

Anti-money laundering: how firms are getting on

Zoë Allen-Robinson
AML Proactive Supervision Manager

To cover

- The basics
- Update on how we supervise
- Findings from proactive supervision
- Trends in enforcement
- Q&A

Why do we care?

Danske Bank boss quits over €200bn money-laundering scandal



Revealed: Nearly 400,000 British companies evade anti-money laundering checks

Gang members accused of importing drugs worth billions into UK arrested in nationwide sting operation

National Crime Agency says group's operations were the 'biggest ever uncovered in the UK'

Thirteen people charged in France over Essex lorry deaths



The legislation

- Proceeds of Crime Act
- Terrorism Act
- Money Laundering Regulations (amended in 2019)



Professional body supervision

- We are the **largest** legal services anti-money laundering (AML) supervisor
- We are **regulated** by the Office for Professional Body Anti-Money Laundering Supervision (OPBAS)
- OPBAS assesses our AML supervision of those we regulate

What are the basics to know?

2017 Money Laundering Regulations

- Are you in scope? If not, where's the risk?
- Nominate a Money Laundering Compliance Officer (MLCO) and Reporting Officer (MLRO)
- Get your beneficial owners, officers and managers approved with the SRA

What are the basics to know?

2017 Money Laundering Regulations

- Do your risk assessment at firm level and client/matter level (for **each** client)
- Have proportionate policies, procedures and controls
- Train your staff and make training records
- Do risk-based customer due diligence and record your decisions

What are the basics to know?

2019 Amendment Regulations

- Definition of tax advisers much wider
- Report customer due diligence discrepancies to Companies House
- Apply EDD where:
 - a transaction is complex, unusually large, or unusually patterned
 - where links to an EU high risk third country encountered
- Verify the senior manager where beneficial owner unsubstantiated

What are the basics to know?

Proceeds of Crime Act 2002

- Know the warning signs of money laundering – criminals are using solicitors to add a veneer of trust
- Make sure staff know who to tell – make sure you have an internal suspicious activity report process
- Report suspicious activity to the National Crime Agency whether you turn the client away or not – this is in the national interest

Last year in numbers...

- 85 visits to firms
- 70 desk-based reviews
- 98 firm-wide risk assessment reviews
- 273 reports to us about suspected breaches
- 16 internal sanctions
- 13 cases brought to the Solicitors Disciplinary Tribunal

- Visited 85 firms during 2020/21
- Majority were partially compliant with the regulations
- Most common follow-up was letter of engagement which requires corrective action

Desk-based reviews

- We carried out 168 desk-based reviews in 2020/21
 - 98 narrower reviews into firm-wide risk assessments
 - 70 more comprehensive desk-based reviews
- Majority partially compliant
- Most common next steps were guidance issued or engagement

Processes & controls – findings

- 55% of policies needed some improvements
- Biggest concern was that they weren't followed
- Some were missing essential information or were out of date

Firm-wide risk assessment - findings

- Really important tool
- Lots of guidance available online
- Firms forgetting to assess one or more risk factor (most frequently transaction risk)
- Continue to see standard templates
- Make sure it covers all services in scope of the regulations

Audit – findings

- Number of firms with issues remains high
- Must be undertaken where ‘relevant to size and nature of the firm’
- 49 out of 69 firms visited had recommendations around audit
- Independent doesn’t need to mean external

Employee screening – findings

- 49 out of 69 firms received feedback on screening
- Progress on assessment of existing employees' skills and experience
- Issues with assessing conduct and integrity on an ongoing basis

Customer due diligence – findings

- Disconnect from policies
- Matter risk assessments
- Source of funds
- Ongoing monitoring

- Increase in reports and investigations
- Most common investigation - buying and selling property
- Key contributing factors:
 1. Inadequate supervision or training of fee earners
 2. Inadequate policies, controls and procedures
 3. Failure by individuals to follow policies, controls and procedures

Help is available



Risk Outlook, national and sectoral risk assessments



Warning notices



Thematic review findings



Legal sector guidance - sra.org.uk/aml-guidance



Professional Ethics helpline and webchat