

Annual report by the Money Laundering Reporting Officer (MLRO) for the year ended 5 April 2023

Background

- 1 Economic crime levels are regarded by government as a threat to national security and the prosperity of the UK, and it is estimated that money laundering costs the UK in the region of £100 billion a year. 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.
- 2 Money laundering allows criminals to profit from harmful financial crimes, for example human trafficking, drug dealing and fraud. Disrupting criminals' ability to profit from their crimes and minimise the opportunity to launder criminal proceeds is a high priority for government and we continue to see updated and new pieces of legislation to help tackle this issue.
- 3 We continue to take our responsibility to detect and report money laundering and terrorist financing in the legal sector incredibly seriously and have dedicated specialist resource in place to carry out this work prioritising reporting suspicion, sharing information, and working with UK law enforcement agencies.
- 4 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 high quality Suspicious Activity Reports (SARs) to the National Crime Agency (NCA) where appropriate.
- 5 While it is not a requirement for MLROs within anti-money laundering (AML) supervisors to deliver annual reports, this is something we have done since 2019, and recognise as good governance. This is in addition to the annual reporting obligations placed upon us by HM Treasury, and our anti-money laundering oversight body the Office for Professional Anti-Money Laundering Supervision (OPBAS).
- 6 This report, my fifth as MLRO, is an overview of my team's work covering the year to 5 April 2023 which runs in line with these other reporting requirements placed upon us by government.
- 7 This report is delivered so that the Board remains informed on our work in this important area and demonstrates our ongoing commitment to discharge our legal obligations.
- 8 The report outlines the money laundering related activities we have considered and reported to the National Crime Agency (NCA) by way of Suspicious Activity Reports (SARs) as well as the key themes in those reports.

- 9 It also gives an overview of the training our MLRO and Deputy MLRO provide for staff, internal and external customer engagement and success outcomes during the period.

Discussion

Training

- 10 The ongoing development and delivery of training to colleagues across the organisation remains an important area of our work. This is done through the delivery of facilitated Internal Suspicious Activity Report (iSAR) training for new starters as part of our corporate induction programme. This all-staff mandatory training covers money laundering (ML) and terrorist financing (TF) offences, as well as financial sanctions, and clearly outlines the process for internally reporting suspicion. The training materials are continually reviewed and updated through the year to reflect the most up to date risks we are seeing in the legal profession and listening to feedback from staff.
- 11 Also, as MLRO I continue to be involved in supporting colleagues in the delivery of our wider AML training programme, as well as regularly attending team meetings to present tailored training materials to re-enforce ML, TF, and sanctions key messages. This work really helps to support our visibility in the organisation, refreshes knowledge, as well as sharing learning from the SARs we submit using some real-life cases examples to bring it to life. These presentations are also a valuable tool to stimulate engagement and collaboration with my team, which we invite and encourage.
- 12 The outcomes from this work include:
- colleagues following due process, as outlined in the training, by internally escalating high quality actionable reports to us
 - high levels of engagement with us by colleagues from teams across the organisation to discuss cases or seeking general advice
 - positive written feedback from attendees of our training sessions.

Internal referrals and records management

- 13 We continue to have effective and robust processes in place to ensure MLRO awareness of any new cases which may carry possible ML, TF, or financial sanctions related risks, as well as capturing all independent and accountable decisions made within my team.
- 14 The systems and data management we have also supports us to provide senior management with monthly updates on our work, as well as helping us to comply with data collection exercises carried out by OPBAS and HM Treasury every year.
- 15 It is important that staff escalate any matters of concern directly for MLRO consideration without any barriers or undue delays and we have in place several reporting channels so as MLRO I am sighted on these cases at the earliest opportunity. These include:

- 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).
- 16 Figures taken from the MLRO records show that, in the year to 5 April 2023, we received 36 Internal Suspicious Activity Reports (iSARs) for consideration of our reporting obligations under the Proceeds of Crime Act 2002. As a result of these matters being escalated to us, we submitted 24 money laundering related Suspicious Activity Reports (SARs) to the National Crime Agency (NCA) involving more than £75 million in suspect transactions, or arrangements, facilitated by the legal profession.
- 17 Additionally, the processes we have in place meant that 359 investigation cases which potentially carry ML, TF or financial sanctions related risks were also flagged to the MLRO meaning any matters which posed a risk could be monitored.

ML themes and trends

- 18 As a result of our work during this period, we have reported 24 SARs to the NCA amounting to more than £75 million in suspect transactions involving the legal profession. From what we have seen in the nature of the SARs submitted by us the main risk areas are
- property conveyancing (both residential and commercial)
 - aborted or fake property transactions used as means to circulate funds through a law firm
 - transactions with no underlying legal purpose (misuse of the client account)
 - funds being broken down and remitted or received in multiple transactions
 - involvement of funding and or clients from high-risk countries
 - involvement of third parties (individuals and companies)
 - use of informal money transfer systems
 - tax evasion.
- 19 More than half of the SARs submitted by us involved property conveyancing transactions and this continues to be the highest money laundering risk area we have reported on. The misuse of a firm's client bank account also features prominently in our reports.
- 20 Firms failing to spot money laundering red flags or carry out due diligence and source of funds checks on clients, as well as any associated third parties, were present in nearly all SARs made by us.

- 21 In terms of the firms' location and size, all 24 SARs related to law firms or legal professionals operating in England, and 70% of our reports involved sole practitioners or small firms (2-10 fee earners).

Internal Customer Engagement and Visibility

- 22 Providing the best service possible to our internal customers is a core part of our work, including ensuring we deliver timely and technically sound advice and guidance to support the organisation. We pro-actively promote what we do and how the team can support colleagues by training, team meetings attendances, bespoke training sessions, and through our general engagement with staff. This creates a culture of engagement and collaboration where we can assist with advice on specific cases, or general technical aspects.
- 23 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 Programme
 - 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

- 24 During the period we have continued to carry out a programme of quality assurance work which is led by the Deputy MLRO. An independent review is carried out on a small number of investigation cases each month and acts as a second line of defence to ensure any ML, TF, or financial sanctions related concerns have been appropriately escalated for MLRO consideration. It is also an opportunity to identify and share good practice, give feedback to individuals or teams, and make recommendations if any issues or concerns are found.
- 25 This work also helps to identify any training or knowledge gaps, and monthly meetings are held with managers and team leaders to discuss the findings, give feedback, and share learning.
- 26 During the year we have taken steps to begin analysing the data from a two-year period of this work to share with colleagues, and to collaborate more with our dedicated QA team. This will help to help align this work with wider QA work happening in the organisation and ensure we can add as much value to the organisation's continuous improvement programme.

External customer engagement

- 27 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. This helps to

inform our investigation and supervisory work, manage and mitigate risks within the legal profession, as well as sharing information to support a key law enforcement partner in helping to tackle financial crime.

- 28 While feedback from law enforcement on the effectiveness or value of SARs is not routinely provided, we have received follow up engagement from several law enforcement agencies on some of the SARs we have submitted. They include the NCA, HMRC, and Police which demonstrates the importance of SARs and that some of the information we have provided is now assisting financial and organised crime investigations involving tax evasion, money laundering, fraud, and asset recovery.
- 29 We have continued to work with the National Crime Agency (NCA) in providing support to its SARs I.T. Reform Programme, which is being done to bring online a new SAR reporting system. Throughout the year we have been heavily involved in user acceptance testing, as well as being invited in March to participate in its initial launch as part of a phased roll out. Being involved in this meant that we, alongside other organisations, had the opportunity to provide constructive feedback throughout its development and helped us gain early awareness of the new system's requirements. Our involvement in the programme also meant we were the first organisation to successfully register and begin submitting SARs using this modernised I.T platform.
- 30 Other external customer engagement has included
 - sharing cases studies with other legal sector supervisors to support work they are doing to help educate firms
 - assisting the Home Office with its Assurance Review of the SARs I.T Reform Programme
 - participating in an NCA project looking at the SAR reporter experience
 - attendance at multi-agency events such as the Intelligence Sharing Expert Working Group (ISEWG) meeting (currently chaired by the SRA) to engage with other legal sector supervisors.

Audit and Oversight

- 31 During October OPBAS carried out a week-long inspection of the organisation's work, including that of the MLRO team. Following this review no follow up recommendations, actions, or remedial steps were identified for the team indicating that our AML oversight body is satisfied with the standards and effectiveness of the MLRO work.
- 32 Independent to the OPBAS assessment, we also sought feedback from the NCA (UKFIU) who reviewed a sample of SARs made by us during the year. It's findings reported that the quality of our SARs (both Information and Defence Against Money Laundering SARs) are of a consistently good standard.

Success Outcomes

- 33 Making valued contributions to our organisation's work, as well as supporting external partners is front, and centre of the team's objectives. This has resulted in a number of achievements during the year which include:

- feedback from internal and external customers on the timeliness and levels of service the team have provided
- maintaining 100% on the KPIs set for customer service and triage of new referrals
- effectiveness of the training provided to staff resulting in high levels of engagement and actionable reports being escalated
- written feedback from the NCA commending our support and positive contributions made to the SARs I.T. Reform Programme
- positive engagement and collaboration with law enforcement and other regulators to share information and good practice
- SARs involving more than £75 million in suspected criminal proceeds reported to the NCA to support law enforcements efforts to reduce harm, detect criminal proceeds, and prosecute offenders.

Declaration

- 34 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.
- 35 As MLRO I give assurance that I have experienced no restrictions or resistance in undertaking my duties, including the ability to make independent and accountable decisions. I have unfettered access to the senior management team and have experienced continued full co-operation across the organisation.

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