

Client and matter risk assessments

Declan Brown, AML Regulatory Manager Michelle Clement, AML Regulatory Manager

Why is it important?

Solicitors Regulation Authority

- Regulatory requirement
- Decide whether to accept instructions
- Decide level of client due diligence required
- Promote good business
- Financial sanctions risks

Thematic review

Solicitors Regulation Authority

- 94% of firms had a process
- Nearly half (47%) files didn't have a client/matter risk assessment
- Outcomes

What it isn't!



- E-verification system rating
- Business risk assessment
- 'red tape' exercise

Good Practice

Solicitors Regulation Authority

Recording rationale

• Tailored templates

• Review at appropriate intervals

SRA Template



- ABC LLP is a law firm based in Bristol
- Client based in Birmingham
- £250,000 residential property purchase in Birmingham
- £25,000 deposit from client, alongside £225,000 mortgage

1.Client details

Client name Jane Eli	sabeth Smith	DoB 22/01/1985	
Address The Cub	Address The Cube, 199 Wharfside Street, Birmingham, B1 1RN		
New 🛛 Existing 🗌	Date due diligence was last <u>updated</u>		
Occupation/ Source of income	Client is a nurse. Salary is approximately £32,0 income.	00 annually. No other source of	
For entities - Please complete section 2e.			

Entity type

N/a

2b. Jurisdiction risk

Where is the client based?	Birmingham		
Do you have any concerns a	about the client's location?	Yes 🗌	NoX
Does it make sense for the client to instruct us from this location?		Yes 🛛	No
Are there overseas element e.g. overseas beneficiary, c	Yes 🗌	NoX	
Provide details of any issues	s identified in this <u>section</u>		

Client is not local to us, but we acted for her sister in a purchase a few months ago.

2c. Delivery channel risk

Will we meet the client in person?



If no, how are we satisfied that the client is who they say they are?

Client will be met via Teams. The client will be asked to show us a copy of her ID and a screenshot will be taken with her holding this up. The client's identity and address will then be verified using our electronic checking system. This will check that the client's ID is <u>legitimate</u> and she is registered to live at the given address. A letter will also be sent to the client's <u>address</u> and she'll be required to sign and return this to us.

2d. Due diligence review

What steps have you taken to verify the client or any instructing third party's identity?

The above is being actioned.

Is there any adverse media about the client or beneficial owners? Yes

Yes 🗌 🛛 No 🖾

3. Matter risks

Property purchase for £250,000 in Birmingham. Client is a buying a first-time buyer. Putting down 10% deposit. The deposit will come from savings from her earnings. Remainder will be funded via a mortgage from X bank.

Do we usually carry out this type of work?	Yes 🖂	No
Does the matter involve creating a complex structure?	Yes 🗌	No⊠
• Does it involve a cash-intensive industry?	Yes 🗌	No⊠
Does it involve a high-risk industry?	Yes 🗌	No⊠
Does the matter involve a risk of proliferation financing?	Yes 🗌	No⊠
Are there any there any other AML or Counter Terrorist Financing risks?	Yes 🗌	No⊠
Have you checked the source of funds for this transaction?	Yes 🗌	No⊠

3b. Enhanced due diligence

If 'Yes' applies to any of the following, contact the nominated person before proceeding. Provide details of the additional measures you will take to mitigate the risk identified below.

If the client is not an individual, is the structure complex or unusual?	Yes 🗌	No⊠
Does the client own, manage or direct a business or activity <u>that</u> falls within a higher risk <u>sector?</u>	Yes 🗌	No⊠
Does the matter involve a client, a beneficial owner or other party <u>linked</u> to the transaction, manage or direct a business or activity that is cash intensive?	Yes 🗌	No⊠
Does the matter involve a client, a beneficial owner or any party <u>established</u> in a <u>high-risk third country</u> or high-risk jurisdiction?	Yes 🗌	No⊠
Is the client, a beneficial owner or any party linked to the transaction a politically exposed person (PEP), family member or a close associate of a PEP?	Yes 🗌	No⊠

3c. Risk level and justification What level of risk is posed by the client? Low \boxtimes Medium \square High \square

What level of risk is posed by the matter? Low \Box Medium \boxtimes High \Box

I have given these ratings because ...

Purchases are high-risk so I have requested source of funds information, this matter is largely funded by a mortgage and client is in full time employment, there are no concerning factors in this <u>transaction</u> so I have reduced the rating to medium. The client has been referred by her sister. We will identify and verify her identity. The purchase value is normal for <u>us</u> and the transaction value makes sense based on the client's circumstances. We are waiting for evidence of the source of funds.

For high-risk matters:

Have you obtained evidence of source of wealth?

Does the stated source of wealth/funds and the sum of money involved correspond with what you know about the client? e.g. age and occupation

Yes No

No

Yes 🗌

Explain why you are happy to proceed with the matter

4	. Due diligence				
Click	or tap here to enter	text.			
Vhat leve	el of customer due di	ligence will you	apply?		
Simplified	I 🗌 Standard 🛛 Er	hanced 🗌			
Standard	d checks required 1		estures shout client makes	ense for the client to	instruct us. Client wi
		•	eatures about client, makes sonducted to verify the client's		
		•			
		•			

5. Ongoing monitoring

Date due diligence was	conducted
------------------------	-----------

Has your due diligence changed your assessment of the level of risk? Yes □ No⊠

If yes to questions above, provide details and actions you will take to address any concerns

What have you done to monitor any risks relating to the client and matter since your last review?

I met the client via Zoom on 1 June 2023 – she showed me her passport and held up the data page. The picture on the passport appeared to be the person I was speaking with. Electronic checks have returned without issue. They have confirmed the passport is legitimate. The client's details match. Nothing of concern has been identified.

Key takeaways



- Do it every client, for every matter in scope of the MLR
- Make sure the relevant people know how to access it
- Make sure the relevant people can read and understand it
- Write it down