

# News release

## *SRA review shows fifth of law firms fail on money laundering compliance*

29 October 2019

- Fifth of firms reviewed don't have required firm risk assessment
- 7,000 firms will be checked for compliance
- New annual Risk Outlook highlights 172 money laundering investigations this year

We will increase checks on law firms after we found that too many were not complying with anti-money laundering regulations, and warned of strong action against those who continue to fall short.

In March, we wrote to 400 firms asking them to demonstrate compliance with the 2017 Money Laundering Regulations by sending their firm risk assessments. We received 400 responses, but 21 percent (83) were not compliant. They either did not address all the risk areas required (43), or they sent over something other than a firm risk assessment (40) - for instance, a client or matter risk assessment.

The majority of firms (64%) were using templates. These firms' risk assessments were generally of lower quality. Templates can be helpful, but too many firms appeared to take a 'copy and paste' approach, without thinking through the specific risks and issues faced by their firm.

We were also concerned that many of the risk assessments (135 or 38 per cent) were dated recently. Although this could reflect an update of an earlier assessment, this suggests some firms may have only created one in response to our request and therefore some firms may not have an existing risk assessment.

We have highlighted our concerns in an updated warning notice [[solicitors/guidance/compliance-money-laundering-regulations-firm-risk-assessment/](#)], while also providing additional support, including guidance, checklists and a suggested template [[solicitors/guidance/firm-risk-assessments/](#)] that reflects the learning from firms' template submissions to the review exercise.

We are engaging with firms to make sure they comply promptly. If they do not, they will face enforcement action.

We will shortly be writing to the 7,000 firms that fall under the scope of the Money Laundering Regulations to ask them to confirm they have a firm risk assessment in place. We will also be carrying out an extensive programme of targeted, in-depth visits to firms and calling in more firms' risk assessments.

**Paul Philip, SRA Chief Executive**, said: "Money laundering supports criminal activity such as people trafficking, drug smuggling and terrorism. The damage money laundering does to society means that every solicitor must be fully committed to preventing it. The vast majority would never intend to get involved in criminal activities, but poor processes open the door to money launderers.

"A call from us should not be the prompt for a firm to get their act together. You need to take immediate action now if you are not on top of your money laundering risks. Where we have serious concerns, we will take strong action."

Figures released in our annual Risk Outlook [[/risk/outlook/risk-outlook-2019-2020/](#)] show that so far this year we have opened 172 investigations linked to anti-money laundering compliance. In the last five years, we have taken more than 60 such cases to the Solicitors Disciplinary Tribunal, resulting in more than 40 solicitors being struck-off or suspended.

The Outlook also highlights that new EU money laundering regulations are due to come into force by 10 January 2020. This will mean firms need to update their processes to bring them up to date with the new legislation. We will also be changing our processes in line with the new EU and Government requirements, including changes to how we approve some individuals under the regulations.

Money laundering is one of the nine priority risks for the legal profession in our annual Risk Outlook. Other risks highlighted include solicitors getting involved in dubious investment schemes, and the risks of losing information or money to cybercrime.

We will be talking about these risks and presenting the findings of our review of anti-money laundering at our Compliance Conference 2019.