



# Top 10 Tips to Prevent Money Laundering in your Law Firm

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# AML has a renewed focus

The Proceeds of Crime Act came into force in 2002. There were Money Laundering Regulations issued in 2002, revised in 2007 and the latest version was effected in June 2017.

The number of Suspicious Activity Reports from solicitors has decreased over the last 3 years.

Last year the number of SARs from Solicitors to the NCA was 2774.

However reports from other sectors (estate agents, banks, accountants have all increased)

Is there under reporting of Money Laundering by solicitors??

# National Risk Assessment

First issued in October 2015 – Solicitors High Risk

Second issued in October 2017 – Solicitors High Risk

Three main areas of high risk

1. Real Estate
2. Trust and Company Service Provision
3. Operating a client account

# Law Society of Scotland Risk Assessment

<https://www.lawscot.org.uk/media/359827/scottish-legal-sectoral-assessment-of-ml-and-tf-risks-2018.pdf>

Reviewed the risk depending on size of firm

Decided on a supervisory approach

Low risk if a firm does not have a client account or conduct Conveyancing and TCSP work (but do firms correctly identify whether they do TCSP?)

# 10 Top Tips – No. 1

## AML Governance

- You must have an MLRO in place but do you have a deputy?
- How do you review trends, issues and have an annual review?
- How does this feed back into your risk assessment?
- You need to get the message over to everyone within the firm that AML is an area of constant work, review and focus.

# 10 Top Tips – No. 2

Ensure you have a Firm wide Risk assessment

- A firm wide risk assessment on AML is a mandatory requirement
- Need to consider your supervisors risk assessment
- Need to record the steps you've taken to complete it
- Make sure it has specific information on all your areas of practice – what the risks are, and how you mitigate those with processes and training
- Reflect on your size and nature and record your assessment

# 10 Top Tips – No. 3

Have a clear and available policy and reporting procedure

- The policy should be detailed and cover who is the MLRO/deputy, your ID procedures, training requirements, file procedures and record keeping
- Perhaps have a summary for staff
- Clear, easy form for reporting – encourage people to use it
- Everyone must know where the policy is and where to find the forms – check with them.

# 10 Top Tips – No. 4

Train all of your staff.

- Regulations require you train relevant staff
- Decide and record who you think relevant staff are
- Receptionists, secretaries, paralegals, accounts team, new business team, file openers, fee earners, partners.



# 10 Top Tips – No. 5

Have a completed matter risk assessment on every file

- You must ensure that each file has been assessed for risk by the fee earner- are there factors which increase the AML risk on a file? LSS has a fantastic template
- Risk assessment must be ongoing – it must not just be a one off task at the start of the file
- Consider risk after reviewing CDD information
- Consider risk immediately before the completion of a transaction

# 10 Top Tips – No. 6

## Identifying and Verifying your clients as part of CDD

- Make sure every client produces ID in accordance with your AML policy and that this is checked at fee earner level on the individual file
- Consider having every client's ID verified through an electronic provider
- Consider how they are checked for PEPs and sanctions
- The ID and verification must be accessible and kept for 5 years following the business relationship

# 10 Top Tips – No. 7

Source of funds – where are the funds coming from?

- All clients must be asked at an early stage where funds are coming from
- Some may need to produce evidence such as bank statements for the account
- Is the paperwork consistent with their verbal explanation, is it complete?
- Remind people to read it and record their assessment at the time

# 10 Top Tips – No. 8

Check the source of wealth

- Need to consider
- May need to ask
- Are the clients funds from an inheritance, a remortgage, regular savings, or a gifted deposit from parents/other family?
- May need to prove it - what are the documents that back this up?

# 10 Top Tips – No. 9

Prevent work being carried out on non-compliant files

- Regulations require CDD is completed before establishing a business relationship
- Legal Sector Affinity Group Guidance – no access to the client account prior to CDD being completed.
- Make sure everyone knows that no work is to be done on any file where ID or source of funds have not been completed
- Can you prevent work on a file where your AML procedures is not followed?

# 10 Top Tips – No. 10

## Monitoring compliance

- You should review files to ensure AML procedures are being followed on every file.
- File reviews should focus on the practical – ID, verification, risk assessment, source of funds and CDD. Are they on the file?
- Follow up corrective action



# Lockton philosophies

- Be committed to the highest standards of excellence in everything we do
- Practice the Golden Rule, and sustain a highly ethical, moral and caring culture
- Recognise our associates as our most valuable assets
- Provide the opportunity and support that allows associates to grow, improve and achieve their ultimate potential
- Recognise and substantially reward exemplary associate performance
- Respect, value and nurture each client and carrier relationship





Thank you

