

## News release

### *Review shows too many law firms falling short on anti-money laundering*

07 May 2019

- Review results in 26 firms entering disciplinary processes
- SRA issues warning to profession about money laundering

A review has shown that a significant minority of law firms are not doing enough to prevent money laundering, with some falling seriously short.

Go to the review [<https://www.sra.org.uk/sra/how-we-work/archive/reports/aml-thematic-review/>]

Our review focused on 59 law firms providing trust and company services. The creation and administration of trusts and companies on behalf of clients has been highlighted by the government as one of the legal service areas at highest risk of exploitation by criminals to launder money.

The review did not find evidence of actual money laundering or that firms had any intention of becoming involved in criminal activities. However, it did find a range of breaches of the 2017 Money Laundering Regulations, as well as poor training and processes. This means firms could be unwittingly assisting money launderers.

One of the biggest areas of concern was firms' risk assessments. A firm risk assessment is required in legislation and should be the backbone of a firm's anti-money laundering approach. We found that more than a third (24) of firms reviewed fell short in this area, including four that had no risk assessment at all.

There were also issues around appropriate customer due diligence. This included inadequate processes in almost a quarter (14) of firms to manage risks around Politically Exposed Persons, known as PEPs. However, in some instances effective customer due diligence did result in firms turning down work. Fifteen firms had done this, with one of the main reasons being evasive clients.

As a result of the review we have put 26 firms into our disciplinary processes. We have also published a warning notice reminding the profession of their obligations, particularly in relation to firm risk assessments. And we have begun a further review of 400 other law firms to check compliance with the Government's 2017 Money Laundering Regulations. This review will be led by a new dedicated anti-money

laundering unit, being set up to bolster resources to prevent and detect money laundering.

Go to the warning notice [<https://www.sra.org.uk/solicitors/guidance/compliance-money-laundering-regulations-firm-risk-assessment/>]

**Paul Philip, SRA Chief Executive**, said: "Money laundering damages society, supporting terrorists, drug dealers and people traffickers. The stakes are too high for solicitors to be anything but fully committed to preventing money laundering and the crime its supports.

"Most solicitors take their responsibilities seriously, but too many firms are falling short. Those firms should be on notice that compliance is not optional. They need to improve swiftly. Where we have serious concerns that a firm could be enabling money laundering, we will take strong action."

We regulate around 7,000 law firms that fall under the scope of the Government's Money Laundering Regulations.

In the last five years, we have taken more than 60 cases, linked to potential improper money movements, to the Solicitors Disciplinary Tribunal. These cases have seen more than 40 solicitors being struck off, voluntarily coming off the roll, or suspended from practising.

We have produced a range of support to help solicitors comply.