

News release

New guidance published to help combat money launderers

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Law firms are being urged to check that they are up-to-date with all the latest developments and legislation regarding money laundering by reading two new pieces of national sector-wide guidance issued on the subject.

Following on from the regular national economy-wide money laundering (and terrorist financing) risk assessment published by the Government in December, we have published a dedicated sectoral risk assessment looking at the specific risks and challenges within legal services.

Published collectively by all legal services supervisors in the UK, the Legal Sector Affinity Group (LSAG) 2020 guidance

[<https://www.sra.org.uk/globalassets/documents/solicitors/firm-based-authorisation/lisag-aml-guidance.pdf?version=496f8e>] provides a detailed commentary on now amended regulations (as well as the 2017 regulations) law firms need to be aware of regarding money laundering.

Juliet Oliver, SRA General Counsel, said: 'Tackling money laundering is a priority for all of us and we know the vast majority of firms are committed to keeping the proceeds of crime out of the profession. These documents offer comprehensive information on some of the better ways to achieve this.

'Our sectoral risk assessment identifies and discusses the biggest issues and emerging threats currently facing providers of legal services as they look to combat money launderers. It is complemented by the LSAG guidance, which covers all the bases of the 2017 regulations, plus a thorough review of how regulations and expectations on firms have evolved since then.'

The sectoral risk assessment outlines our view of the issues facing legal services as they work to tackle the risk of money laundering. It should be used by firms as a basis for creating their own firm-wide risk assessments, against which anti-money laundering policies, processes and training should be implemented. All firms have a legal obligation to have a firm-wide risk assessment, and last year, we required all firms within the scope of the regulations make a declaration that an assessment was in place.

The LSAG guidance provides an update to previously issued material from 2018 following a thorough review of that content based on developments since then. Key changes in the new publication include:

- Expanded guidance on understanding source of funds and source of wealth

- A new section addressing the need for firms to understand the technology they are using in order to use it effectively
- Clarifications on high-risk sectors, accepting cash into the client account, customer due diligence (CDD) on referrals from another legal practice, timing of CDD/exceptions
- Discrepancy reporting to Companies House, and other relevant registries from new duty/obligations introduced from January 2020, ie material changes to the regulations which are reflected in the guidance.

LSAG guidance [<https://www.sra.org.uk/globalassets/documents/solicitors/firm-based-authorisation/lsg-aml-guidance.pdf?version=496f8e>]

Sectoral risk assessment [<https://www.sra.org.uk/sra/how-we-work/archive/reports/aml-risk-assessment/>]