



Anti-Money Laundering Obligations

Solicitors who undertake regulated activities have obligations under the UK anti-money laundering (AML) regime.

The UK is a major international financial and legal centre, with a strong reputation for honesty and integrity. To maintain this, the UK Government has introduced legislation to help prevent professional businesses being successfully targeted by money launderers.

Under the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2017, legal professionals who participate in certain regulated activities must perform a practice-wide risk assessment and carry out risk-based due diligence on their clients.

Regulated activities include:

- Advice about tax affairs
- Real or financial property transactions
- Opening or managing a bank account
- Creating, operating or managing trusts, companies or similar structures.

Practice-wide risk assessment and compliance procedures

To understand the risk of money-laundering that your firm is exposed to, your practice-wide risk assessment should include factors relating to your customers, your transactions and the sectors these cover, and the products or services you provide. When making the risk assessment, you should draw upon resources available through your supervisory authority, the UK Government and other relevant organisations; see overleaf for useful links.

You must establish clear and documented internal policies, controls and procedures that match the severity of your potential exposure to money laundering. Your staff should familiarise themselves with these procedures and undergo regular, documented training to fully understand the risks and the appropriate response.



The Money Laundering Regulations 2017 require businesses to appoint an officer responsible for compliance with the Regulations, and a “nominated officer” for a range of obligations such as putting in place money laundering controls, and compiling and passing on to the Solicitors Regulation Authority internal reports on suspicious activity. These two roles can be performed by the same person, where appropriate.

Keeping good records on your firm’s AML-related activities will enable you to justify your decisions and actions to law enforcement agencies, the courts and the Solicitors’ Regulation Authority (SRA), if necessary.

Customer due diligence

Customer Due Diligence (CDD) means finding out who your customers are. Your CDD requirements should reflect your practice-wide risk assessment and the nature of the transaction. Most firms check their clients’ name, address and date of birth, using photographic identity documents and proof of residential address. You should pay special attention to “red flags”, which can alert you to the need for further due diligence regarding the client, the source of the funds or both.

Risk-based and documented due diligence must be conducted at the client onboarding stage, and ongoing monitoring should be conducted for long-standing clients.

Where money laundering is suspected, you should keep comprehensive records of your suspicions, the actions taken and any advice sought. If you suspect that money laundering is occurring, raise the matter with your nominated officer immediately and they will determine whether a Suspicious Activity Report needs to be filed with the National Crime Agency.

Red flags

- Secretive clients
- Clients established or transacting business in “high risk” jurisdictions or “high risk” sectors
- Complex transactions with no apparent economic or legal purpose
- Unexplained cross-border elements in the transaction
- Large payments from private funds or payments from many individuals or sources
- Unusual pattern of transactions, e.g. an unusually rapid sale after purchasing a property, an unusual valuation, or a rapid change in client-solicitor instructions
- Changes to your business relationship with long-standing clients, e.g. a transaction which falls outside the client’s usual sector or a higher-than-usual value of the transaction
- Negative press surrounding the client

How we can help you understand your obligations

Legal Sector Affinity Group’s draft Anti-Money Laundering Guidance:

<http://www.lawsociety.org.uk/policy-campaigns/articles/draft-anti-money-laundering-guidance/>

UK National Risk Assessment of Money Laundering and Terrorist Financing:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655198/National_risk_assessment_of_money_laundering_and_terrorist_financing_2017_pdf_web.pdf

EU Supranational Risk Assessment on Money Laundering and Terrorist Financing:

http://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=81272

Visit our website for free and comprehensive guidance on compliance with your AML obligations:

<http://www.lawsociety.org.uk/support-services/risk-compliance/anti-money-laundering/>

You can also subscribe to our bi-monthly newsletter, join webinars and attend free networking events and conferences on AML issues.

Our free and confidential AML helpline:
0207 320 9544