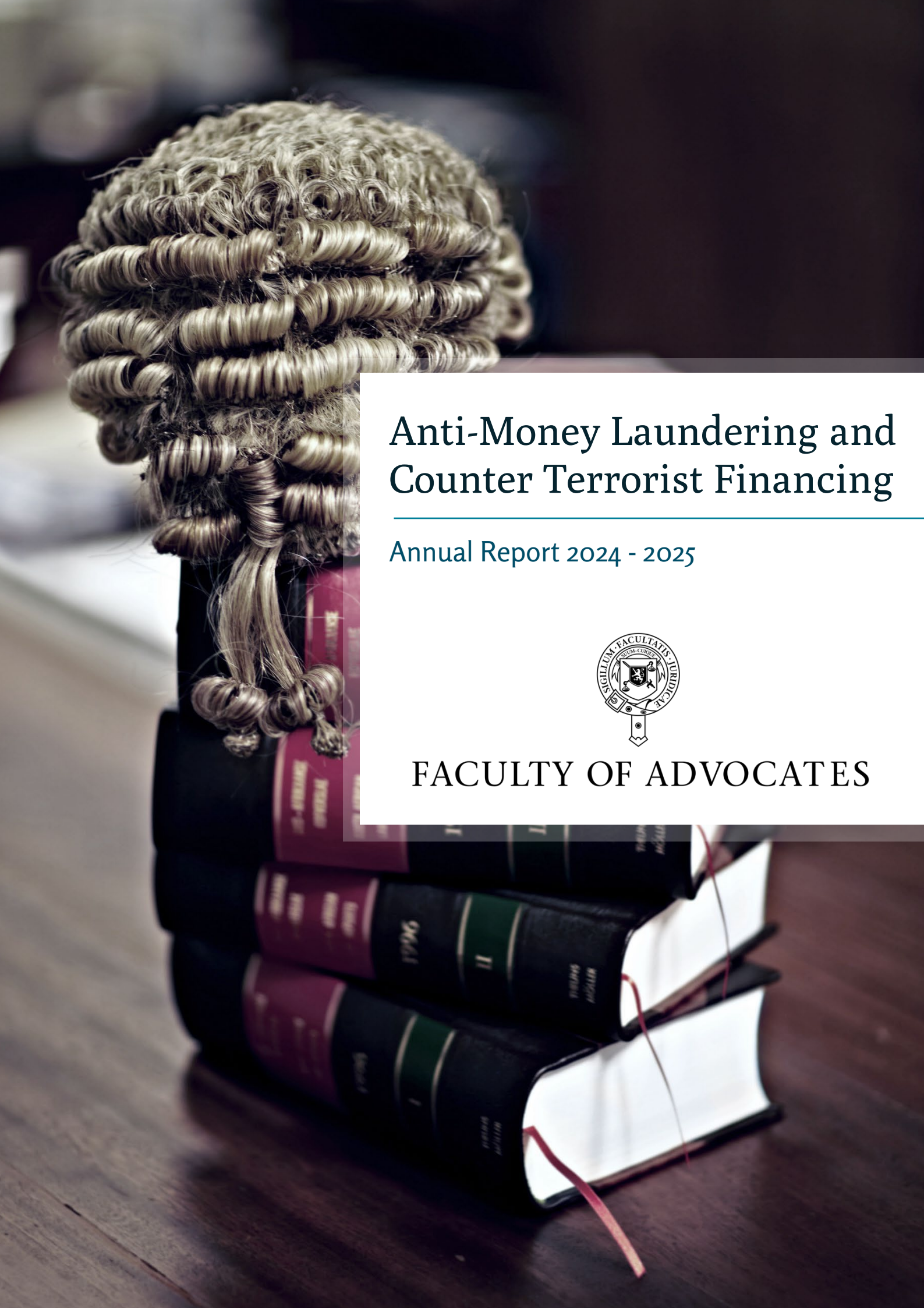


A judge's wig and a stack of law books. The wig is a traditional judicial wig, made of light-colored, curly hair, resting on a stack of several thick, dark-bound law books. The books have red and green spines. The background is dark and out of focus.

Anti-Money Laundering and Counter Terrorist Financing

Annual Report 2024 - 2025



FACULTY OF ADVOCATES



Faculty of Advocates – Regulation 46a Report

Foreword

The Faculty of Advocates (the “Faculty”) ensures that the people of Scotland, regardless of wealth, background or location have access to the very best independent, objective legal advice. As the professional body for advocates in Scotland since 1532, the Faculty is responsible for regulating entry to the profession, setting and maintaining professional standards, and overseeing conduct and discipline.

A key aspect of these professional standards is our role in regulation. As a recognised Professional Body Supervisors (“PBS”), under the supervision of OPBAS, the Office for Professional Body Supervisors, we are responsible for ensuring that our members comply with the *Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017* (AML Regulations). We take this responsibility seriously and remain committed to the effectiveness of our supervisory work.

This report covers the Faculty’s AML regulatory activity during the period from 6 April 2024 to 5 April 2025. It sets out how we assess and manage the regulatory risk associated with anti-money laundering and counter-terrorist financing and provides rationale in support of why the risk profile of our members remains low.

During the year, changes to the AML and CTF supervisory framework were announced, which are expected to impact the Faculty’s activities going forward. Namely, HM Treasury published its consultation responses on *Improving the Effectiveness of the Money Laundering Regulations*¹ and, in autumn, on the *Reform of the Anti-Money Laundering and Counter-Terrorism Financing Supervision Regime*². The latter sees a Single Professional Services Supervisor being chosen to oversee all AML and CTF supervision, replacing the existing supervisory and oversight responsibilities of PBSs. This represents a major change to the current supervisory model—and for the Faculty—although no implementation date has yet been announced.

As Convenor of the Regulatory Compliance Committee, I am pleased to present this report, which highlights both the Faculty’s continued efforts to build a robust AML and CTF supervisory framework and its wider commitment to professional and regulatory standards. Over the past year, the Committee has provided oversight and guidance to ensure our policies and processes remain aligned with our obligations as a PBS and responsive to the changing regulatory landscape.

Susan Ower K.C.

Convenor of the Faculty Regulatory Compliance Committee

Role and Remit in AML/CTF Supervision

Under Regulation 46 of the AML Regulations, the Faculty is designated as a Professional Body Supervisor. As a PBS, Faculty is responsible for supervision of its’ members compliance with the AML and CTF obligations. The Faculty’s supervisory remit is limited to practising advocates in Scotland who are members of the Faculty and who undertake work that falls within the scope of the Regulations.

In discharging its duties, the Faculty recognises the specific risk factors relevant to advocates, including the independent referral nature of the profession and the relationship that exists with instructing solicitors. These dynamics can influence exposure to AML and CTF risks, particularly in relation to holding client funds, and carrying out due diligence.

To fulfil its duties as a PBS, the Faculty has adopted a risk-based approach to supervision, targeting resources and efforts on areas of highest risk. This is informed by the Annual Risk Assessment conducted each year which considers the Faculty’s AML/CTF risk exposure by drawing on industry developments, changes in regulation and guidance as well as legal professional forums.

¹ HM Treasury, *Improving the effectiveness of the Money Laundering Regulations*, Consultation Response July 2025 - [HMT Money Laundering Regulations Consultation Response](#)

² HM Treasury, *Reform of the Anti-Money Laundering and Counter-Terrorism Financing Supervision Regime*, Consultation Response October 2025 - [HMT AML Supervision Reform Consultation Response](#)



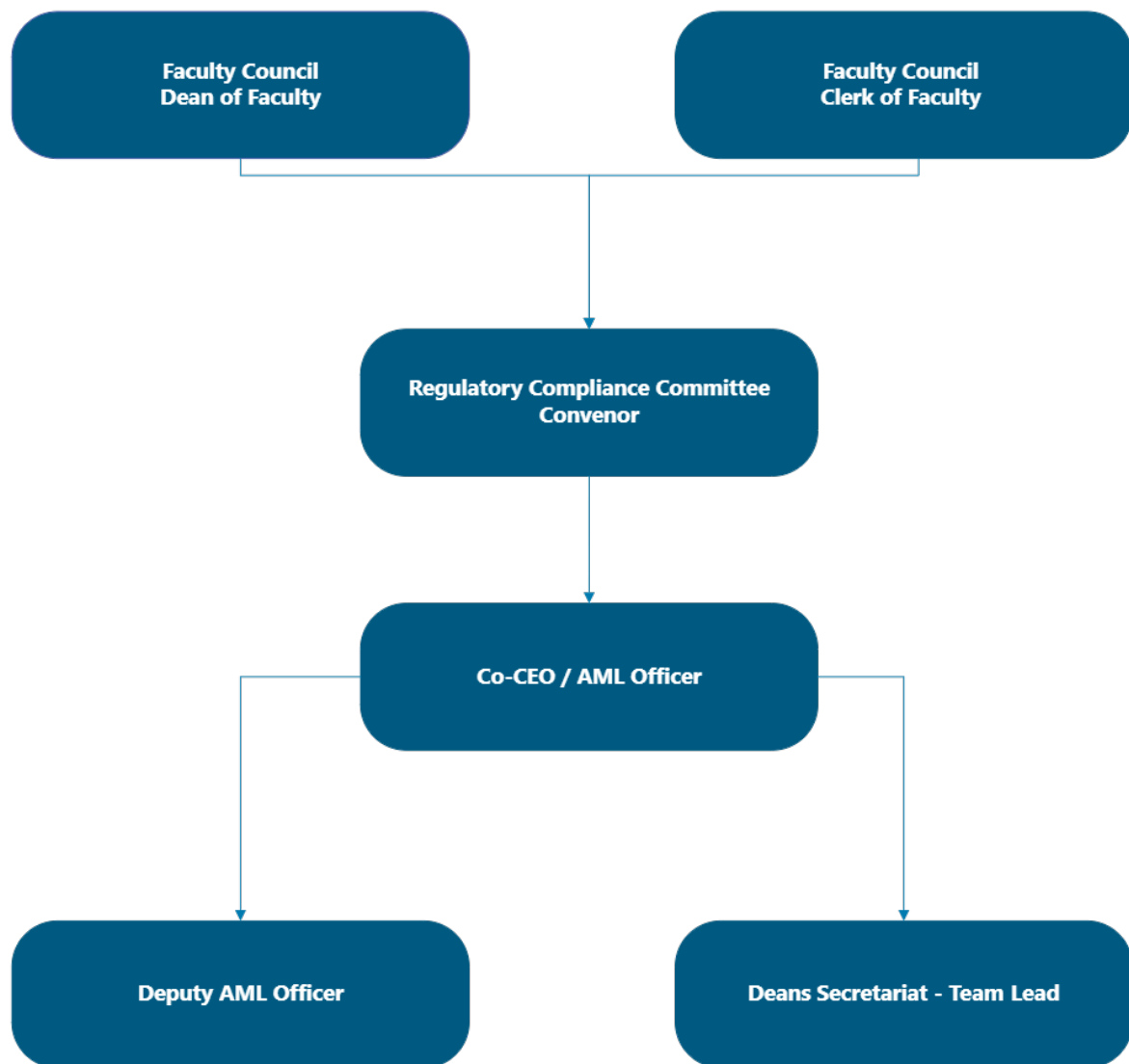
Faculty AML Structure and Resource

The Faculty has set out to establish an effective AML and CTF framework comprising of internal policies and procedures, regular reporting and scrutiny by the Regulatory Compliance Committee, and training for staff to meet its PBS responsibilities.

The Faculty AML Officer is responsible for oversight of Faculty's compliance with AML Regulations, ensuring an effective AML risk management framework is in place. They work closely with the Deputy AML Officer and Regulatory Compliance Committee.

A summary of the Faculty's governance structure in relation to AML supervision is set out below:

Figure 1. Faculty AML Governance Framework



The Regulatory Compliance Committee is responsible for oversight of the Faculty's AML supervisory activity. This includes monitoring compliance with statutory obligations, reviewing internal risk assessments and controls, and providing strategic governance of the Faculty's approach to supervision under the AML Regulations. The Committee meet quarterly and will convene additionally if required.



In 2023–2024, the Faculty undertook a comprehensive review of its AML processes. This led to the implementation of revised internal policies and procedures, designed to better support both its supervisory obligations and its members. Activities in the current year included a structured programme of updates to key policies and documentation, informed by emerging regulatory guidance and internal oversight reviews.

Key actions included:

- Revising the AML Risk Assessment to the Regulatory Compliance Committee remit, and additional guidance on the risk of proliferation financing - acknowledging it poses a minimal risk to our members.
- Updating policies and processes for Suspicious Activity Reporting to align with current regulatory requirements.

These developments represent continued progress in enhancing the Faculty’s capacity to meet its responsibilities as a PBS, and in promoting a robust culture of compliance within the profession.

Monitoring and Enforcement Activity During Reporting Period

The Faculty maintains a register of members authorised to conduct work within the scope of AML regulations.³ By joining this register, members commit to adhering to the supervisory framework, which includes clear reporting expectations and regular engagement with AML Officers.

Faculty’s supervised population (those registered with Faculty for AML purposes) has remained stable over the last few years.

Table 1. Supervised Population Figures 2022-2025

Year	Supervised Population
2022	7
2023	8
2024	8
2025	8

Each year, supervisory meetings are conducted with each member of the supervised population. Members receive a risk rating based on factors such as the volume and value of regulated work undertaken, AML exposure and adequacy of risk mitigation measures in place. Those within our remit continue to be classified as low risk, warranting a proportionate level of scrutiny and supervision, including regular engagement throughout the year. Should any factors suggest a higher risk rating, the associated scrutiny and monitoring are adjusted accordingly, in line with our risk-based approach.

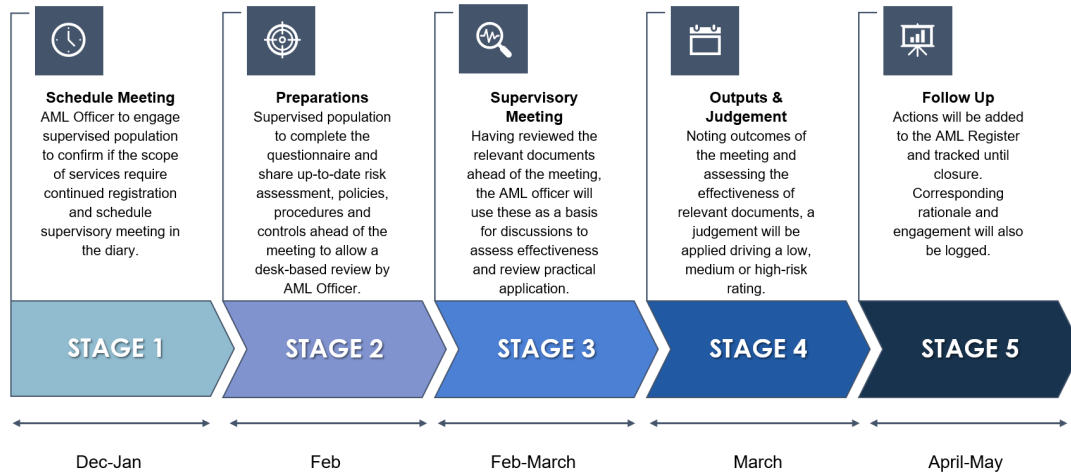
A low-risk rating is defined by the following criteria:

- Demonstrates up-to-date and effective use of risk assessments that identify key risks along with corresponding controls and processes.
- Supported by robust policies aligned with regulatory expectations and standards.
- Exhibits minimal exposure due to low volume and value of relevant client transactions.
- Requires minor to no follow-up actions.

³ The Faculty of Advocates, *Guide to the Professional Conduct of Advocates*, Seventh Edition October 2019 (revised January 2022), [Faculty of Advocates - Guide to Professional Conduct](#)

The diagram below outlines Faculty's annual supervisory meeting process, which encompasses desk-based reviews with each member:

Figure 2. Annual Supervisory Meeting Process

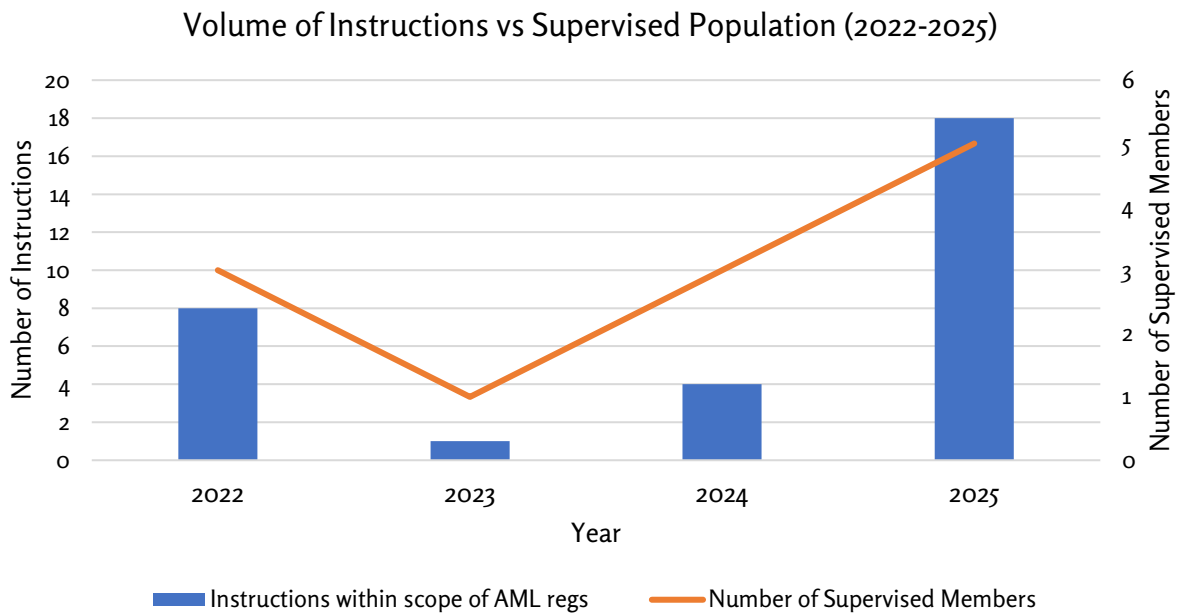


Stage 5 of this process covers follow-up action, whereby any remedial actions or compliance issues are addressed and rectified. During the reporting year, one supervised member, was reviewed and found to be undertaking a low volume of regulated work, applying appropriate due diligence to all clients. Enhanced checks were conducted for domestic PEPs (politically exposed persons), in line with regulatory best practice. However, the review identified an opportunity to improve documentation on customer due diligence (CDD) retention. While the member understood the appropriate retention period, it was recommended that this requirement be explicitly documented in their policies, controls, and procedures, in accordance with Regulation 40. The remediation was recorded for appropriate monitoring and follow-up. The member promptly updated their PCPs, issued revised documents, and completed the remediation within two weeks.

No compliance issues were identified during the annual supervisory review cycle, so no enforcement actions were necessary. The annual supervisory cycle classified all supervised members as low risk, reflecting the nature of instructions and limited AML exposure from their activities.



Figure 3. Volume of Instructions by Supervised Population



(Note: This data includes only supervised members who received instructions during each respective year.)

Although the volume of instructions subject to AML Regulations has varied over the years — with an increase seen in 2025 — the risk profile of these instructions has consistently remained low.

Guidance and Support on AML Responsibilities

As outlined above, the Faculty undertakes a range of engagement and monitoring activities to support AML compliance across its supervised population. This includes a biannual questionnaire, quarterly communications, and access to an internal AML resource hub.

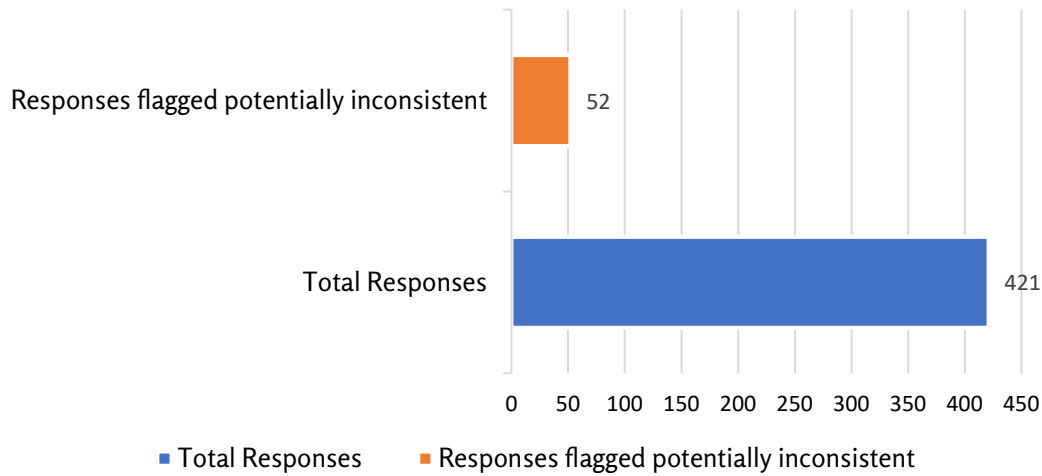
In 2024, the Faculty introduced an annual self-declaration, requiring members to confirm whether their work falls within the scope of AML regulations and, where appropriate, register for supervision. Following its introduction, an audit was conducted to assess the accuracy of member responses. This provides an additional layer of monitoring through our case management system to identify any relevant instructions or activity not captured through the existing supervised population.

The audit found that 88% of members correctly identified their AML obligations, indicating a strong overall understanding. Targeted engagement was carried out with the remaining 12% to clarify responsibilities and address any misunderstandings. No new registrations to the supervised population resulted from this engagement.

Figure 4. AML Lex Declaration 2024 Responses



2024 AML Declaration Responses



As a PBS, Faculty recognises its responsibility to support all members—both within and beyond the supervised population—in understanding their AML obligations. In January 2025, a dedicated AML e-learning module was launched for staff across Faculty to build legal sector-specific awareness of money laundering risks, legal responsibilities, and internal procedures in support of our members.

A UK Sanctions Compliance module was also introduced, providing practical guidance on statutory and professional duties under the UK sanctions regime, complementing the Faculty’s internal policies. Both modules remain accessible for 12 months to support flexible learning, and for use as a learning resource.

The following table summarises staff engagement with the training modules.

Table 2. Staff Training Engagement

Module	Started	Completed	Ongoing
Anti-Money Laundering Training	81	32	7
UK Sanctions Compliance	57	29	2

These figures reflect strong cross-departmental engagement and the Faculty’s commitment to ongoing awareness and compliance. Modules will be updated before the end of 2025 with in-person training provided for staff who directly support members.

Emerging Threats and Trends

No AML threats or trends were identified through our internal supervision activity, which aligns with expectations commensurate with the size of our supervised population. Still, the Faculty remains actively engaged with intelligence-sharing groups and forums, ensuring continued awareness of sector-wide developments and emerging risks.



Suspicious Activity Reporting

Suspicious Activity Reports (SARs) alert law enforcement to potential criminal activity, specifically related to money laundering or terrorist financing. The Faculty's PBS responsibilities include overseeing SARs and ensuring members understand and fulfil their duty to report suspicions.

In June 2024, the Faculty updated its' SARs Policy, which applies to all members and staff. The policy outlines the requirements and internal procedures for managing SARs raised with the Faculty's AML Officers. Since the policy's implementation, ongoing engagement with the supervised population has aimed to reinforce understanding and encourage good practice around reporting.

During the year, one SAR was submitted via the National Crime Agency (NCA) SAR Portal. This followed concerns reported to AML Officers, which prompted an internal review and the subsequent submission of the SAR. Overall, there has been a noticeable increase in advisory queries to the AML Officers from Faculty members, indicating growing engagement from members in identifying and reporting suspicious activity. We view this increased awareness as a positive indicator of the policy's impact and ongoing engagement efforts.

Look ahead - Future Supervisory Activity

The Faculty remains committed to continually strengthening its AML supervisory framework, informed by both internal insights and emerging external developments.

Findings from the recent audit of AML declarations will inform and prioritise supervisory activities in the year ahead. Key focus areas include strengthening member training in Sanctions and due diligence requirements, as well as staff training with a request this be interactive.

Recent developments at policy level are expected to shape the Faculty's future supervisory work. HM Treasury published its consultation on *Improving the Effectiveness of the Money Laundering Regulations* in July 2025, proposing measures to make CDD requirements more proportionate and targeted, reducing unnecessary burdens while maintaining robust safeguards. It also seeks to improve system coordination through enhanced collaboration between supervisors, law enforcement, and regulated entities to enhance intelligence sharing and consistency in enforcement. A draft Statutory Instrument to implement these changes was published in September 2025, accompanied by a policy note summarising the main measures and policy intent. Progress towards parliamentary approval and final enactment will be monitored closely as changes move into the implementation phase.

In October 2025, HM Treasury published its consultation response on the *Reform of the Anti-Money Laundering and Counter-Terrorism Financing Supervision Regime*. After considering four supervision models, the Government has decided to pursue a Single Professional Services Supervisor to oversee all AML and CTF activities for legal, accountancy, and trust and company service provider firms.

This reform represents a significant structural change to the current supervision model, transferring supervisory powers from all PBSs, including the Faculty, to the Financial Conduct Authority (FCA). While AML obligations remain unchanged for members, the Faculty will no longer act as a PBS. It will, however, continue to regulate professional standards unrelated to AML/CTF. The Faculty will participate in the proposed phased transition planning, preparing for any operational and compliance adjustments required. HM Treasury is expected to consult separately on the FCA's new supervisory powers in November 2025, with implementation dependent on parliamentary timelines.

The Faculty will continue to monitor both these policy developments closely and engage with key policy and supervisory bodies as the regulatory landscape evolves.

Collaboration remains central to the Faculty's supervisory strategy. The AML team will continue active participation in key sector groups, including the Legal Sector Affinity Group (LSAG) and the Intelligence Sharing Expert Working Group (ISEWG). These forums help ensure the Faculty remains informed and responsive to emerging risks, trends, and regulatory expectations across the AML landscape.



Where to Find More Information

Further information is available from:

- The Faculty of Advocates Website - [Faculty of Advocates](#)
- The Faculty of Advocates, Guide to Professional Conduct - [Faculty of Advocates Professional Standards](#)
- Legal Sector Affinity Group (LSAG) Guidance for the Legal Sector - [Legal Sector Affinity Group AML Guidance 2025](#)
- UK National Risk Assessment of Money Laundering and Terrorist Financing 2025: [National Risk Assessment of Money Laundering and Terrorist Financing](#)
- HM Treasury, *Improving the effectiveness of the Money Laundering Regulations*, Consultation Response, July 2025: [HMT Money Laundering Regulations Consultation Response](#)
- HM Treasury, *Reform of the Anti-Money Laundering and Counter-Terrorism Financing Supervision Regime*, Consultation Response, October 2025: [HMT AML Supervision Reform Consultation Response](#)
- The Office of Professional Body Supervisors (OPBAS): [OPBAS](#)
- UK Financial Intelligence Unit (UKFIU): [UKFIU](#)
- National Crime Agency (NCA): [National Crime Agency](#)
- Financial action Task Force (FATF): [Home](#)

Should you wish for any additional information, you can contact us at facultycompliance@advocates.org.uk