers of elderly people find it impossible to meet the requirements now put in place by virtually all financial institutions to identify someone for AML purposes. They are therefore effectively denied access to the financial services sector. This is in spite of the fact that on any common-sense assessment of the risks, it would seem fair to conclude that someone in their late 70s living in a care home in Hexham is unlikely to pose a major threat in terms of money laundering or terrorism financing.

## **2. AML prompting the financial sector to withdraw support for legitimate activities**

We are also receiving rising numbers of reports from members regarding banks now refusing to open accounts for perfectly straight forward family trusts. These are being established for wholly legitimate reasons, for example to ensure that a family business will pass smoothly across the generations, and often the bank will have a long-established relationship with either the family or its advisors. The issue, however, is that financial institutions are effectively withdrawing from supporting many areas of traditional business activity simply to avoid any possible breach of AML regulations.

## **3. Uncoordinated, duplicative reporting requirements leading to increased costs and decreased efficiency**

Finally, we would highlight that in the rush to establish beneficial ownership for AML purposes we seem to be in danger of establishing multiple registers, all fulfilling a broadly similar function but with no attempt to coordinate or prioritise between them. The result, taken together, is rapidly rising aggregate costs for those who need to provide such information, even though the cost of each individual initiative might be judged acceptable viewed in isolation.


Three major initiatives illustrate this problem. First, the UK has committed to the Common Reporting Standard (CRS), an international agreement for automatic exchange of tax information. This requires that the beneficial owners of entities (such as trusts and some companies) must be identified and in many cases reported to HMRC. Simultaneously, for AML purposes the UK has committed to establishing a register of 'Persons with Significant Control' of many companies. This will often be very similar indeed to the beneficial owners identified for CRS purposes, but those to be entered on the register will need to be identified by different process and a separate annual register entry process is needed. Finally, the Market in Financial Instruments Regulations (MiFIR) will establish a further register where any entity using a wide range of capital markets will be required to register its ultimate owners to acquire a 'Legal Entity Identifier', again requiring slightly different processes and a separate annual registration process.

Three separate initiatives, each in a separate area, thus effectively require the collection of very similar information, albeit for rather different purposes. As far as we are aware, however, there has been no attempt to coordinate the introduction of these three initiatives or, more fundamentally, to explore if a single common dataset could be established that could provide a

much more cost effective solution to the problems each of these separate initiatives was designed to tackle.

STEP would of course be delighted to provide more details on the issues highlighted above and would welcome an opportunity to meet and further discuss our concerns

Yours sincerely



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