



The Law Society

Warning to all solicitors: Money laundering

Be on your guard

Your firm, whatever its size or nature of practice, could be a target for criminals wishing to launder the proceeds of their crime through legal transactions. You might commit a criminal offence if you help them by missing the warning signs.

The Proceeds of Crime Act 2002 means that if you fail to report to the National Criminal Intelligence Service you will be judged by the standard of whether a reasonable solicitor should have been suspicious in all the surrounding circumstances. Learning to spot warning signals is more important than ever before.

The criminal law and regulatory requirements are undergoing rapid change. Keep up to date by reading Law Society guidance and interim updates which can be found at www.lawsociety.org.uk.

What does this mean in practice?

You will need to ask your clients more questions. By June 2003 most solicitors will be legally required to establish the identity of most clients. Honest clients should be happy to assist. Make sure you and your colleagues receive some training about money laundering.

Know your client

- Check the identity of new clients and be wary of clients who are reluctant to provide such details.
- Where possible meet new clients in person. Be cautious about third parties introducing clients who you do not meet.

If anything about the circumstances, particularly these warning signals, give cause for concern then **ask more questions**. The answers may deal with your initial cause for concern. If they do not, then the answers may give foundation to a suspicion and you may have to consider whether or not to make a report under the legislation.

Causes for concern can include the following:

Unusual settlement requests

Anything that is unusual or unpredictable or otherwise gives cause for concern should lead you to **ask more questions** about the source of the funds. Remember, proceeds of crime can arrive through the banking system as well.

Think carefully if any of the following are proposed or occur:-

- Settlements by cash

- Surprise payments by way of third party cheque
- Money transfers where there is a variation between the account holder or the signatory
- Requests to make regular payments out of client account
- Settlements which are reached too easily

Unusual instructions

- Why has the client chosen your firm? Could the client find the same service nearer their home?
- Are you being asked to do something that does not fit in with the normal pattern of your business?
- Be cautious if instructions change without a reasonable explanation
- Be cautious about transactions which take an unusual turn

Use of your client account

- Using solicitors' client accounts to transmit money is useful to money launderers
- Do not provide a banking facility if you do not undertake any related legal work
- Be cautious if you are instructed to do legal work, receive funds into your client account, but then the instructions are cancelled and you are asked to return the money either to your client or a third party

Remember you may still be assisting a money launderer even though the money does not pass through your firms bank accounts

Suspect territory

- If you are instructed in transactions with an international element you can refer to the Financial Action Task Force (www.oecd.org/fatf) who produce up to date information about different countries
- Be cautious if a client is introduced through an overseas bank or third party based in countries where the production of drugs, drug trafficking, or terrorism may be prevalent.
- Take care if funds are being routed into and out of the UK without a logical explanation

Loss making transactions

- Be alert to instructions which could lead to some financial loss to your client or a third party without a logical explanation, particularly where your client seems unconcerned
- Be cautious about confusing movements of funds between different accounts, institutions or jurisdictions without apparent reason

The better you know your client and the full details of and reasons for the transaction before accepting the retainer, and particularly before accepting funds, the less likely you are to become involved in money laundering.

What if you are suspicious?

In many situations, the law will require you to make an official disclosure to:

The National Criminal Intelligence Service Spring Gardens

Vauxhall

London SE11 5EF

Tel: 020 7238 8282

Fax 020 7238 8286.

Helpful guidance notes about money laundering are issued by:

The Joint Money Laundering Steering Group Pinners Hall

105 – 108 Old Broad Street

London, EC2N 1EX

Tel: 020 7216 8800

Fax 020 7216 8811.

Confidential advice can be obtained from:

The Professional Adviser

Professional Ethics

The Law Society

Ipsley Court

Berrington Close

Redditch, B98 OTD

DX 19114 Redditch

Tel: 0870 6062577

Fax 0207 320 5897.