

Annual report by the money laundering reporting officer (MLRO) for the year ending October 2019

Background

- 1 Money laundering is the way in which criminals can profit from some of the worst crimes in society, for example human trafficking, modern slavery, drug dealing and child exploitation, crimes which often affect the most vulnerable in our communities. Removing the proceeds and disrupting criminals from spending the profits of their crimes is one of the best deterrents to them committing that crime in the first place. We take our duties to detect and report money laundering in the legal sector incredibly seriously. The prevention of money laundering and terrorist financing remain a high priority for Government and so we continue to see rapid changes in legislation in this area, plus a new priority on reporting suspicion, sharing information and a public/private partnership to help fight economic crime.
- 2 Money Laundering Reporting Officers (MLROs) carry out their duties in compliance with the Money Laundering, Terrorist Financing and Transfer of Fund (Information on the Payer) Regulations 2017 (“the money laundering regulations”). Although it is not a requirement for MLROs to deliver annual reports it is recognised as good governance to do so, in addition to our detailed annual return to HM Treasury.
- 3 This report, my second as MLRO, is an overview of the year ending October 2019. The report outlines the money laundering training that we provide for staff, the obligations placed on all SRA staff to report any suspicions of money laundering or terrorist financing, engagement with other organisations, and key successes from November 2018 to October 2019.
- 4 This report also gives an overview of the types of money laundering reported to the National Crime Agency (NCA) by way of Suspicious Activity Reports (SARs) and the ongoing work we are doing to further strengthen our anti-money laundering (AML) capabilities.

Discussion

Money Laundering Training

- 5 We are committed to ensuring that all SRA staff members are aware of money laundering and terrorist financing related risks and the obligations placed upon everyone to report their suspicions. We continue to deliver high level AML training and more bespoke technical training where appropriate and in the past year we have provided the following staff training:
 - AML and Counter Financing of Terrorism (CFT) eLearning - all new and existing SRA staff must complete the latest version of this training, which takes the form of

informative slides followed by a test which staff must score 100% to pass. This is designed to give all staff a base knowledge of money laundering.

- Internal Suspicious Activity Reports (iSAR) Training – All staff must complete classroom training delivered by the MLRO which covers money laundering and terrorist financing. The session explains how to make an internal suspicious activity report (iSAR) and our legal obligations to report suspicion of money laundering to the National Crime Agency. This is designed to make sure all staff know what to do if they have knowledge or suspicion of money laundering.
- 6 During the last year all permanent SRA staff have received this MLRO delivered training course, 614 members of staff in total, and new starters receive the training as part of the induction programme.
 - 7 As a result of the training programme, I have experienced and documented positive levels of internal suspicious activity reporting and engagement from staff concerning money laundering issues.
 - 8 In addition to the current iSAR training, refresher training and further bespoke AML training to target the particular needs of staff are planned for 2020 to ensure that they understand our policies and procedures in this area, and that their knowledge is current.

MLRO referrals

- 9 During the previous reporting year we put in place new policies, procedures and processes to strengthen our supervision of money laundering. This new, more proactive approach to AML supervision included developing the risk assessment profiles for all firms that we supervise, and a system to make sure that we can track cases with an AML-related aspect.
- 10 These internal forms grade the nature and seriousness of allegations and if any money laundering or terrorist financing categories are selected, as MLRO I am automatically sent a copy of the form, and am therefore informed at an early stage and often before an investigation has commenced. This process means as MLRO I am aware of any potential reportable money laundering issues on the horizon and presents the opportunity to monitor the progress of our investigations.
- 11 We have seen an increased importance being placed on preventing money laundering and this heightened awareness of our AML/CFT statutory responsibilities, along with our training, has resulted in a greater number of matters being referred to the MLRO. Reporting channels include:
 - Assessment Centre (Risk Assessment Profiles)
 - Internal Suspicious Activity Report (iSARs)
 - Intelligence Unit reports
 - Reports made directly to the MLRO from external parties (including banks, law enforcement / other regulators)

- 12 Figures taken from the MLRO central register show a consistent volume of referrals. Between 1 November 2019 to 30 September 2019 there were 258 matters escalated to the MLRO for review. Of those referrals 22 were iSARs. All referrals are reviewed by me and from those 258 cases, 19 required a SAR disclosure to the National Crime Agency (NCA) based on suspicions of money laundering. A further 78 of those cases were monitored to track the progress and outcomes of our investigations.
- 13 I have prepared monthly updates and shared them widely with all relevant staff including senior management and these are discussed at monthly AML Programme Board meetings. These updates provide an overview of the types of matters being escalated for my review, iSAR numbers, SARs reported and key themes, which inform our ongoing assessment of ML risks.

Key themes from the previous year

- 14 Over the past year, key themes where we have identified criminal proceeds and reported money laundering include:
- residential property conveyancing
 - tax evasion
 - bogus investment schemes
 - clients / funds from high risk jurisdictions
 - overseas politically exposed persons (PEPs)
 - overseas corruption
 - aborted property transactions
 - no underlying legal service or purpose for transaction
 - complex offshore company structures / trusts.

Projects

- 15 During the year as MLRO I have been involved in several proactive pieces of work with the aim of identifying ML risks, for example:
- Conducting reviews each month of randomly selected investigations to ensure that any potential ML related issues are being identified and appropriately addressed by us.
 - Working with the NCA to identify any ML risks in certain areas of the legal profession and issues with specific firms.
 - Engaging with firms and taking action where appropriate following high profile adverse media reports where ML is alleged.
 - The call for 400 firms to submit their AML Risk Assessments to us.

- Our campaign to raise awareness and standards of AML compliance and SAR reporting across the legal profession.

Stakeholder engagement

16 Engagement with key law enforcement partners, other AML supervisors and regulators on a strategic and individual case basis has featured extensively through my attendance at meetings, conferences and workshops. For example:

- a) I have hosted meetings and engaged with fellow professional body supervisors including The Law Society of Scotland, The Institute of Chartered Accountants in England and Wales, Chartered Institute of Legal Executives and Council for Licensed Conveyancers to provide an overview of our approach to AML supervision.
- b) NCA – I have organised and chaired a series of meetings and carried out extensive engagement to develop relationships and encourage partnership working.
- c) HMRC – I have attended meetings and delivered presentations to HMRC's AML supervisory and criminal finances teams to develop more information sharing and engagement between our organisations.
- d) Gambling Commission – I have attended meetings with its MLRO and senior management discussing specific cases and advising on our AML capabilities including AML training and iSARs.

17 Attendance at internal meetings is an important part of my role as MLRO as it provides an opportunity to engage directly with staff and raise awareness of money laundering. During the last year I have attended AML working groups and team meetings across the organisation and am a key contributor to the:

- AML Programme Board
- AML Training Group
- Operational Risk Forum.

Resources

18 Ensuring we have enough resource to provide resilience in the short-term absence of the MLRO and ongoing support for this role is essential, therefore during the past year a Deputy MLRO has been recruited to fulfil this responsibility.

19 We have also increased our resource by creating a dedicated AML Team, which has added further resilience and specialist AML knowledge to enhance our capabilities to prevent and detect money laundering.

Outcomes

- 20 Contributing to important pieces of work being driven by the National Economic Crime Command (NECC) such as reform of the SARs Regime and intelligence sharing: understanding the threat and odern slavery human trafficking, as part of the public/private vision to tackle economic crime.
- 21 We continue to be entrusted with sensitive information from law enforcement partners (e.g. NCA, Police, Home Office, Serious Fraud Office) and other AML supervisors (e.g. Financial Conduct Authority, Gambling Commission).
- 22 Increased levels of co-operation and information sharing by the NCA to support our AML supervisory work, and their acknowledgment of us as a key ally in the fight against economic crime.
- 23 Positive perceptions of us within law enforcement and other regulators, evidenced by them looking to us for guidance and learning in terms of our approach to AML supervision and MLRO function.
- 24 As MLRO I am seeing a continued increase in the levels of SAR reporting to the NCA by the SRA as a direct result of quality internal reports and confident engagement by staff.

Declaration

- 25 The MLRO is required to confirm whether there have been any restrictions or resistance to them undertaking their statutory duties and/or accessing relevant information and senior management.
- 26 I can confirm that I have experienced no restrictions or resistance in undertaking my duties. I have unfettered access to the senior management team and have experienced positive engagement and co-operation across the organisation.

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