

Annual report by the Money Laundering Reporting Officer (MLRO) for the period from 1 November 2020 – 5 April 2022

Background

- 1 Money laundering is the method used by criminals and their associates attempting to make criminally obtained monies or assets appear legitimate, and distance them from their illicit origins. This allows criminals to profit from harmful crimes impacting society, for example human trafficking, child exploitation, drug dealing and fraud. Disrupting criminals' ability to launder and profit from their crimes is one of the best deterrents to them committing those crimes in the first place.
- 2 We take our responsibility to detect and report money laundering in the legal sector incredibly seriously and have dedicated specialist resource in place to carry out this work. The prevention of money laundering and terrorist financing remain a high priority for government, and we continue to see rapid changes in legislation in this area, priority on reporting suspicion, sharing information and a public/private partnership to help tackle economic crime.
- 3 Money Laundering Reporting Officers (MLROs) perform their duties in compliance with the Money Laundering Regulations 2017 (as amended), Proceeds of Crime Act 2002 and Terrorism Act 2000. The primary responsibility of an MLRO is to receive and consider internal reports relating to suspicions of money laundering or terrorist financing and submit Suspicious Activity Reports (SARs) to the National Crime Agency (NCA) where appropriate.
- 4 While it is not a requirement for MLROs within AML supervisors to deliver annual reports, this is something I have done since 2019, and recognise as good governance to do so. This is in addition to the annual reporting obligations place upon us by HM Treasury, and our anti-money laundering oversight body the Office for Professional Anti-Money Laundering Supervision (OPBAS).
- 5 This report is delivered so the Board remains informed on our work in this important area and demonstrates our ongoing commitment to discharge our legal obligations.
- 6 This report, my fourth as MLRO, is an overview of my teams' work covering the period 1 November 2020 to 5 April 2022. This extended reporting period ensures the Board has the most up to date information and supports the MLRO's annual reporting change to an April year end cycle. Future MLRO annual reports will run from 6 April to 5 April, bringing them into line with other reporting requirements placed on us by government, some of which are published documents. [SRA | Our Anti-Money Laundering work | Solicitors Regulation Authority](#)
- 7 The report outlines the money laundering and terrorist financing related activities we have reported to the National Crime Agency (NCA) by way of Suspicious Activity Reports (SARs) and the key themes in those reports.

- 8 It also gives an overview of the training our MLRO and DMLRO provide for staff, as well as internal and external customer engagement and successes during the period.

Discussion

Training and Internal engagement

- 9 Training continues to be an important aspect of my teams work through the delivery of facilitated internal suspicious Activity Report (iSAR) training for new starters, which is part of the corporate induction programme. This mandatory training covers money laundering (ML) and terrorist financing (TF) offences, as well as red flags and indicators for spotting this type of activity. During the period we have updated the training based on feedback from staff, and to reflect the risks we are seeing in the legal profession, including some real- life case examples. Since March 2022, the training has been further refreshed to include some key information on the financial sanctions regime.
- 10 As MLRO I am also engaged in the delivery of our wider AML training programme, which has included some tailored training for certain teams. For example, teams which may handle seized funds from intervened firms, and may represent be the proceeds of crime. Therefore, these sessions cover more detail and focus on our obligations to submit Defence Against Money Laundering (DAML) SARs to the NCA where we have knowledge or suspicion.
- 11 As a result of the UK government imposing extensive financial sanctions following Russia's invasion of Ukraine, MLRO facilitated training focusing on sanctions and proliferation financing began in early April 2022. This is being delivered to support colleagues involved in our financial sanctions compliance work.
- 12 In addition to formal training, I have continued to attend various team meetings has continued to re-enforce key messages on ML and TF risks and the internal reporting obligations placed on all staff, as well as promoting engagement with us. These presentations discuss risks in the legal profession we see in our work, and socialising case examples to aid learning.
- 13 We actively encourage colleagues to contact us for advice and support. Providing a high quality and timely service to our internal customers is very important to us, from a customer experience and operational risk perspective. We regularly respond to requests from colleagues across the business relating to ML, TF, and more recently sanctions.
- 14 The benchmark we set ourselves for assessing new referrals and dealing with enquiries is three working days for which we have achieved a 100% success rate. This demonstrates our commitment to colleagues, and the processes in place to support the organisations objectives and discharge our legal reporting obligations.
- 15 The recorded feedback we have received based on the training and our proactive approach to engagement has been extremely positive, noting that it helps equip staff with relevant knowledge so are well placed to spot, and know how, to escalate any concerns. That feedback, and quality of the internal reports we have received, as well

as levels of engagement we experience demonstrates the value of the significant time commitment we invest in this area of our work.

MLRO referrals and records management

- 16 We continue to have effective procedures in place to ensure MLRO awareness of any new cases which may carry possible ML or TF risks. This means we are sighted at an early stage and able to track the progress of any relevant investigations. Since December 2020, this process has benefited from the introduction of the organisations new case management system meaning this is now automated and therefore more efficient for colleagues to flag these matters to us.
- 17 During the period we have also taken the opportunity to update the MLRO records management system to include additional fields to further support OPBAS, HM Treasury and our own data collection exercises.
- 18 As MLRO, I have also assumed responsibility for reporting any financial sanctions breaches to the Office of Financial Sanctions Implementation (OFSI) staff may encounter during their work.
- 19 Matters are escalated for MLRO consideration through several reporting channels:
 - Internal Suspicious Activity Reports (iSARs) – formal escalation process
 - Investigation & Supervision department – flags placed on relevant cases
 - Intelligence Unit reports
 - Direct engagement with MLRO or Deputy MLRO by staff
 - Reports received from external stakeholders (including law enforcement agencies, other AML Supervisors, or regulators)
- 20 Figures taken from the MLRO records show between 1 November 2020 to 5 April 2022 there were 51 iSARs escalated for immediate MLRO consideration, as well as 178 flagged investigations being monitored.
- 21 As a result of those iSAR referrals, 39 required SARs to be made to the NCA. Of those reports, 37 were based on suspicions of money laundering and two concern suspicions of terrorist financing related activities.

ML and TF themes and trends

- 22 As a result of our work during this period, we have reported 39 SARs to the NCA involving more than £161 million in suspect transactions involving the legal profession.

The money laundering key themes featuring in the SARs we submitted include:

- residential property conveyancing
- commercial property conveyancing
- misuse of the client account (no underlying legal transaction or rationale)

- tax evasion
- fraud
- client / funding links with high-risk jurisdictions
- complex offshore company structures / trusts to obscure source of funds or beneficial owners
- third party involvement
- property assets being sold over or under true market value.

The key themes featured in the SARs linked to suspected terrorist financing involve:

- commercial property conveyancing
- purchase of cash / high value businesses
- complex transactions involving multiple third parties
- involvement of high-risk jurisdictions
- third party funding
- links to known terrorists / recognised terrorist organisation.

23 Money laundering themes have broadly remained unchanged to previous years, with no significant shift in trends. Property conveyancing remains the highest money laundering risk we have reported on, with almost three quarters of our SARs featuring this area of work. All 39 SARs we submitted related to law firms or legal professionals operating in England, and almost three quarters involved sole practitioners or small firms (2-10 fee earners).

24 Based on what we have seen, the main causal effect of suspected ML and TF being facilitated is inadequate or no due diligence or source of funds checks being conducted on their clients, or third parties. Many of the transactions bear multiple red flags and risk indicators which appear to have either been missed or ignored.

25 In some rare cases we have seen complicit behaviours by individuals working in the legal profession, and a very small number of instances where infiltration at firms by criminal enterprises is a risk factor.

Managing the ML and TF risks

26 We use a variety of ways to keep the organisation informed on our work, and to support the corporate and wider AML strategy. These include:

- sharing data from the SARs we submit and meetings with the Risk & Analysis Team – for Risk Outlook and Horizon Scanning
- delivering a detailed monthly MLRO update report to key departments, including members of the Executive team
- MLRO contributions our six weekly AML Steering Group meetings
- attendance and guest speaking at the monthly Operational Risk Forum
- all staff or targeted internal communications, as necessary.

Quality Assurance

- 27 The programme of QA work done within my team, led by the Deputy MLRO, has continued during the period. This involves deep dive reviews of small batches of investigation case files each month. This work is done to identify and share good practice, call out exemplary work by individuals or teams, and make recommendations if any issues or concerns are found. It also acts as a safeguard to ensure that any ML or TF related concerns on an investigation have been appropriately escalated for MLRO consideration.
- 28 This work also helps to plug any training or development needs, and we hold monthly QA meetings with managers and team leaders to give feedback and share learning on the findings.
- 29 While this is a resource intensive piece of work carried out each month, it provides an important contribution to the work of teams across the business, including our own, as well as the organisation's culture of continuous improvement.

External engagement

- 30 We continue to maintain a close working relationship with the NCA on an operational and strategic level, with engagement taking place on a regular basis. As part of this partnership working the NCA shares intelligence reports with us to support our investigations, as well as helping to inform our supervisory work.
- 31 This year I was able to share success outcome feedback with the NCA on several cases where their information has aided our investigations meaning we directed resource to significant financial crime risks. One instance led to us submitting a SAR involving around £7million in property conveyancing transactions with suspected links to organised crime.
- 32 Also, we have received feedback and follow up engagement from law enforcement on some of the SARs we have submitted. It is encouraging to see that the information we have provided is now assisting financial criminal investigations involving fraud against deceased persons estates, and an asset recovery case where we have located what appears to be a high value hidden asset.
- 33 Since November 2021 I have been participating to support the NCA with their SARs I.T. Reform Programme through attendance at workshops and meetings, as well as providing feedback on testing. This means we should be well placed to start using the new SAR reporting system as soon as it goes live, expected later this year.
- 34 Other external stakeholder engagement has included
- presenting to a large group of National Terrorist Financing Intelligence Unit (NTFIU) police officers from multiple forces on the work we do and sharing case studies

- supporting HMRC with two projects they are conducting where I was able to share information, and provide advice on SAR reporting from an AML Supervisors perspective
- hosting and attending meetings with financial crime professionals at Law Society Scotland, Insolvency Service, Police, Gambling Commission, and financial institutions.

Resources and Resilience

- 35 Given the legal obligations placed on the SRA and criminal liability carried by an MLRO, ensuring we have enough resource to discharge our SAR reporting responsibilities is vital. Having resilience to cover any short-term MLRO absence and ongoing support for this role is essential and we therefore have a full-time Deputy MLRO in post to fulfil this responsibility.
- 36 My team also works very closely with our dedicated AML Directorate, which has added further resilience and specialist knowledge to enhance our capabilities, as well as some resource support while a new member of staff was recruited to the Deputy MLRO role in August 2021.
- 37 The systems and procedures we have in place remain effective and has meant that all aspects of our work continued without issue or disruption during the pandemic.

Audit and Oversight

- 38 In January 2021, the organisation was inspected by representatives from OPBAS. During that inspection, all aspects of my team's work was assessed, including reviewing the quality of the SARs we have submitted. Their findings returned positive feedback with no remedial or follow up actions for my team.

Outcomes

- 39 Positive levels of engagement and internal referrals resulting in high quality SARs being submitted.
- 40 Achieving 100% on the KPIs set for customer service and triage of new referrals.
- 41 Contributing to important high-profile pieces of work such as the Reform of the SARs Regime.
- 42 Well established partnership working with the NCA resulting in increasing levels of co-operation to support our AML supervisory, intelligence and investigation work.
- 43 Engagement and collaboration with law enforcement and other regulators to share information and best practice.

- 44 SARs involving more than £161 million in suspected criminal proceeds reported to the NCA to support law enforcements efforts to disrupt and prosecute offenders and recoup monies for victims of financial crime.

Declaration

- 45 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.
- 46 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.

Author Sara Gwilliam, Money Laundering Reporting Officer

Contact Details sara.gwilliam@sra.org.uk

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