

News release

Fifth directive means firms need to review their anti-money laundering processes

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The fifth Anti-Money Laundering Directive (PDF 38 pages, 896KB) [<http://www.legislation.gov.uk/uksi/2019/1511/made/data.pdf>] means law firms have to make changes to the way they work to help keep the proceeds of crime out of legal services.

Around 7,000 of the firms we regulate are captured by the Government's changes to the regulations and will need to re-assess their processes – making any necessary changes immediately.

The Legal Sector Affinity Group (LSAG) - which includes us and all of the legal sector supervisors named in the regulations - is publishing a summary of changes to the regulations (PDF 5 pages, 197KB) [globalassets/documents/solicitors/firm-based-authorisation/interim-legal-sector-affinity-group-guidance.pdf?version=4985da] to help firms comply with the new requirements.

This includes:

- a duty to collect proof of registration for entities (eg trusts and companies)
- a duty to inform the registry of any discrepancies in their information
- changes to client due diligence and enhanced due diligence

LSAG is currently drafting updated guidance on the regulations. This will require the approval of Treasury and will be made available in the coming months.

There has been a short lead in time between the regulations being laid in Parliament on 20 December, and the legislation coming into force. However, the legislation requires firms to be compliant from today. We will take the limited time that firms have had to prepare for the new requirements into account in our enforcement work.

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 the reality is that poor processes can open the door to money launderers.

"This new legislation aims to further reduce the risk of law firms being used to launder money. Working with the Legal Sector Affinity Group, we will be providing a range of support to firms to help them comply."

The legislation also means we are changing some of our processes. For example, new applications for Beneficial Owners, Officer and Managers (known as BOOMs) will now need to provide a Basic Disclosure and Barring Service (DBS) check which shows applicants do not have any of the criminal convictions that would prevent approval. We wrote to law firms in December setting this out.

Read more information on applications [solicitors/firm-based-authorisation/disclosure-barring-service-checks/] . [solicitors/firm-based-authorisation/disclosure-barring-service-checks/]