



AML: latest updates and trends

Alexandra Jones, Director of AML, SRA (Chair)

Rishi Desor, AML Regulatory Manager, SRA

Mandeep Sandhu, Head of AML Proactive Supervision, SRA

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To cover

- Overview of AML supervision and enforcement in the last year
- Trends in AML supervision and AML enforcement
- Practical steps to improve compliance

AML supervision in the last year...

- We have increased our AML oversight over the last year:

2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
253	273	273	545	864	966

- 966 proactive engagements. That consisted of:
 - AML inspections
 - AML desk-based reviews
 - AML independent audit review

Level of compliance

	Compliant	Partially compliant	Not compliant
Desk-based reviews	70	344	164
Inspections	136	181	42
Totals	206	525	206

- 359 inspections
- 578 desk-based reviews
- Compliance levels improved

Financial sanctions

Sanctions Inspections	Sanctions controls check during AML inspection	Sanctions guidance letter	Desk-based review	Sanctions controls check – Forensic Investigation
12	359	461	61	56

- During the reporting period – 949 proactive sanctions engagements across the entirety of the SRA-regulated population, not only those supervised under the money laundering regulations
- Compliance levels are really strong
- Desk-based review findings

Suspicious activity reports (SARs)

- We reviewed a total of 260 SARs submitted by 128 firms
- We provided feedback on fewer than 10% of SARs reviewed. Overall, the quality of SAR reporting was generally good
- Common issues: insufficient explanation of the suspected criminal property, limited detail regarding the firm's future intentions, and incomplete information supporting the suspicion being reported
- We submitted 24 SARs – combined value exceeding £102 million where money laundering or terrorist financing concerns had been identified

Enforcement

Key themes from our enforcement:

- Number of firms being referred for investigation decreased, showing improvements in compliance

2021/22	2022/23	2023/24	2024/25	2025/26
252	249	227	426	336

- Fines totalled circa 2.6 million for 165 firms
- 90 firms received a letter of advice
- 7 firms sent letter of warning or rebuked

Most common reasons for referral

Specific matter reason	Count
Failure to perform risk assessment on client/matter	115
Failure to carry out a source of funds check	111
Failure to have adequate/ effective PCPs (Reg 19)	83
Failure to have adequate FWRA (Reg 18)	76

Firm wide risk assessments

- Compliant FWRA's increased from 47% to 60%
- Good practice
 - Tailored
 - Use of data
 - Engagement with other departments
- Themes from 'not compliant' FWRA:
 - Templates were not tailored
 - One or more of the five mandatory risks missing
 - 6 firms did not have one in place

Policies, controls and procedures

- Compliance with AML PCPs increased from 38% to 54%.
- Themes
 - missing mandatory factors
 - not tailored
 - not being followed
- Review your controls framework – at inspection level, 86% of firms we inspected were carrying out internal file reviews – 36% of these firms did not consider source of funds as part of the control framework

Client and matter risk assessments

- 42% of referrals due to lack of CMRA – four firms did not have a process
- Compliance is improving - files lacking a or incomplete CMRA fell from 16% to 9%
- 36% of firms we reviewed or visited had ineffective CMRA
- We disagreed with the risk rating on 10% of all files
- Would you be aware if fee earners were not risk assessing at client and matter level?

Source of funds (SOFs)

- 9% of files contained no SOFs checks despite being required
- 18% of files showed that SOFs was not scrutinised
- 29% of referrals related to SOFs

67% percent of these firms had a defined SOFs process

- We provided SOFs feedback to 51% of firms which had a policy in place
- 6% files reviewed, the SOFs information did not match the ledger

Practical steps to strengthen compliance

- File reviews – 86% of firms on inspections
- Assessing technology – 48% of firms tested technology for accuracy
- Independent audit – higher compliance rates
- AML compliance culture
- Training – make it more engaging
- PCPs, FWRA and CMRAs – tailored and practical and useful documents