



Annual Anti-Money Laundering Supervisor's Report

May 2012

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1. Supervisory role and responsibilities

1.1. Organisation overview

The Law Society of England and Wales is the overarching professional body which is listed in the Money Laundering Regulations 2007 (the Regulations) as the anti-money laundering and counter terrorist financing (AML/ CTF) supervisory authority for solicitors in England and Wales (the supervised community).

The Law Society has delegated its regulatory functions to the Solicitors Regulation Authority (SRA). It has however, retained its representative role and currently represents over 150,000 solicitors in England and Wales.

Responses for this survey are based on the 2011 calendar year, unless specifically stated otherwise.

1.2. Supervisory responsibilities and powers

Under the Regulations, a supervisory authority is required to effectively monitor its supervised community and take necessary measures to secure compliance with AML/CTF requirements. These measures include:

- providing advice on the standards expected for compliance;
- providing education and training on compliance;
- monitoring and/or undertaking audit processes to measure compliance;
- investigation and disciplinary processes to deter non-compliance;
- having a framework to report and reporting to other agencies if appropriate.

The Law Society discharges its AML/CTF supervisory duties through the work undertaken by both its representative arm and its regulatory arm.

1.2.1. The role of the representative arm of the Law Society

The Law Society is responsible for the provision of advice and training to supervised legal practices to enable them to meet their AML/CTF obligations.

The Law Society undertakes this role in consultation with the SRA, other supervisors, SOCA, the Money Laundering Advisory Committee (MLAC), the profession and relevant government departments. This ensures that any advice is up-to-date and consistent with the views of regulators and law enforcement.

1.2.2. The role of the SRA

The SRA carries out risk based oversight of the entire supervised community focusing on how a legal practice's internal systems work to deliver the mandatory outcomes set out in the SRA Handbook 2011. The SRA Principles 2011 include the requirements to:

- act in the best interests of each *client*;
- comply with legal and regulatory obligations and deal with regulators and ombudsmen in an open, timely and co-operative manner;

- run legal business or carry out their role in the business effectively and in accordance with proper governance and sound financial and risk management principles;
- protect *client* money and assets.

Outcome 7.5 of the SRA Handbook 2011 requires legal practices to comply with legislation applicable to their business, including anti-money laundering legislation.

The SRA is therefore responsible for monitoring, investigating and instituting disciplinary proceedings in relation to non-compliance with AML obligations.

1.3. Approach to AML supervision

The Law Society's approach to AML/CTF supervision, through education and raising awareness, is both general and targeted.

The Law Society seeks to ensure that there is a substantial body of information freely available to all of its supervised legal practices through both electronic and print media, such as "Professional Update" (a weekly electronic newsletter), a dedicated web page and the Law Society Gazette.

More targeted information is provided through channels specifically directed at practitioners, such as those focusing on property practitioners and sole practitioners; and dedicated MLRO channels such as the MLRO networking groups and the e-forum.

The Law Society continues to monitor the format and location of training opportunities to ensure that it is accessible for the supervised community.

The SRA's approach to AML supervision is consistent with our approach to discharging our role under the Legal Services Act. The SRA seeks to exercise our enforcement powers transparently, proportionately, fairly and in the public interest.

Proportionate and targeted enforcement allows resources to be applied in a risk-based but effective manner. The SRA has published a detailed enforcement strategy which highlights our approach:

- robust and publicised enforcement action on priority issues improves standards and deters lack of integrity;
- a settlement with a legal practice may be a more effective and quicker outcome than prolonged formal proceedings;
- advice and guidance may be more effective ways to raise a legal practice's standards than a formal sanction;
- identifying low priority areas where the regulatory outcomes are not at risk can release resources to deal with higher priorities.

The detailed enforcement strategy is available here:

<http://www.sra.org.uk/sra/strategy/sub-strategies/sra-enforcement-strategy.page>

The SRA is also consulting on a specific enforcement strategy with respect to conveyancing work, where there are heightened financial crime risks.

1.4. Resources allocated

The Law Society has a specialist volunteer Money Laundering Taskforce comprising eleven solicitors and senior risk or compliance staff from within legal practices. The Taskforce makes recommendations on AML/CTF policy for the Law Society and oversees the provision of AML/CTF services by the Law Society.

The Law Society employs:

- a full time policy officer dedicated to AML/CTF support for the profession;
- a policy assistant who assists the AML/CTF policy officer 2 days a week;
- Five FTE staff in the Practice Advice Service including a specialist AML/CTF coordinator; approximately 20% of this unit's work is focussed on supporting the profession on AML/CTF compliance.

Delivery of AML/CTF services is also supported by staff within the web team, the events team, the communications team, the commercial services team and through a network of regional managers.

It is estimated that in purely numerical terms, all of these roles would be the equivalent of 4 FTE positions, although the wealth of experience available to the Law Society is greatly enhanced by this being spread over a wide range of employees and volunteers.

The SRA fulfils its AML supervisory role as part of its broader regulatory role.

The SRA employs:

- a full time policy executive with responsibility for a number of regulatory areas including AML/CTF;
- 100 staff within the supervision unit;
- 16 Intelligence officers; and
- 50 Investigators
- 22 Risk assessors and Risk Analysts.

All SRA supervision, intelligence, risk assessors and investigators are trained to spot the warning signs of money laundering and on the obligations for complying with the Regulations and the Proceeds of Crime Act. They are alerted to these issues when assessing all files and during supervision and investigation activities. They will look at evidence as to what measures the firm has in place to comply with the Money Laundering Regulations. It is not possible to proportionately allocate their time to the AML specific investigations. The SRA has an Money Laundering Reporting Officer to whom SRA staff can make reports of any suspicious activities.

The Law Society and the SRA believe that the resources currently allocated to AML/CTF supervision are appropriate given the risk assessments conducted (see section 3 below) and the other statutory responsibilities each agency has to meet within a finite level of resources. The appropriateness of the resourcing level for AML/CTF supervision is kept under review.

2. Details on supervisory population

2.1. Sector overview

All statistics in this section are from the *Trends in the Solicitors' profession Annual statistical report 2011* which is available at

<http://www.lawsociety.org.uk/aboutlawsociety/whatwedo/researchandtrends.law> .

As at 31 July 2011 there were 159,524 solicitors on the roll, 121,933 of these hold practicing certificates. There were 10,202 private legal practices registered in England and Wales, employing 87,973 solicitors with practising certificates. In addition, there were 294 registered European lawyers and 1680 registered foreign lawyers registered with the SRA.

The table below outlines the percentage of legal practices within each size category by number of partners and by the percentage of solicitors employed against the total number of solicitors with practising certificates employed in private sector legal practices.

	Sole Practitioner	2 – 4 Partners	5 – 10 Partners	11 – 25 Partners	26 – 80 Partners	81+ Partners
Legal practice size	45.10%	41.16%	8.77%	3.17%	0.13%	0.05%
Solicitors employed	8.5%	23.1%	14.5%	12.9%	17.4%	24.1%

Essentially the solicitors' profession consists of a high percentage of small to medium legal practices with a few very large legal practices employing a significant percentage of solicitors.

The Law Society became a licensing authority for Alternative Business Structures on 23 December 2011. The SRA will regulate ABSs, their managers and employees and supervise them for AML compliance.

2.2. Supervisory framework

The SRA's supervisory approach to legal practices is tailored to take account of:

- the risk a legal practice poses;
- its management of risk;
- its approach to, and history of, compliance.

In order to carry out engagement with the regulated community each legal practice will have a Relationship Manager or Supervisor within the SRA, who will engage with the legal practice to encourage it to manage its risks. The methods used by Relationship Managers and Supervisors to engage with legal practices are discussed further in the section dealing with Inspections and Visits (see section 5 below).

Engagement with legal practices may be triggered by events generated within or potentially impacting on legal practice that mean the SRA need to check whether a legal practice's compliance might be at risk, or as a part of a piece of broader thematic work with a number of legal practices.

Relationship Managers and Supervisors will analyse information already held and risk-assess legal practices to identify key risks or issues.

The SRA will also ask legal practices to assess the risks that they face on an ongoing basis, and put in place steps to mitigate any risks. The SRA encourages legal practices to address reports of misconduct received by the SRA in the most appropriate way and in accordance with proper and effective internal systems and controls.

Information gathered from legal practices will be evaluated, and the SRA will continue to engage with legal practices to discuss its evaluation and scrutinise their plans to address any risks, to ensure clients and the general public are protected.

SRA supervisors will continue to engage with legal practices for as long as it is appropriate to do so, given:

- the specific risks and issues identified; and
- the progress the legal practice is making to address them.

Engagement with legal practices will include discussion of how legal practices are dealing with or plan to deal with emerging risks (see section 3.2).

2.3. Register of members

The SRA keeps a list of all solicitors of the Senior Courts (the roll) in accordance with the Solicitors (Keeping of the Roll) Regulations 2011. This is kept in an electronic form.

The following information is kept in respect of each solicitor:

- Name
- Date of birth
- Registration number
- Principal place of business
- Correspondence address
- Any note of suspension from practice or the practising certificate
- Any other reasonable information necessary to undertake the SRA's statutory objectives.

In addition, the SRA maintains a register on similar terms of registered European lawyers and registered foreign lawyers in accordance with the SRA Practising Regulations 2011.

2.4. Identification and integration of unsupervised populations

It has been identified that there may be a small number of foreign lawyers practising within the UK who are solely practising foreign law or engaging solely in non-reserved activities. While the Regulations apply to their AML regulated activities, they are not required to have a practising certificate or be on the roll, as they are not solicitors, registered foreign lawyers or registered European Lawyers. As such they are not regulated by the SRA or supervised by the Law Society for AML/CTF compliance.

It is considered that the size of this population is likely to be very small, particularly as any activities they undertake with respect to trust and company service provision or tax advice will result in them being subject to HMRC as the default AML supervisor for those activities. Any further integration of this population into Law Society/SRA supervision will require legislative change.

Since 2010 the Law Society has worked to raised awareness of AML/CTF requirements with foreign legal practices who are members of the Law Society's International Division and we will continue to do so with dedicated networking sessions and information articles.

The Law Society, the SRA and HM Treasury continue to monitor the situation to assess the risk posed and whether further action needs to be taken to address this issue.

During 2011 the Law Society raised with HM Treasury the fact that it was possible for Chartered Legal Executives to act as sole practitioners in areas covered by the regulations and where there is no default regulator. This is an issue which is being taken forward by HM Treasury as part of its Review.

3. Risk assessment

3.1. Risk assessment process – monitoring and enforcement

Risk based approach to regulation

As the regulator, the SRA must act in a way that is compatible with the regulatory objectives set out in the Legal Services Act 2007. To deliver successfully on these objectives, the SRA must identify, assess and control any risks to achieving them. The SRA's risk assessment framework is the means by which this is achieved.

The SRA's risk-based approach to regulation therefore seeks to identify the risks to the SRA meeting the regulatory objectives, and targets limited resources to the areas of greatest risk.

Legal practice based risks

These are the risks inherent in an individual legal practice.

As a regulator with limited resources the SRA cannot actively supervise every legal practice in the same way. The approach to supervision applied to a legal practice is based on measures of potential **IMPACT** a legal practice may have on the SRA's

objectives. The potential impact is measured using a combination of factors including, size of legal practice, vulnerability of clients and client money held.

After a legal practice has been allocated to a particular approach to supervision, an assessment of the **PROBABILITY** of risks occurring in a legal practice takes place. The probability indicators link into four key risk categories:

- Fraud & dishonesty (including financial crime)
- Instability and financial default
- Operational risk (day to day activities)
- Competency, fitness and propriety.

This will allow supervisory staff to assess where particular risks may be in a legal practice and facilitate targeted supervisory activity.

Thematic risks

These are risks that affect groups of legal practices, sectors or the whole of the legal services market. Legal practices involved in the SRA's thematic activity are likely to be from across the spectrum of low, medium and high impact legal practices. The SRA's response to thematic risk may vary from issuing guidance to our regulated community to undertaking visits or investigation across a number of legal practices.

Events

These are risks presented by events reported to the SRA by the public, profession and law enforcement agencies.

Every report made is assessed using a combination of tests that establish the level of risk the event presents. Each event is given a risk score and a red, amber or green (RAG) rating which the supervisor can use to help decide whether to action the event. Analysis of this data also allows the SRA to identify emerging trends in reported activity.

3.2. Emerging risks to the legal sector

The key methodologies and warning signs of money laundering and terrorist financing remain relatively consistent for the legal sector. However the Law Society and SRA have seen increased risks for the supervised community in the following areas:

- Increase in private funding for property purchases as lenders require higher levels of deposits and home buyers seek funding from friends and family.
- Increased use of litigation and other alternative dispute resolution methods to attempt to launder funds.
- Hijacking of legal practice identities and creation of sham legal practices by organised criminals.
- The potential for organised criminals to seek to invest in legal practices through the licensing of alternative business structures.

The Law Society and the SRA are seeking to mitigate these risks for the supervised community by:

- Increasing awareness of the risks associated with property work and private funding, while providing advice on proportionate steps to undertake in assessing the source of funds.
- Increasing awareness of the methodologies and warning signs for money laundering via dispute resolution mechanisms through both general and targeted communication channels and providing clear advice on the steps to take where there is a suspicion of money laundering.
- Increasing awareness in legal practices to check their own online presence and to check the identity of the legal practice on the other side of the transaction.
- Tightening the procedures by which legal practices can register or amend their details with the SRA, including branch offices.
- Undertaking detailed assessments of all applications for licensing of alternative business structures.

4. Advice and Guidance

4.1. Communication and Outreach

The Law Society provided good practice advice and education in 2011 through:

- The online AML / CTF Practice Note, which has received approval from HM Treasury.
- An additional CTF Practice Note, which specifically considers the interplay of legal professional privilege and the Terrorism Act 2007.
- The Practice Advice Service, which is a telephone and email based helpline. It receives approximately 500 enquiries on AML/CTF issues each month.
- The AML directory, which is a list of 21 solicitors willing to provide other solicitors with initial free legal advice on AML compliance.
- A free AML e-alert with practical tips to help solicitors comply with the regulations and legislation, together with information about the latest AML methodologies. Six editions were sent to around 18,000 subscribers in 2011.
- A dedicated MLRO e-forum, which includes copies of relevant SOCA alerts and other intelligence on new warning signs and trends.
- A 27 page practical guide on AML compliance for property law practitioners
- Two online introductory AML training courses aimed at new MLROs and compliance staff.
- 35 regional MLRO networking groups were undertaken around England and Wales.
- 37 regional training seminars were undertaken around England and Wales
- An annual AML conference was held with over 120 delegates.

In 2012 the Law Society will be issuing an AML compliance toolkit which will be of specific benefit to small to medium sized legal practices which may lack the staff resources and expertise to develop risk assessments and manuals of a high standard. The Law Society will be looking at providing more detailed consultancy work and in-house training options through our Risk and Compliance Service. The Law Society will also be developing a range of podcasts on discrete AML issues which can be easily listened to during the daily commute or a lunch break.

The Law Society also engages in regular feedback exercises with the profession through a range of surveys, round table events and a dedicated MLRO e-forum.

The limited intelligence provided by law enforcement and Government on terrorist financing methodologies as they apply to the legal sector has restricted the extent to which the Law Society can provide practical advice to the profession in this area.

Compliance with the sanctions list is an issue which was specifically incorporated in all training programmes in 2011.

SRA educational activity includes an AML warning card, articles on issues of regulatory concern, presentations at conferences, and the provision of an ethics helpline. The SRA also plays a key role in the Law Society's educational activities by providing information on any areas of concern and/or emerging trends and presenting at conferences and training seminars to give the regulator's perspective on AML/CTF issues.

4.2. How is guidance produced and reviewed?

The Law Society's Money Laundering Taskforce and the AML policy officer use their expertise and experience to draft the Practice Note, training material and articles.

The Practice Note was drafted after consultation with the SRA, other key stakeholders from the profession and MLAC. The advice was initially prepared in 1997 but it has since been revised many times, with the most recent edition being developed in October 2009. The Practice Note received approval from HM Treasury in 2009. Minor amendments were made in 2011 to reflect the SRA's move to outcomes focused regulation and to take into account the continual updating of FATF's list of countries with poor AML/CTF compliance.

The Law Society continually reviews the content of the Practice Note and associated educational services in light of feedback from MLRO networking groups, emails, comments on the e-forum and calls to THE PRACTICE ADVICE SERVICE. Regular articles are included in the AML e-update to provide further clarity and advice on the practical application of aspects of the practice note where required.

During 2012/13 the Law Society will undertake a detailed review of the practice note in light of the new FATF recommendations and changes being developed in Europe to the third money laundering directive.

5. Inspections and other visits

5.1. Supervision

In broad terms, the SRA's Supervision function takes a number of approaches to taking these matters forward.

- **Desk-based supervision** involves engagement with legal practices by telephone to discuss issues and request information. That information is analysed and pertinent questions asked about what has been provided.
- **Visit-based supervision** involves visits to legal practices to address both discrete events and thematic risks. The SRA visits legal practices when it considers this necessary in order to properly assess the risks or issues identified.

Supervision adopts a "whole legal practice" approach to achieve regulatory oversight. This means that the SRA will no longer necessarily investigate every alleged breach of the SRA Handbook; instead, Supervisors will review the overall picture and engage with legal practices to see if issues can be resolved systemically.

However, enforcement action will be taken if

- there is serious misconduct;
- a risk to the public that cannot be mitigated by working with the legal practice is identified;
- the legal practice in question does not engage with the regulator so that the matter can be addressed by way of the Supervision approach and formal investigation is required.

Supervision will retain "ownership" of the legal practice in circumstances where formal investigation or enforcement action is taken. Where a risk relating to money laundering is identified it would typically involve Supervision working in conjunction with Forensic Investigation and this would at minimum involve a visit to the legal practice, an inspection of the legal practice's books of accounts and a review of the legal practice's money laundering policies and their implementation.

In 2011, the SRA concluded 9665 case work investigations into all allegations of misconduct. It is not possible to indicate how many involved possible AML breaches, although very few relate solely to AML matters.

In 2012 the SRA will be undertaking thematic reviews on AML compliance within conveyancing firms, in addition to the standard supervisory reviews and visits.

5.2. Investigation

The SRA's Forensic Investigation Unit conducts investigations into allegations of professional misconduct, including those relating to failure to comply with AML/CTF obligations. Where appropriate, Forensic Investigation will institute disciplinary action against legal practices for non-compliance with their professional conduct obligations. More serious matters are reported to the police through an ACPO agreement.

In 2011, Forensic Investigations undertook 490 new investigations into all allegations of misconduct. It is not possible to indicate how many involved possible AML breaches, although very few relate solely to AML matters.

6. Compliance and enforcement actions

Where the SRA decides there has been a failure to comply with regulatory obligations, it may:

- make a finding (see [rule 1.1 of the SRA Disciplinary Proceedings Rules 2011](#));
- make a finding and warn the legal practice about future conduct (see [rule 1.1 of the SRA Disciplinary Proceedings Rules 2011](#));
- impose a fine (see [section 44D of the Solicitors Act 1974](#); [Schedule 2, paragraph 14B of the Administration of Justice Act 1985](#); [section 95 of the Legal Services Act 2007](#));
- impose a rebuke (see [section 44D of the Solicitors Act 1974](#); [Schedule 2, paragraph 14B of the Administration of Justice Act 1985](#); [section 95 of the Legal Services Act 2007](#));
- control the manner of practise by imposing conditions on the practising certificate or registration (see [regulation 7 of the SRA Practising Regulations 2011](#));
- control the manner of practise by imposing conditions on authorisation (see [rule 9 of the SRA Authorisation Rules 2011](#));
- suspend a practising certificate or registration (see [section 13B of the Solicitors Act 1974](#); [Schedule 4, paragraph 7 of the European Communities Regulations 2000](#); and the [Registered Foreign Lawyers Order 2009](#));
- authorise the making of an application to the Solicitors Disciplinary Tribunal (see [rule 10 of the SRA Disciplinary Procedure Rules 2011](#));
- close a practice (solicitors' practices, see [section 35](#) and [Schedule 1](#) of the Solicitors Act 1974 (as amended); registered European lawyers, see [section 35](#) and [Schedule 1](#) of the Solicitors Act 1974 as applied by the [European Communities \(Lawyers Practice\) Regulations 2000](#) (ECR 2000); registered foreign lawyers, see [Schedule 1 of the Solicitors Act 1974](#) as applied by [paragraph 5 of Part II of Schedule 14 of the Courts and Legal Services Act 1990](#)); recognised bodies, see [Schedule 1 of the Solicitors Act 1974](#) as applied by [paragraphs 32-35 of Schedule 2 of the Administration of Justice Act 1985](#); licensed bodies, see [section 102](#) and [Schedule 14](#) of the Legal Services Act 2007);
- revoke or suspend authorisation of a legal practice (see [rule 22 of the SRA Authorisation Rules](#) and [regulation 10.2\(b\) of the SRA Practising Regulations 2011](#));
- make approval of an owner, manager or compliance officer subject to conditions on a body's authorisation (see [rule 14.5 of the SRA Authorisation Rules 2011](#) and [regulation 4.10 of the Practising Regulations 2011](#));
- modify the terms and conditions of authorisation (see [rule 10 of the SRA Authorisation Rules 2011](#));
- enter into an agreement (Agreements are regulatory decisions made by the SRA, the terms of which are accepted by the solicitor or practice. They are not the equivalent of settlement of all or part of a commercial dispute);
- withdraw approval of a compliance officer for legal practice (COLP) or compliance officer for finance and administration (COFA), manager or owner

- (see [rule 17 of the SRA Authorisation Rules 2011](#) and [regulation 4.11 of the SRA Practising Regulations 2011](#));
- disqualify an individual from acting as a HOLP, HOFA, manager or employee (see [rule 9 of the SRA Disciplinary Proceedings Rules 2011](#));
 - refuse to bring a disqualification to an end following an application by the disqualified person to do so ([rule 9 of the SRA Disciplinary Proceedings Rules 2011](#));
 - withdraw approval of a person being an owner of a licensed body (see paragraphs 18, 29 or 34 of [Schedule 13 of the Legal Services Act 2007](#));
 - impose conditions on the holding of an interest (see paragraphs 28 and 33 of [Schedule 13 of the Legal Services Act 2007](#)).

Where regulatory action has been taken the SRA can publish the finding on its website. (<http://www.sra.org.uk/consumers/solicitor-check.page>)

The SRA reports publicly each quarter on its monitoring and enforcement action under the Legal Services Act 2007. The SRA does not at this time record separately the number of cases which involve breaches of AML obligations.

These reports can be located here: <http://www.sra.org.uk/reports/>

For 2011 the following enforcement action was taken by the SRA in relation to all allegations of misconduct:*

Allegations upheld	1328
• Letter of advice issued	876
• Warnings issued	105
• Reprimand issued	156
SDT referral	297
Incorporated into other disciplinary action	1238
No action required	6802

* See the Regulatory Outcomes Report December 2011 for further details about these figures.

Serious matters of misconduct are referred by the SRA to the Solicitors Disciplinary Tribunal (SDT), which is an independent tribunal. When considering the outcomes of decisions at the SDT is important to take into account the following issues:

- It is rare that a case will be referred simply for a breach of the Regulations, as such the penalties imposed may relate more to another breach of the previous Solicitors Code of Conduct or the current Solicitors' Handbook.
- Penalties may also vary in any given case depending on the seniority of the person involved within the legal practice and their specific involvement in the commissioning of the offences.
- Finally, decisions often occur some months or even years after the infringement, which may mean that where a breach occurred in close proximity

to the change in the Regulations the penalty may have been more lenient than it would if the conduct was undertaken now.

From SDT decisions in 2011 we have identified:

- Two solicitors who were refused restoration to the roll due to convictions under the Proceeds of Crime Act; and
- One solicitor who was struck off the roll solely for a conviction under the Proceeds of Crime Act.

With respect to cases which involved breaches of AML obligations and other breaches:

- Six solicitors were struck off;
- One solicitor was suspended for 2 years and another for 30 months;
- Eight solicitors received fines ranging from £2,000 to £10,000;
- Two solicitors were reprimanded;
- Two non-solicitor conveyancers were prevented from being employed by an SRA regulated legal practice;
- No orders were made against two solicitors.

In all cases costs were awarded ranging from £500 to over £150,000.

To put these enforcement actions into context, in 2011 the SDT made the following orders for all misconduct breaches:

Fined	108
Struck off	60
Suspended	54
No order	10
Reprimand	16
Other	37

7. Information sharing and co-operation

7.1. General Liaison

The SRA's Fraud and Confidential Intelligence Bureau (FCIB) shares intelligence with SOCA, law enforcement agencies, other regulators, the profession and the financial services industry where appropriate. These intelligence sharing arrangements have been formalised through a series of Memorandum of Understanding (MOU). FCIB undertakes the money laundering reporting function within the SRA, with the Director of Intelligence and Investigations assuming the role of money laundering reporting officer and the Head of FCIB acting as the deputy. The SRA is also a member of a variety of groups and organisations associated with the investigation of financial crime.

The Law Society has representatives which sit on MLAC and the SARs Regime committee.

The Law Society liaises with SOCA , law enforcement and HM Treasury to share intelligence alerts which are relevant to the legal sector and issue warnings of jurisdictions with increased money laundering risks. We carefully assess the sensitivity of information provided and consider whether it is most appropriate to share the information via our secure e-forum, general e-updates or in specific training sessions.

7.2. Submission of suspicious activity reports

The SRA maintains a comprehensive register of reports to the MLRO from members of staff and in 2011 made 7 reports.

The Law Society has appointed the Head of its Legal Team as its own MLRO to enable it to make voluntary disclosures about suspected money laundering or terrorist financing. This MLRO role is not related to the supervisory role, as conducted by the SRA.

8. Accountability

8.1. Governance processes

The different roles and responsibilities of the Law Society and the SRA with respect to anti-money laundering are outlined at section 1.2 above.

The governance process for AML/CTF policy for the Law Society is as follows:

- The Law Society Council is the policy making body of the Law Society. The Council comprises approximately 90 elected representatives from the profession. For issues relating to anti-money laundering and counter terrorist financing, significant issues of new policy will be signed off by the Council on advice from the Legal Affairs and Policy Board.
- The Legal Affairs and Policy Board has delegated responsibility to authorise regular policy developments on advice from the Money Laundering Taskforce and monitors the anti-money laundering activities which are being undertaken in accordance with pre-existing policy. Where money laundering issues involved other aspects of law (such a criminal procedure, company law or taxation) other specialist committees will also be consulted.
- The Money Laundering Taskforce is tasked with providing expert advice to the Law Society on all matters relating to money laundering. They are assisted by the anti-money laundering policy officer in this role.

The governance process for AML /CTF policy in the SRA is as follows:

- The SRA Board
- The Regulatory Risk Committee of the SRA has responsibility to exercise oversight of and advise the SRA Board on all matters within the Board's terms of reference relating to regulatory compliance including investigation of conduct and regulatory issues; monitoring of practice standards, forensic investigations and fraud intelligence.

8.2. Measures of Performance

The Law Society closely monitors engagement by the profession and their use of AML services and products such as: the AML e-alert through subscription levels and click-throughs; MLRO networking events, AML training events, and on-line training based on attendance rates and satisfaction ratings from attendees.

The SRA monitors and measures performance through a series of key performance indicators (including visits and investigations), a record of reports sent to the MLRO and internal training.

8.3. Outcomes for 2011

For the Law Society's outreach and education activities:

- The AML e-alert has received approximately 6000 new subscriptions with on average, 20% of subscribers opening each e-alert.
- A further 53 solicitors have registered to use the e-forum, a key source of information and advice for MLROs and senior compliance staff working in law legal practices.
- 465 solicitors attended AML training events. The reduction in delegate numbers may reflect the lack of significant legal change in the AML regime for some years and the extensive training programme undertaken by the Law Society in the past few years. Satisfaction ratings with the events remain high.
- 1,765 solicitors attended the MLRO networking events, including new areas such as Telford, Truro, Barnstable and Cheltenham. Satisfaction ratings with the events are consistently above 98%
- 89 bookings have been received for the introduction to the Money Laundering Regulations online training course and 43 for the introduction to the Proceeds of Crime Act online training course. These courses are designed for new MLROs and compliance staff. Approval ratings have been 7.39/10 and 8.17/10 respectively.

For the SRA's monitoring and investigation activities, inspections of solicitors' legal practices have shown a high level of AML compliance for 2010/11.

9. Overall assessment of compliance

There is strong evidence that the majority of the supervised community take their compliance obligations very seriously and work hard to ensure that not only are they complying but are also seen to be complying with their regulatory obligations. The evidence for this statement comes from the results of the SRA's monitoring and investigation activities, the discussions with delegates at networking and training groups, the volume of the calls to the Practice Advice Service and the take-up of the various Law Society Services.

We are aware of some legal practices taking a fairly onerous approach to compliance where a slightly more flexible and risk-based approach may be warranted. However, we also appreciate that they face potential significant criminal penalties for breaches of the regulations, even where no money laundering actually occurred. For this reason we take the view that these legal practices are best placed to understand their own risks and their capacity limitations. We will advise them of the full compliance options available to them and seek to assist in building capacity where we can, but will not seek to impose our own risk-based assessment to lower or 'make more proportionate' their compliance choices.

As the outreach and educational activities have extended out of the main towns and into smaller regional centres there is now greater engagement from legal practices who have previously had limited experience in applying a sophisticated and risk-based approach to AML/CTF compliance. From these events and monitoring visits, it is clear that some smaller legal practices are struggling to find the resources to effectively meet their AML/CTF obligations and keep informed about emerging trends and methodologies.

We anticipate that increased support through the Law Society's Risk and Compliance Service (as outlined at 4.1 above), continued monitoring and support from the SRA's Supervision team and enhanced relationship managing as a result of the SRA's shift to outcomes focused regulation, will enable us to better equip that sector of the supervised community.

We acknowledge that there is a small proportion of supervised legal practices who will fail to comply with their AML/CTF obligations, not engage with their obligations or will actively seek to engage in criminal activity of this nature. This is despite the advice provided by the Law Society and the SRA. The rest of the profession of course condemn such conduct and are aware of their regulatory obligations to report even other solicitors who fail to maintain the high standards expected by both the Law Society and the SRA.

It is on this small proportion of the profession that the SRA will bring the full weight of its regulatory powers as outlined above, to bear, to limit the damage they can cause to the trust which the public place in the profession and to the financial and social well-being of England and Wales.