

## **AML for sole practitioners**

21 May 2025

We know that balancing anti-money laundering (AML) compliance and the day-to-day running of a practice can be a challenge. This webinar provides guidance on how to stay on top of AML trends, issues and requirements.

- Hear about how sole practitioners can protect their practice from the threat of money laundering
- Find out about AML trends, issues and requirements.
- Hear questions put to the panel.

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## **Additional questions**

In this webinar we talked about how balancing anti-money laundering (AML) compliance and the day-to-day running of a practice can be a challenge for sole practitioners.

We received so many questions on the day that we couldn't answer them all in the live timeslot. Here are the answers to the additional questions we received, but didn't manage to answer.

[Open all \[#\]](#)



## **What approval do I need to act for a designated person who is subject to sanctions?**

This is a complex area of law. Extra care should always be taken when dealing with a designated person. For further information, please refer to our [published sanctions guidance](https://referral.sra.org.uk/solicitors/guidance/financial-sanctions-regime/) [https://referral.sra.org.uk/solicitors/guidance/financial-sanctions-regime/] for steps you must consider. Or [watch our recent sanctions webinar](https://referral.sra.org.uk/sra/news/events/on-demand-events/sanctions-updates/) [https://referral.sra.org.uk/sra/news/events/on-demand-events/sanctions-updates/].

## **Is there a difference in applicability between reserved and non-reserved work?**

Yes, there is a distinction but it's important to note that AML obligations under the Money Laundering Regulations 2017 (MLRs) don't depend on whether the work is reserved or non-reserved. They apply based on the nature of the activity, not the legal classification of the work.

AML applies when a legal professional engages in 'regulated activities' as defined in Regulation 12(1), such as:

- Buying or selling real property or businesses
- Managing client money, securities, or other assets
- Creating or managing trusts, companies, or similar arrangements
- Performing trust or company service provider (TCSP) activities

So, whether you're carrying out reserved legal work (e.g. conveyancing) or non-reserved work (e.g. company formation or tax advice), AML obligations apply if those activities fall within the regulated scope.

If you're undertaking non-reserved work and those activities are regulated under the MLRs, you will need to ensure you have the appropriate registration and AML controls in place.

## **What extra checks do politically exposed persons (PEPs) need?**

Where a client is identified to be a PEP, or a family member or known close associate of a PEP, it is a requirement of regulation 33(1)(d) MLR 2017 to apply enhanced due diligence (EDD) and enhanced ongoing monitoring. It is therefore important that PEPs are identified so that the correct level of due diligence is applied to clients and their matters.

EDD must include carrying out source of funds checks and obtaining information on the client's source of wealth.

Source of wealth is not simply about understanding where the funds for a particular transaction came from. It is about building a picture of how the client acquired their overall wealth, and to provide assurance that it was obtained through legal means. This will help you to establish whether the transaction makes sense.

You must clearly record actions taken, documentation and materials reviewed, and decisions taken (including rationale).



The Financial Conduct Authority (FCA) has clear guidance on this [FG17/6: The treatment of politically exposed persons for anti-money laundering purposes](https://www.fca.org.uk/publication/finalised-guidance/fg17-06.pdf) [https://www.fca.org.uk/publication/finalised-guidance/fg17-06.pdf]

### **If my client's funds are from a lender (one not registered with FCA), do we check their source of funds too?**

Pooled, third-party investors and unregulated lenders can be high risk, as also identified in our sectoral risk assessment. Therefore, it is best practice to use a risk-based approach and find out who the investors or lenders are, especially those contributing larger amounts. You should note any concerns about the source of funds or why you are satisfied with them in the client and matter risk assessment.

## **Resources**

- [Anti-money laundering: Get the basics right](https://referral.sra.org.uk/home/hot-topics/anti-money-laundering-get-the-basics-right/) [https://referral.sra.org.uk/home/hot-topics/anti-money-laundering-get-the-basics-right/]
- [Your AML obligations](https://referral.sra.org.uk/solicitors/resources/money-laundering/guidance-support/) [https://referral.sra.org.uk/solicitors/resources/money-laundering/guidance-support/]
- [Compliance with the regulations and preventing money laundering Q&A](https://referral.sra.org.uk/solicitors/resources/money-laundering/aml-questions-answers/) [https://referral.sra.org.uk/solicitors/resources/money-laundering/aml-questions-answers/]
- [Sole practitioners and small firms regulatory starter pack](https://referral.sra.org.uk/solicitors/guidance/sole-practitioners-small-firms-regulatory-starter-pack/) [https://referral.sra.org.uk/solicitors/guidance/sole-practitioners-small-firms-regulatory-starter-pack/]
- [Guidance on our firm inspections](https://referral.sra.org.uk/solicitors/resources/money-laundering/firm-inspections/) [https://referral.sra.org.uk/solicitors/resources/money-laundering/firm-inspections/]
- [LSAG AML Guidance \(PDF 228 pages, 2.4MB\)](https://referral.sra.org.uk/globalassets/documents/solicitors/firm-based-authorisation/lsg-aml-guidance.pdf) [https://referral.sra.org.uk/globalassets/documents/solicitors/firm-based-authorisation/lsg-aml-guidance.pdf] [https://referral.sra.org.uk/globalassets/documents/solicitors/firm-based-authorisation/lsg-aml-guidance.pdf]
- [Tax Adviser Guidance \(PDF 8 pages, 134KB\)](https://referral.sra.org.uk/globalassets/documents/solicitors/tax-adviser-guidance.pdf) [https://referral.sra.org.uk/globalassets/documents/solicitors/tax-adviser-guidance.pdf] [https://referral.sra.org.uk/globalassets/documents/solicitors/tax-adviser-guidance.pdf] [https://referral.sra.org.uk/solicitors/resources/money-laundering/firm-inspections/]