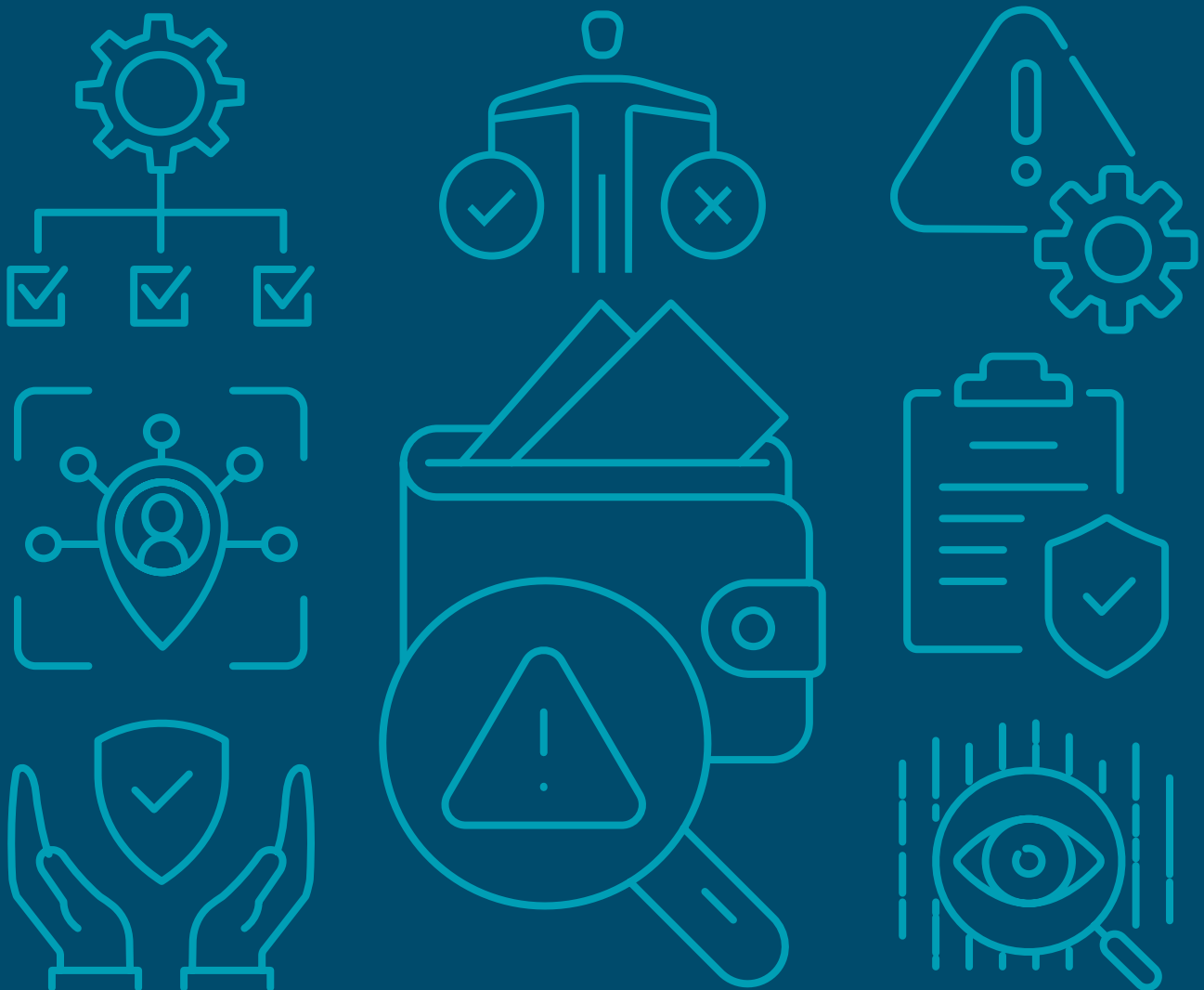


The CLC's Annual Anti-Money Laundering Report

November 2023



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1. Foreword by the Chair of the Council for Licensed Conveyancers

The CLC recognises that its regulated community is at the forefront of combating money laundering in the UK. As set out in the National Risk Assessment 2020, conveyancing which relates to both residential and commercial property remains at high risk of exploitation by those seeking to launder money.

The scale of the issue cannot be understated: more recent research conducted in 2022 found that £6.7 billion of questionable funds has been invested in UK property since 2016¹. The effects of money laundering are also severe in that it “underpins and enables” organised crime and allows criminal groups to conceal assets.

Money laundering also has a profound impact on the UK’s housing market as it leads to the distortion of property prices which, seen most visibly in London, makes it impossible for many ordinary people to afford housing or to afford rents which also increase as a result.

The UK is however starting to take more robust action against this enduring problem. One significant development in this reporting year was the Register of Overseas Interests which came into effect on 1 August 2022 and required anonymous foreign owners of UK property to disclose their identity. This welcome development was specifically designed to make the laundering of money by foreign criminals through UK property more difficult².

There is also new legislation which has very recently received Royal Assent: the Economic Crime and Corporate Transparency Act 2023. This new Act will introduce some overdue reforms to Companies House³, introduce powers for seizure and recovery of suspected criminal crypto assets and provide new intelligence gathering powers for law enforcement.

1 Transparency International – 18/02/2022 - <https://www.transparency.org.uk/uk-money-laundering-stats- russia-suspicious-wealth>

2 The CLC has published guidance on the new register which can be found [here](#).

3 For example, by introducing identity verification for all new and existing registered company directors and People with Significant Control.



The CLC continues to employ an assisted compliance model – which means that we are committed to working with practices to come into compliance wherever possible. Where necessary, however, we will not hesitate to initiate disciplinary or enforcement proceedings and particularly where we identify serious or widespread AML failings as demonstrated in two significant and far-reaching AML-related disciplinary cases which were heard by the Adjudication Panel at the beginning of 2023⁴.

The CLC's monitoring and inspection programme has evolved in 2023 to reflect a more risk-based approach and to ensure that our resources are properly managed and directed towards high-risk practices. We have also introduced some new monitoring tools including AML specific desktop reviews and follow up AML reviews which ensure that we are able to focus resources on this critical issue where necessary and ensure appropriate outcomes are achieved.

We are also working hard to identify to address AML risks, both current and emerging, and to ensure that themes from our monitoring work are being properly addressed and acted upon. As an example of our approach, we recently launched a Source of Funds and Source of Wealth checklist and guidance which arose from our identification of persistent source of funds issues identified during inspections. We will also cover these issues at our upcoming compliance roadshows in November 2023 and we are planning to publish a source of funds advisory note towards the end of this year.

Furthermore, the CLC remains steadfastly committed to engaging and sharing information with the regulated community, government agencies, legal (and other) sector regulators, financial services providers and consumers to tackle crime and to protect clients and members of the public.

We remain committed to helping to address money laundering in the UK and to developing our own AML supervision to ensure we are doing all that what we can. It is hoped that this report will provide a timely reminder to conveyancers and probate specialists, who are at the forefront of this critical area, to continue to work to meet their AML obligations.

Dame Janet Paraskeva

November 2023.

⁴ Case A can be accessed [here](#) and Case B can be accessed [here](#).



2. The CLC's regulatory landscape

The following section covers the CLC's remit and role in Anti-Money Laundering and Combating Terrorist Financing (AML/CTF).

Background & Context

The Council for Licensed Conveyancers (CLC) regulates specialist conveyancing and probate lawyers in England and Wales⁵. The CLC was established by the Administration of Justice Act 1985 (the 1985 Act) and is also subject to the Legal Services Act 2007 (The 2007 Act)⁶.

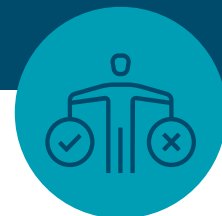
The CLC also has powers derived from the Courts and Legal Services Act 1990 and the Deregulation Act 2015. The CLC's authority as a Professional Body AML Supervisor (PBS) has been ratified by His Majesty's Treasury in Schedule 1 of the Money Laundering Regulations (MLRs) which are the primary pieces of legislation in the United Kingdom in respect of AML.

The CLC's regulatory activities include:

- Setting educational and training standards for entry into the conveyancing and probate profession.
- Setting licensing and authorisation standards for entry into the profession to provide conveyancing and probate services directly to the public.
- Setting standards to regulate professional practice, including conduct, and ongoing professional competency.
- Setting standards to maintain adequate professional indemnity insurance and a compensation fund.
- Ensuring compliance with those standards.
- Monitoring the work and conduct of, and providing guidance to, regulated bodies.
- Investigating allegations of misconduct and taking appropriate disciplinary action.
- Contributing to policy development.
- A preventative working model that seeks to identify and rectify issues with practices' co-operation before harm is caused wherever possible.

5 In the relevant period for this report (6 April 2022 – 5 April 2023) the CLC regulated 231 entities which included 203 practices and 28 sole practitioners. This compares to the last reporting year where the CLC regulated 226 entities, with 167 practices and 59 sole practitioners.

6 The 2007 Act established the Legal Services Board (which regulates the CLC in all areas except for AML) and also enabled Alternative Business Structures (ABS), firms or practices with non-lawyers as owners, to be regulated by the CLC and other regulators.



AML Responsibilities

The CLC's specific obligations and duties as a professional body AML supervisor are set out in the MLRs. In particular, Regulation 46 requires that the CLC takes a risk-based approach to supervision which is guided and informed by the risk assessments that we conduct of our supervised population. The MLRs also require that the frequency and intensity of supervision is based on the supervised population's risk profile and more specifically that:

- Employees and officers of the CLC must have access to relevant information on the domestic and international risks of money laundering terrorist financing which affect its own sector;
- The CLC must keep written records of actions taken, including reasons for deciding not to act in a particular case.
- The CLC must take effective measures to encourage the supervised population to report potential or actual breaches of the MLRs to it.

Regulation 47 sets out the information on money laundering that the CLC is required to provide to its supervised population and Regulation 49 imposes additional duties on self-regulatory organisations to ensure effective delivery of their supervisory functions.

The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 also added new Regulation 46A, which requires the CLC to publish an annual report that sets out:

- Measures taken to encourage reporting by the regulated population of actual or potential breaches of the MLRs.
- The number of reports of actual or potential breaches received by the CLC.
- The number and description of measures carried out to monitor and enforce compliance by relevant persons with their obligations under the MLRs, the Terrorism Act 2000 and the Proceeds of Crime Act 2002.

This is the third of the CLC's Regulation 46A AML Annual Reports. The content and style of future reports will develop along with our approach to AML supervision and enforcement, and with guidance issued by the Office for Professional Body AML Supervision (OPBAS).



Overview – AML Monitoring & Compliance

Our Approach

The CLC continues to employ an assisted compliance model of regulation which is a collaborative approach that aims to bring practices back into compliance. This preventative approach is tailored towards identifying problems at an early stage of the process – prior to them becoming a real problem and potentially causing harm to members of the public. The CLC's view is that this approach, which seeks to prevent the occurrence of harm, best serves the public and client interest.

Each practice is assigned a Regulatory Supervision Manager (RSM) or Regulatory Supervision Officer (RSO). The RSO/RSM is the main point of contact for the practice whether that is to address questions around the code of conduct or to self-report issues. We find that having such a point of contact encourages an open relationship between the CLC and the practices we regulate.

This approach does involve significant close monitoring of practices, and the CLC uses a number of tools, both proactive and reactive, which are described below in detail. Selecting the right tool will depend on the circumstances and whether the response is proportionate to the issue. The CLC's approach results in high levels of compliance and commences from when new practices first apply to the CLC⁷ and continues throughout their time being regulated by the CLC.

All areas of non-compliance are addressed. If the assisted compliance approach is not appropriate because of the serious or systemic nature of an issue, then the CLC will not hesitate to escalate serious AML matters. For example, if the AML or other concerns are widespread within a practice, then it may be suitable to escalate the matter for disciplinary action immediately alongside securing a return to compliance. The CLC has an AML enforcement policy in place which describes how and when we escalate AML issues⁸. A number of significant AML disciplinary cases have been heard this year before the Adjudication Panel (AP) which will be explored later in this report.

The Senior Management Team (SMT) at the CLC are closely involved in scrutiny of the AML programme and meet with the Deputy Director of AML and Sanctions on a regular basis to plan the year's AML work. SMT also attends disciplinary meetings where decisions are made as to whether disciplinary action should be pursued, including in cases with AML concerns.

All staff at the CLC also undergo AML training on a regular basis with notable members of staff who are closely involved with AML, such as the Money Laundering Reporting Officer (MLRO), receiving an enhanced level of AML training.

The non-executive Council of the CLC takes a close interest in AML work and receives regular reports on AML which are subject to scrutiny at Audit and Risk Committee which meets quarterly, as well as the regular Council sessions and by exception as necessary.

7 New applicants to the CLC have their policies and procedures reviewed by a member of the monitoring team.

8 The policy can be found here:
<https://www.clc-uk.org/wp-content/uploads/2020/07/20202001-AML-Enforcement-Policy-and-Procedure-002.pdf>



Supervision tools

The supervisory tools available to the CLC are outlined below.

- **Managed compliance** – may consist of an action, plan or directions which are designed to remedy breaches and bring an individual or practice back into compliance with the CLC's codes.
- **Informal sanctions** – enforcement tools which may be imposed by the CLC unilaterally and without regard to the provisions of the 1985 Act or the 2007 Act. Such sanctions are not publicised on the CLC's website, nor are they appealable.
- **Formal sanctions** – sanctions which must be imposed either by the Adjudication Panel under the 1985 Act or by the CLC under the provisions of the 2007 Act and Licensing Alternative Business Structures – The Licensed Body (ABS) Licensing Framework (the ABS Framework). Such sanctions are publicised on the CLC's website and may be subject to appeal. See Appendix A.

When considering which of these tools are appropriate the CLC will consider:

- The seriousness of the breaches and their extent;
- Whether the breach would undermine confidence in the profession;
- The practice's past compliance history including the most recent inspection or desktop review;
- Whether the AML issues relate to files that were reviewed and the risk profile of the transactions involved;
- The practice's cooperation with the CLC and how they have implemented any actions.
- Whether the steps taken following inspection have achieved the desired outcome or not.
- The AML enforcement policy and the CLC's disciplinary policy.

Sector risk assessment

The CLC recognises that the practices it regulates are engaged in services which have been identified by the National Risk Assessment of 2020 (NRA) as being at risk of exploitation by money launderers. This risk is most prevalent in conveyancing services which was classified as being at high risk of exploitation due to the nature of the service which enables large amounts of money to be laundered in a single transaction.

The operation of a client account and trust and company service providers (TCSPs) were also identified as being at high risk of exploitation in the NRA. Every CLC practice uses a client account and the CLC's own research has identified some practices that are engaged in TCSP services. The CLC is currently undertaking a TCSP thematic review to properly assess these risks which we will publish before the end of the year.

While probate and estate administration are not explicitly mentioned in the NRA, the CLC considers that there is a risk of money laundering in these services and has taken this into account in the sectoral risk assessment which was updated in July 2023. This risk assessment, which will be updated annually, can be found [here](#). The risk assessment will be updated with the results of the TCSP thematic review at the beginning of 2024.



Inspections – a revised approach for 2023

Our inspections, which are our primary monitoring tool, provide a comprehensive picture of a practice's compliance against all of the CLC's codes. Following the inspection, practices are rated as compliant, generally compliant, or non-compliant both overall and in relation to AML specifically.

With respect to AML, the CLC adopts the approach that a non-compliant finding for AML will render the entire report to be non-compliant unless there are exceptional circumstances in place⁹. This approach reflects the importance that we place on AML and the need to ensure that money laundering is tackled in the UK.

Previously the CLC was undertaking inspections on a three-year cycle for every practice. After a review of this approach in 2022 the CLC adopted a new risk-based approach which means that we are focussing our resources on the most high-risk practices. It is important to note that RSM's also meet new practices within the first six months of operation and carry out an inspection in their first year irrespective of risk level.

Inspections are also tailored to the size of the practice in that larger practices may be subject to a different monitoring process owing to their size. It is important to note that desk-based reviews of a practice's policies and procedures take place as a precursor to an inspection, and therefore form part of our onsite inspections framework.

Trusts and Company Service Providers (TCSPs) – Thematic Review

In terms of supporting our wider compliance work, and as part of a gap analysis (to help to assess risks fully), the CLC is undertaking a Thematic Review of all CLC regulated practices. The aim of this analysis is to understand the nature and extent of the TCSP work being undertaken by CLC practices, which will assist in informing our ongoing AML monitoring programme.

As part of the review, we are analysing the risks of CLC practices acting as trustees and/or assisting in or setting up trusts, which in our view is the relevant work captured under the 2017 AML regulations. A questionnaire specific to trusts was sent out to CLC practices in September 2022 and then seven practices were selected for further follow-up work which included file reviews and the production of individual reports.

The CLC intends to publish a report on this work before the end of 2023 and also report back to OPBAS – the CLC's AML specific regulator.

⁹ This approach has been in place since 2019.



Breach Reporting and Monitoring

The CLC is obliged by Regulation 46 to encourage its regulated community to report AML breaches. We manage this important area in several ways, including:

- Through the introduction of the CLC's Whistleblowing Policy which enables the regulated community to make anonymous reports of suspected illegality, including money laundering concerns.
- Publishing a range of guidance and resources on breach reporting and making suspicious activity reports (SARs) in the AML Toolkit. The CLC also reviews the quality of SARs during inspections.
- Providing targeted training to Money Laundering Reporting Officers, including on their reporting obligations, as part of our compliance roadshows which will take place this year in November 2023.
- The CLC's approach to supervision and regulation establishes strong working relationships with practices, encouraging transparency and active engagement.
- Practices can seek guidance and discuss compliance issues at an early stage, which prevents more serious problems from manifesting at a later stage and provides an early insight into potential weaknesses in a practice's controls.
- The CLC has concluded its consultation on changes to its Ongoing Competency regime which will enhance its annual training requirements for CLC lawyers and will introduce an entity level recording requirements for people in specific roles in regulated entities, including the HoLP, HoFA and MLRO and other key personnel. This will allow us to increase our quantitative and qualitative information about the types of activity routinely identified and undertaken to address through specific training needs, those risks identified by the practice managers.
- The revised Ongoing Competency Framework is due to be reported in its final form to the LSB in January 2024. We anticipate CLC lawyers and practices to work in the spirit of the new regime from November 2024, with full implementation of the recording and reporting functions being planned for implementation from November 2025.



Ongoing Monitoring

Our approach to ongoing monitoring is reviewed at various junctures throughout the year. Typically, our approach would call for a review of risks/approach in the following situations:

Core

- When new AML legislation is introduced.
- When trends and/or patterns emerge from monitoring (see below).
- Following analysis of relevant disciplinary decisions.

Supporting

- When new information on risks is identified by the CLC or emerges in a particular sector of the regulated community; individual; practices; or clients of CLC practices.
- The CLC also conducts an Annual Regulatory Return (ARR) which collects data and information in a wide range of areas including AML.
- The CLC engages with various regulatory and intelligence Forums which allows the CLC to gather AML intelligence and relevant information.
- As part of the licence renewal process, entities and individuals are also required to declare whether they have been the subject of disciplinary investigations or insolvency proceedings (which includes AML or related issues).
- The CLC also regularly reviews financial information from practices (Such as their client account reconciliations) which can have a bearing on AML issues and has triggered disciplinary action¹⁰.

¹⁰ See page 16 for a disciplinary case which was triggered by a review of client account documentation (Practice A).



Communication & Engagement on AML

The CLC is committed to ensuring that the regulated sector is informed about developments in AML legislation, guidance and best practice. We do so by using a range of approaches to obtain and share information on related risks and themes. These include:

- Monthly newsletters to regulated entities/individuals, which includes AML updates, alongside an approach of creating additional communications to cover specific risks as necessary, such as direct emails to MLROs and practice managers. The CLC also makes use of its website to publish updates on AML-related issues¹¹.
- Social Media – the CLC has a LinkedIn page which is used to share reports and highlight issues, alongside Twitter updates.
- Regulatory Supervisory Managers and Officers – who provide advice and support as a core function of their role being the first point of contact on any AML concerns¹².
- Our Risk Agenda¹³ – which includes AML as a key theme and informs our regulated community of trends and current/emerging AML risks.
- Conferences – Our staff are invited to speak at conferences and have done so regularly. For example, the Deputy Director of AML and Sanctions gave an AML themed presentation to the Legal Eye Conference in 2023.
- Compliance roadshows for practices – four roadshows are scheduled around the UK in November 2023¹⁴.

The CLC also engages with a wide range of external forums which include other regulators and relevant organisations as members. At the AML forums, intelligence is shared and evaluated. This adds additional support and new insights into our rolling review of ongoing issues and is particularly helpful in identifying new risks. CLC officials regularly attend meetings of the:

- Legal Sector Affinity Group.
- Legal Regulators AML Forum.
- AML Supervisors Forum.
- Legal Sector Intelligence Sharing Expert Working Group.
- Cascade.

Intelligence sharing and advice is also shared formally, and informally, outside of formal Forum meetings. And as part of our ongoing work, the CLC is an active partner in contributing to the development and ongoing improvement of professional body AML supervisors.

11 For example:
– An advisory note on sanctions compliance:
<https://www.clc-uk.org/lawyers/advisory-note-the-uk-sanctions-regime/>

12 NB RSM's will also communicate with and visit a new practice in its first year, as part of its initial monitoring.

13 <https://www.clc-uk.org/wp-content/uploads/2023/07/Risk-Agenda-2023.pdf>

14 London: 20 November 2023, Bristol: 21 November 2023, Leeds: 27 November 2023 and Liverpool: 28 November 2023.



3. Risk Assessments

CLC Risk Register

As required by Regulation 17(4) of the MLRs, the CLC developed a risk register to record a risk profile of each CLC regulated practice. The register covers key AML risks such as: the geographical location of a practice's clients, the percentage of overseas clients, the percentage of remote clients, the method of client verification and more specific risk areas such as whether the practice is obtaining source of funds evidence and whether it has an adequate practice wide risk assessment.

Levels of risk for each regulated entity are determined by the findings in relation to the key AML risks, each of which is attributed a score. An overall risk score of high, medium or low for each entity is then calculated based on the total score from all criteria. The development of the risk areas were determined by the CLC's Red Flag Indicators, Legal Sector Affinity Group Guidance (LSAG), the Money Laundering Regulations (MLRs), National Risk Assessments and the CLC's Anti-Money Laundering and Combating Terrorist Financing Code.

The information that populates the risk register is usually collected during onsite inspections and remote/desk-based reviews but can also be informed through other sources such as intelligence received, complaints and disciplinary investigations. Another recent source was the CLC's Annual Regulatory Return (ARR) which was undertaken at the end of 2022 and included a significant number of AML questions¹⁵.

Each practice has a Regulatory Supervision Manager (RSM) or Officer (RSO). The RSM's and RSO's meet at the beginning of the year to decide which practices will be inspected. Risk factors for each practice (such as previous AML compliance) are taken into account and influence what type of inspection would be appropriate (eg a full onsite inspection or desk- based review).

New Risk Register 2023/2024

The CLC recently reviewed the AML risk register and decided to update it to bring it in line with the latest legislation (such as the Fifth Money Laundering Directive – 5MLD) and to address a wider range of AML risks and factors. The new risk register, which was launched on 1 November 2023, introduces a number of updated AML risk criteria into the risk register including: matter risk assessments, the frequency of Suspicious Activity Reporting (SARs) and whether the practice has an independent audit function.

The new risk register has also introduced an AML dashboard which enables real-time reporting to take place. This will assist the CLC in providing reports of practice's AML compliance to Council and to external bodies.

¹⁵ Next year's ARR will also include a number of AML questions.



Table 1

CLC – Categories of Risk Factors			
	Common High Risk Factors	Common Medium Risk Factors	Common Low Risk Factors
1	<ul style="list-style-type: none"> No AML Policy or Procedure 	<ul style="list-style-type: none"> Nationwide client base 	<ul style="list-style-type: none"> Compliant and robust PCPs
2	<ul style="list-style-type: none"> No practice-wide risk assessment 	<ul style="list-style-type: none"> Less than 75% of clients met in person 	<ul style="list-style-type: none"> 100% of Clients met in person
3	<ul style="list-style-type: none"> MLRO not completed enhanced AML training 	<ul style="list-style-type: none"> Minor amendments required to PCPs 	<ul style="list-style-type: none"> Dual verification of client ID
4	<ul style="list-style-type: none"> No evidence of CDD/EDD on files 	<ul style="list-style-type: none"> Only one type of ID verification 	<ul style="list-style-type: none"> Local client base
5	<ul style="list-style-type: none"> No source of funds/wealth checks on files 	<ul style="list-style-type: none"> Self-assessed risk level as medium 	<ul style="list-style-type: none"> Regular AML training for MLRO and relevant staff
6	<ul style="list-style-type: none"> Poor AML culture through organisation 	<ul style="list-style-type: none"> Matter risk assessments are not repeated at later stages in the transaction (one stage) 	<ul style="list-style-type: none"> Consistent and appropriate application of source of funds/wealth checks on clients
7	<ul style="list-style-type: none"> High % of clients outside local area and/or overseas clients 	<ul style="list-style-type: none"> Source of funds checking is completed but not thorough enough/ incomplete 	<ul style="list-style-type: none"> Documented evidence of CDD/EDD and source of funds & wealth on file
8	<ul style="list-style-type: none"> Lack of matter-based risk assessments or wholly inadequate assessments 	<ul style="list-style-type: none"> Lack of internal suspicion reports 	<ul style="list-style-type: none"> Comprehensive three stage (initial, interim and final) matter based risk assessments
9	<ul style="list-style-type: none"> High risk trust or company formation work (eg offshore or complex trusts) 	<ul style="list-style-type: none"> Inadequate CDD in relation to existing trust work 	<ul style="list-style-type: none"> Low risk trust work (eg express trusts created from wills)



Risk & Compliance Data

Table 2

General Population Data		
	2022/2023 (6 April 2022 – 5 April 2023)	2021/2022 (6 April 2021 – 5 April 2022)
Total size of relevant population	231	226
Relevant firms	203	167
Relevant sole practitioners	28	59
Total 'BOOMs' as defined in Regulation 26	656	598

Table 3

AML / CTF Population Data			
		2022/2023 (6 April 2022 – 5 April 2023)	2021/2022 (6 April 2021 – 5 April 2022)
High Risk	Number of firms	21	9
	Number of sole practitioners	6	2
Medium Risk	Number of firms	27	28
	Number of sole practitioners	0	0
Low Risk	Number of firms	161	173
	Number of sole practitioners	21	32



Risk Ratings of Practices

As the figures above show, the number of practices that we currently categorise as high risk has increased significantly since the last report. We would expect this kind of increase as new issues and insights emerge (for example from the Regulatory Return this year) and the CLC takes action. It also reflects better targeting of CLC resources to identify issues as risk-based inspections and desktop reviews are proving to be effective, as set out below.

Chart 1
Number of CLC Practices in Each Risk Category
(This Reporting Period – 2022/2023)

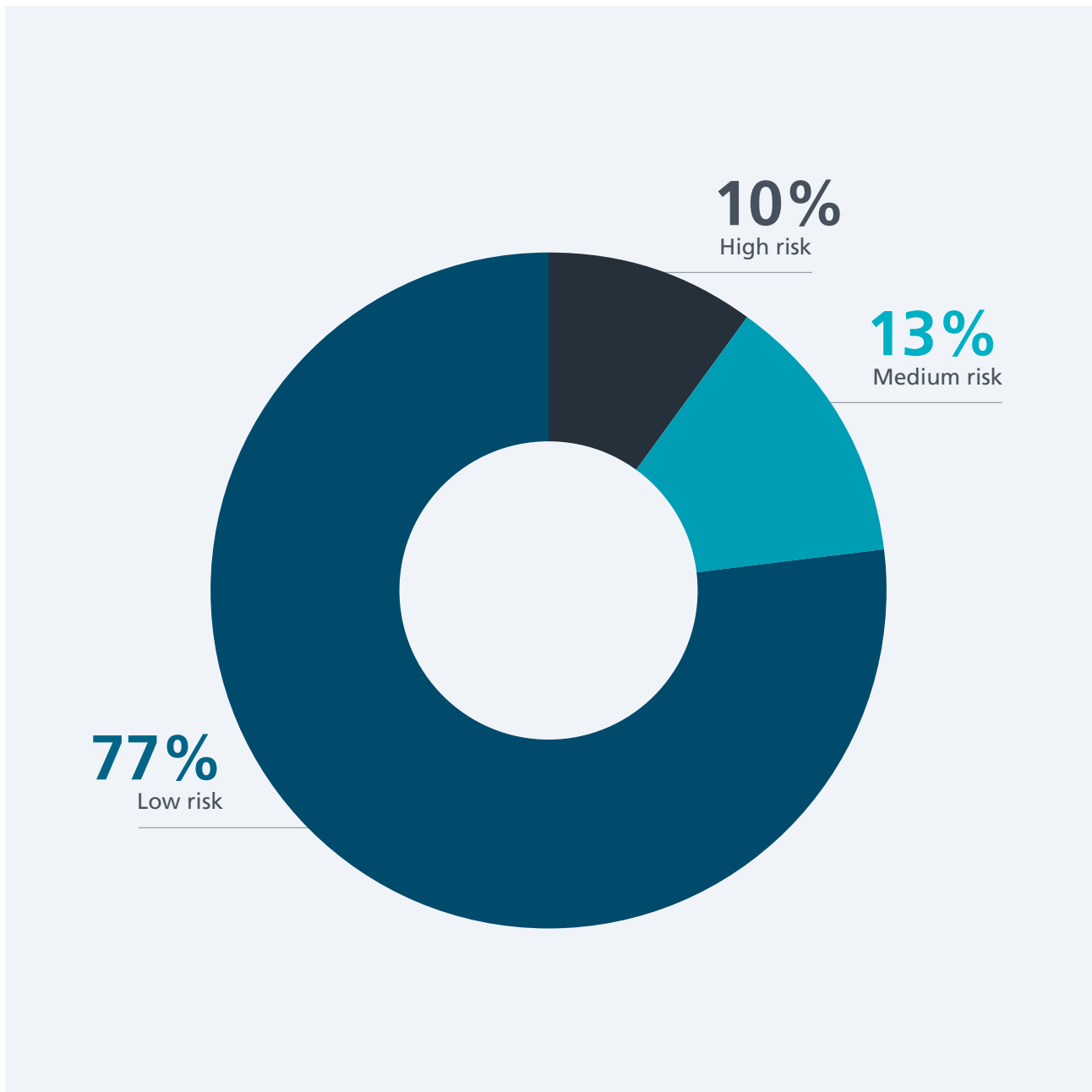
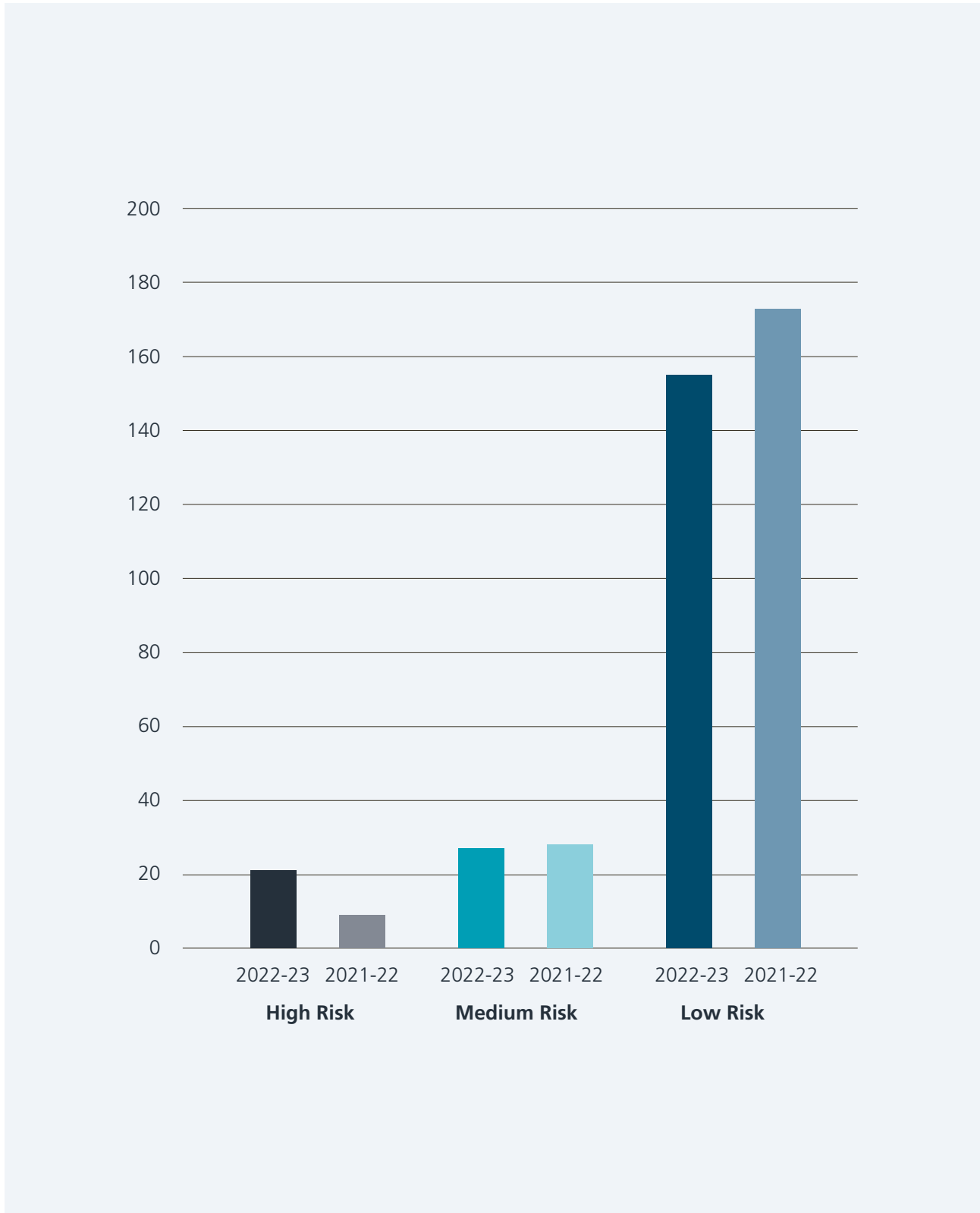




Chart 2

Comparison of Number of CLC Practices in Each Risk Category:
Over Last Two Reporting Periods (2021-2022 and 2022/2023)





4. AML Monitoring, Compliance and Enforcement

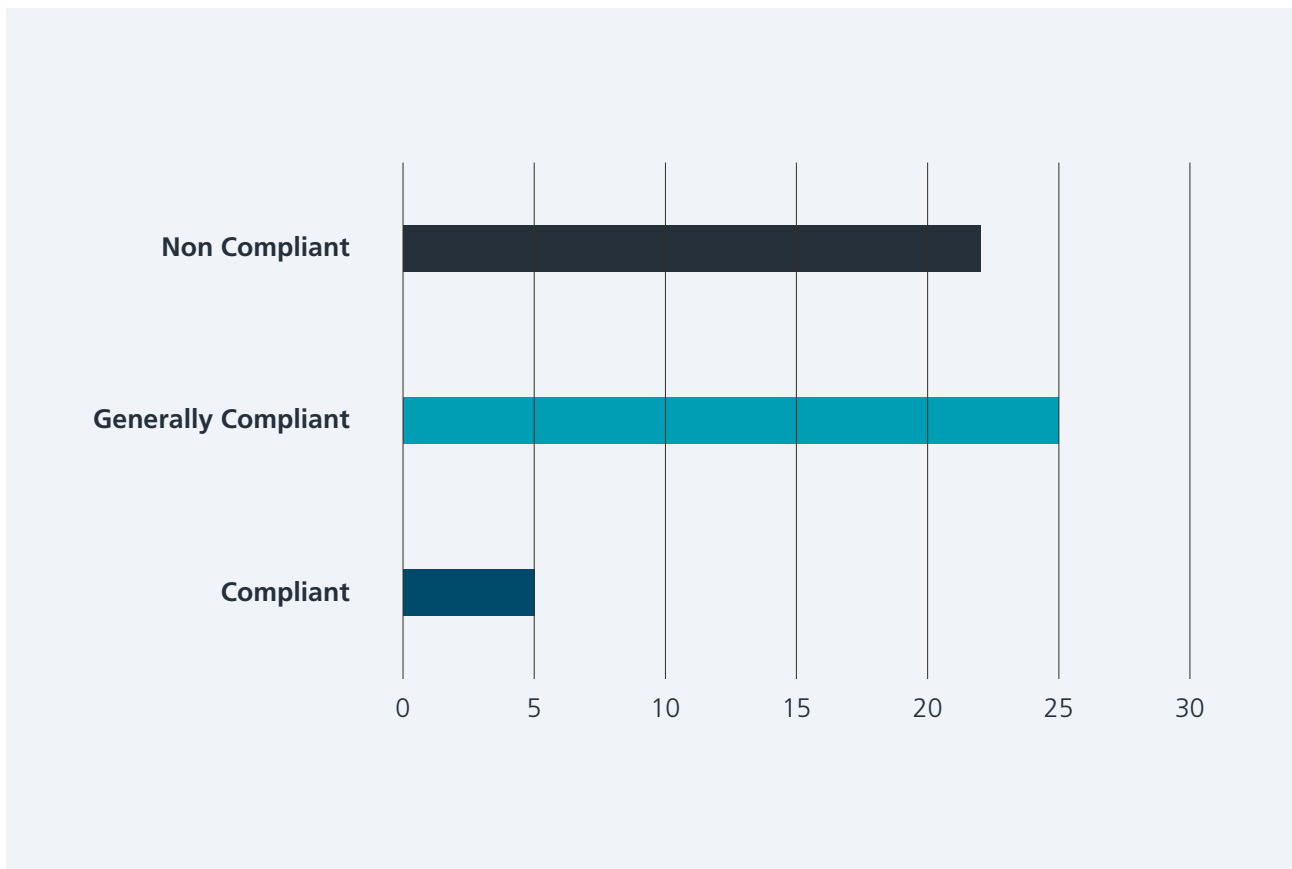
Inspection Data

At the end of 2022, a review was undertaken of the CLC’s inspection programme and it was decided that the CLC would move away from a three year rolling inspection programme towards a more risk based approach which would target the resources of the CLC more effectively. In the reporting period the CLC conducted the following work:

- 49 onsite practice monitoring inspections were carried out.
- 5 desk-based reviews were conducted of which 3 produced a conclusion for AML. Out of 52 total inspections/reviews, the AML findings of these inspections were that:
 - 5 practices were considered compliant. (c.10% of inspections)
 - 25 were considered generally compliant. (c.48% of inspections)
 - 22 were considered non-compliant. (c.42% of inspections)

Chart 3

AML Findings by compliance category in reporting period





Common themes of non-compliance during the relevant period (April 2022 – April 2023):

Form of non-compliance	Occurrences
Inadequate documented policies and procedures	19 Practices out of 22 (86%)
Inadequate CDD procedures	18 Practices out of 22 (82%)
No training	9 Practices out of 22 (41%)
Inadequate training	5 Practices out of 22 (23%)
No practice-wide risk assessment	1 practice out of 22 (0.05%)
Inadequate practice wide risk assessment	15 Practices out of 22 (68%)
Record keeping	10 Practices out of 22 (45%)
No client/matter risk assessment	8 Practices out of 22 (36%)
Inadequate client/matter level risk assessment	4 Practices out of 22 (1.8%)
Lack of or inadequate systems and controls for checking PEPs and sanctions lists	2 practices out of 22 (0.9%)

Compliance work

In the relevant period, 22 practices were considered to be non-compliant with AML following a monitoring inspection and before assisted compliance work began. After extensive post-inspection assisted compliance work with each practice's assigned Regulatory Supervision Manager (RSM), however, each of these practices was either brought back into compliance (20) or was still working towards compliance (2 practices) at the end of the relevant period for this report.



Timeframes of AML actions and further work

Practices are provided with 14 days from receipt of the inspection report to complete any AML corrective actions and/or rectify areas of non-compliance. This approach has been in place since 2019 and emphasises the importance that the CLC places upon maintaining AML compliance.

RSM's and RSO's work closely with practices in the post-inspection period to ensure that AML actions, and any other actions, are complied with fully and no report would be signed off which has outstanding actions. If any practices fails to comply with the actions in the required time - or by any extension given - then the CLC would remind practices of their obligations under the Code of Conduct and, where proportionate, consider disciplinary action based on a failure to cooperate with the CLC as well as the underlying issues.

Inspection Themes

AML policies and procedures:

As noted above, 19 out of 22 practices had inadequate AML policies and procedures. This covers a wide range of issues from having parts of the AML policy which are out of date¹⁶, failing to include key obligations or procedures¹⁷ or the policy not reflecting the actual procedure followed at the practice¹⁸.

Client Due Diligence (CDD):

Another common theme in 18 out of the 22 non-compliance practices was inadequate CDD. This is a broad category that includes failing to obtain adequate ID and/or not obtaining adequate source of funds/source of wealth evidence¹⁹. With respect to the client ID this can include not ensuring that ID is certified when not meeting the client in person to not properly identifying giftors in a conveyancing transaction.

In relation to source of funds this is also a broad category which can include: only identifying "proof of funds" instead of the actual source of the funds being used²⁰, obtaining incomplete evidence of source of funds²¹, failing to consider source of wealth or obtaining source of funds too late in the transaction which tends to put pressure on the entire conveyancing process and can lead to incomplete evidence being obtained.

Practice wide risk assessment (PWRA):

A final common theme to highlight in this report is that 15 out of 22 practices were found to have an inadequate PWRA. Often this was found to be because the PWRA didn't come to a conclusion as to risk, that it was out of date as it had not been reviewed in a long time or that it did not take into account the areas which are mandated by the 2017 Regulations²².

16 Such as reference to previous legislation like the 2007 AML Regulations.

17 Such as not including source of funds or source of wealth process and procedure.

18 Some examples we have identified include practices having policies that state that the practice undertakes electronic ID checking when in practice they don't.

19 The findings demonstrate that inadequate source of funds/wealth is far more prevalent than obtaining inadequate client ID.

20 We have found that some practices only obtain bank statements which, with the potential exception of savings, only shows that the money exists and is in a UK bank account. This does not go far enough.

21 For example, only identifying the source of 50% of the funds being contributed.

22 Regulation 18(2) (a) and (b) set out the areas which the PWRA must assess.



Enforcement

Summary of disciplinary cases relevant to AML in reporting period:

Disciplinary case	Type of allegations	Outcome at the final hearing
Practice A, Respondent A1, Respondent A2, Respondent A3	Using the client account as a banking facility, failing to undertake matter risk assessments in nine matters, failing to undertake and/or record source of funds in a high-risk transaction, failing to provide AML training to employees, failing to record and/or undertake source of funds and source of wealth checks in another high-risk transaction ²³ .	Fine Practice A – £10,000, Fine A1 – £5,000, Reprimand A1 & A2, Licence condition on Practice A – to provide the CLC with an independent audit report of the practice's compliance with AML requirements in October 2024. CLC awarded costs of £106,342.50.
Respondent B1, Respondent B2	Failing to obtain adequate documentation verifying the client's source of funds in relation to 23 matters, allowing the practice to fail to put in place appropriate management arrangements, systems and controls in place to comply with AML requirements ²⁴ , failing to obtain, certify and/or verify the ID of donors and/or beneficial owners in five matters and not identifying and assessing risk properly ²⁵ .	Fine B1 – £10,000, Fine B2 – £10,000 ²⁶ B1 and B2 – permanent disqualification and revocation of existing licences ²⁷ . CLC awarded costs of £88,000 (£44,000 per respondent).

The CLC also currently has ongoing disciplinary investigations against practices and individuals, arising from this period (which we will be able to report on in subsequent annual AML reports).

Some of these cases relate to breaches of the Anti-Money Laundering and Combatting Terrorist Financing Code and the MLR.

²³ This case also included accounts code and code of conduct allegations.

²⁴ This covered: failing to have in place an appropriate AML policy, regular training for employees, internal reporting procedures, a system for management and retention of SARs received and a MLRO who took responsibility receive suspicion reports and make reports to the NCA.

²⁵ The practice identified itself as being low risk in the PWRA despite working for developers, overseas investors of multiple off plan flats where the practice acted on both sides of the transaction, high value residential transactions when the funds and/or clients originated from overseas.

²⁶ These fines were specifically imposed by the panel to recognise the seriousness of the AML breaches.

²⁷ This case also included a number of serious breaches of other CLC codes including the Accounts code, the code of conduct and the conflicts of interest code.



5. Current and Emerging Themes

Analysis of Wider AML Risks & Main Themes Strategy / Context

The NRA 2020 stated that there is no evidence that risks in the sector have changed since 2017, and that conveyancing services related to residential and commercial property are still considered as presenting a high risk of being exploited by money launderers.

Also of relevance to the CLC is the NRA's assessment that legal service providers may also facilitate money laundering through trust or company service provision (TCSP). The NRA concluded that the risk of TCSPs being exploited by money launderers was high although it has been noted that their assessment of the exploitation of trusts by money launderers was low.

Some CLC practices offer trust related services (for example acting as a trustee in estate administration) and our thematic review in this sector will provide a detailed assessment of the risks, taking into account the NRA.

Trends / Themes (Areas of Risk)

The following section highlights the main risk areas identified via our collective suite of AML process and includes a brief note of mitigation plans to reduce the risk profile of each issue:

Source of Funds and Source of Wealth checks

CLC practices are obligated to obtain evidence of the client's Source of Funds (SOF) and Source of Wealth (SOW) under the CLC's AML Code, paragraph 11(c), and under the 2017 AML Regulations (as amended) at regulation 28 (11)(a). Source of funds relates to the money which the client is contributing for that particular transaction while source of wealth is a wider concept, relating to a client's overall wealth and economic position.

Property transactions often involve the client contributing substantial amounts of money towards the purchase. As conveyancing is considered to be high risk, the CLC's position is that source of funds and source of wealth evidence/information should be obtained on every matter although the extent to which it is obtained will vary in accordance with risk. Recent disciplinary case law has affirmed this important obligation under the CLC code which can be found [here](#) (see allegation 6).

Mitigation: The CLC monitors source of funds and source of wealth checks in desktop file reviews²⁸, during inspections, and in standalone monitoring exercises such as in the Annual Regulatory Return (ARR). The CLC has developed a source of funds and source of wealth template checklist and guidance which can be found [here](#). We are also currently in the process of creating an advisory note on this issue which we will publish later in the year.

28 In 2023 the CLC has introduced dedicated AML desktop reviews which also examine matter level risk assessments.



Inadequate Client and/or Matter risk assessments

The core obligation to conduct a risk assessment at the matter/client level is found within the 2017 Regulations under Regulation 28(12) which states that the extent of Client Due Diligence (CDD) must reflect not only the wider risk assessment conducted by the practice but also the level of risk "...arising in any particular case." Within the CLC's AML & CTF Code this obligation is captured within paragraphs 3 and 5.

In the CLC's experience there has been an improvement in recent years but even where practices do have matter risk assessments, in some cases they are either not being filled out properly, do not take into account relevant risks or do not determine the level of CDD that is to be carried out. This cannot be emphasised enough: the AML regulations obligate practices to take a risk-based approach and it is critical that risk is assessed properly and then the level of due diligence is selected.

Mitigation: The CLC has developed a client and matter AML risk assessment which practices are able to use and adapt for themselves. It can be found in the AML toolkit [here](#). This aspect is also checked as part of file reviews during the inspection process or as part of desktop reviews and also during standalone monitoring exercises such as the Annual Regulatory Return (ARR). We will also cover this aspect during the CLC roadshows in November 2023.

Use of client account as a banking facility

Whilst CLC practices are permitted to use their client account to hold client money which relates to regulated services, it must not be used as a 'banking facility' as required by Accounts Code, paragraph 2.2. This means, for example, that client money should be held only when there is an underlying transaction: the practice cannot be permitted to hold money in a similar fashion to a bank.

This important rule also prohibits holding client money for unregulated services. For example, a CLC practice holding money in the CLC regulated client account for a transaction which is unregulated²⁹. It also covers paying client money out to inappropriate destinations: making a payment to the client directly is usually acceptable but a payment directly to a third party unconnected to the transaction may not be.

Allowing the client account to be used in this manner raises significant concerns about money laundering as a practice's client account is an attractive proposition for those seeking to launder money and give it the appearance of legitimacy. The NRA 2020 concluded that the use of client accounts was high risk in terms of money laundering.

Mitigation: Client account information is obtained from the practice through a variety of means: inspections, client account reconciliations and accountant reports. This information is then checked by the monitoring team and is then followed up by the practice's Regulatory Supervision Manager or Officer (RSM/RSO) or, if prior to an inspection, by the relevant inspector. The CLC is acutely aware of the risk involved and will consider such concerns from a money laundering perspective.

²⁹ For example, in relation to a litigation matter.



Inadequate AML training

The obligation to undertake AML training stems from the 2017 Regulations under Regulation 24 which requires that “relevant persons” must ensure that employees are given regular training and made aware of the of the law relating to AML and terrorist financing. Regulation 24(b) requires that a record is maintained in writing of the measures taken and the training that is delivered to staff. These requirements are mirrored in the CLC’s AML & CTF Code at paragraph 11(b).

The quality and frequency of AM training is examined during CLC inspections and AML Desktop reviews³⁰. This has revealed to us that many practices have not ensured that staff undergo AML training regularly and/or are aware of new legislation that has come in (such as the fifth money laundering directive, 5MLD). Our follow-up work has shown some practices have not adequately ensured their staff had had regular refresher training.

Mitigation: Where issues are identified in relation to AML training, CLC practices are required to undergo AML training (or enhanced AML training as appropriate for more senior members of staff like the MLRO) as part of the inspection actions. The actions will require evidence of training which could be a certificate of completion which the CLC will follow up on.

Poor AML culture and prior AML concerns

A practice’s AML culture determines an organisation’s approach to every aspect of AML. A poor culture can, in the CLC’s experience, undermine and permeate the practice’s AML record in every area. We now require inspectors to capture information about a practice’s AML culture during onsite inspections, especially as we believe that when significant AML issues are identified they are seldom isolated.

The CLC also looks carefully at previous AML findings and we have noted that some AML concerns have a tendency to appear again with certain practices. Where similar issues are identified we will treat this as being a serious breach of the CLC’s codes.

Mitigation: CLC inspectors regularly assess the AML culture of every practice they inspect and address any issues through tailored inspection actions, depending on each case. The CLC also examines prior inspection reports and will highlight and, where appropriate, escalate similar AML findings.

³⁰ The CLC also asks about AML training in the Annual Regulatory Return (ARR).



Emerging Risks (Themes & Threats)

The CLC has worked with partners to assess what the key evolving risks may be. We have identified these as some of the main issues we need to keep our focus on, in order to develop mitigations:

Cryptocurrency and other new technologies

The use of such assets raises significant issues for Client Due Diligence (CDD) as identifying the source of funds/source of wealth for transactions is a key obligation for CLC practices. The origins of the money which have been used to purchase the cryptocurrency need to be understood as well as the crypto itself which can accumulate or depreciate in value over time and can be comprised of a wide variety of sources. Some kinds of crypto offer anonymity and can be used to disguise funds.

It is important to note that the FCA maintains a register of cryptocurrency service providers which can be searched and is available [here](#). These firms are regulated and are subject to the provisions of the Money Laundering Regulations. There are, however, numerous unregulated service providers including large ones that are based abroad.

Virtual assets are being increasingly proposed to be used for various transactions and we are seeing some practices contact the CLC to enquire about our views on accepting them as part of conveyancing transactions. The CLC is aware that insurers may be reluctant to offer insurance cover where cryptocurrency assets are being used and we plan to engage further on this issue with our partners.

CLC practices should be cautious when considering cryptocurrency for conveyancing transactions. We would advise that the insurance position should be checked first of all and then the transaction properly risk assessed. Enhanced Due Diligence (EDD) should be undertaken and meticulous records kept of the measures adopted to understand the source of funds. If CDD cannot be completed satisfactorily then the 2017 Regulations require that the business relationship be terminated.

Sanctions

While this is a distinct and separate workstream to AML, there is a degree of overlap as the existence of the sanctions regime creates incentives for individuals and entities on the lists to disguise money and assets. Property transactions retain a number of features which make them attractive for those on the sanctioned lists to hide assets and evade sanctions.

The CLC is monitoring sanctions compliance on every monitoring inspection and ensuring that practices are taking measures to ensure they are not being exploited by individuals or organisations who are on the list. Some practices undertake manual checks which is a source of concern for the CLC as the lists are becoming so large and changing so regularly that manual checks may no longer be appropriate unless carried out in a methodical and timely manner³¹.

³¹ The lists are updated quite frequently which presents a moderate risk that an individual that the practice works for could be placed on the list during a transaction.



Proliferation financing

All CLC practices must now³² ensure that the risk of proliferation financing is assessed as part of their practice wide risk assessment (PWRA). This relates to the risk of being involved with money that is derived from nuclear, chemical, biological and radiological weapons (eg manufacture, acquisition, development, export etc) by groups and countries that are not permitted to have them in accordance with international treaties.

Although we have noted during our inspection work that a number of practices have incorporated this risk already, we have issued findings in some cases to make sure that it is something that our regulated community is taking into account. The CLC recently published a newsletter on this topic which was sent out to all practices.

³² Money Laundering and Terrorist Financing (Amendment) (No. 2) Regulations 2022 which came into force on 1 April 2023



6. Planned Workstreams (on Identified Risks / Themes)

As evidence, insights and risks develop, the CLC is continuing to evolve its approach to effective risk-based AML supervision. We are developing a monitoring plan that covers the 6 separate categories outlined below.

Guidance

- An update of the CLC's template AML policy which will be, when finished, located in the AML guidance document and also in the CLC toolkit.
- An advisory note on source of funds and source of wealth which will provide very clear indications of what the CLC expects in this area.
- An updated practice wide risk assessment (PWRA) template which will include some recent developments such as the obligation to consider the risk of proliferation financing.
- Our annual Risk Agenda highlights key areas of risk for practices, including AML. Each edition carries according to the evolution of risk over time.

Data

- Based on an analysis of the findings of the previous year's Annual Regulatory Return (ARR), decide upon appropriate next steps.
- Review and develop the new risk register which was launched on 1 November 2023.
- A thematic review of Suspicious Activity Reports in 2024.
- Analysis of the outcome of the TCSP thematic review.
- Evaluation of incoming AML information and referrals³³.

Monitoring procedures

- Continuing to design and deliver a risk-based approach to AML supervision, including through the prioritisation of inspections for high-risk practices:
- This will include reviews of our risk-based approach to ensure it is appropriate and is up-to-date.
- This will also ensure focus on the risk profiles/themes we have identified earlier, as well as the emerging risks above.

³³ See Annex A for a list of established sources.



Communications & Engagement

- Continued emphasis on communicating risks and guidance for practices.
- Including a renewed focus on a tailored sets of updates aimed at MLROs and compliance staff.
- AML workshops to be held throughout England and Wales in November 2023.
- AML risks feature in our annual Risk Agenda publication.

Compliance

- A further evaluation of our approach to enforcement and sanctioning in response to non-compliance with AML regulations and requirements which will include the development of threshold tests for action.
- Reviewing the outcomes of disciplinary cases which relate to AML, to establish whether any changes to the relevant codes are necessary or whether our approach needs to be altered in any way when drafting allegations.

Other / Additional Support

- Use the channels above to assess what additional training and support we might offer to our regulated practices to address knowledge gaps and risk areas.
- Including a specific focus on emerging risks and themes above.



7. Resources and Guidance

The CLC publishes a range of AML advice and resources for the sector, which are regularly being updated.

- A key component of our AML resources is the AML Toolkit³⁴. This dedicated 'one-stop shop' includes AML guidance developed by the CLC and forums we contribute to (e.g. LSAG), as well as links to relevant policies³⁵, compliance case studies and the CLC's sectoral risk assessment. We add to it over time as with a recent example being the Source of Funds and Source of Wealth checklist and guidance which can be found [here](#).
- The AML Toolkit also features several links to external resources such as the National Crime Agency's NRAs and suspicious activity reporting guidance, supporting FAQ, documents, as well as relevant legislation and regulations. In addition, AML risks feature in our annual Risk Agenda.
- Our successful and long-standing regulatory model, with close engagement between practices and RSMs, means that they practices are encouraged to contact the CLC about AML guidance. This helps ensure a range of issues are frequently managed and resolved before more formal enforcement actions are necessary.
- Where necessary, however, the CLC will take enforcement or disciplinary action in relation to serious breaches of the AML code such as widespread AML failings or repeated failings in similar areas. The CLC has taken some significant disciplinary action in relation to AML this year including two cases which featured numerous AML allegations.

³⁴ <https://www.clc-uk.org/lawyers/anti-money-laundering-toolkit/>

³⁵ See Annex B for our current AML template guidance.



Case studies

The CLC has a range of examples to demonstrate how our approach identifies and manages developing AML risks and themes. The following three case studies are indicative of some of our broader work and focus on this issue.

Case Study 1 – Practice A

A routine inspection of this sole practitioner (Recognised Body) practice (Practice A) took place remotely on 4 October 2022. The inspector identified a number of areas of concern not only in relation to AML but also in relation to complaints, accounts and other issues such as record keeping. With respect to AML the practice was found to be non-compliant and the main findings were:

- The practice's AML policy is out of date and has not been sufficiently tailored towards the practice as there is reference to the superseded 2007 Money Laundering Regulation and to an unrelated practice.
- [Person A] has not undertaken recent training in relation to anti-money laundering.
- On files [Client C] and [Client D] it was found that two forms of identification had not been obtained to satisfy proof of identity and proof of address.
- The practice does not undertake client and matter-based risk assessments which assess the level of risk in each transaction on an ongoing basis, and which determine the level of due diligence to be applied.
- The practice does not have an up-to-date practice wide risk assessment. The risk assessment is dated 2018 and records that 100% of clients are met in person but this no longer the case since the Covid pandemic.
- Although the practice confirmed during discussions that source of funds checks are conducted, the checks were not clearly evidenced on files [Client A] and [Client B]. This was also observed during the last inspection.
- Client identification documents obtained are not routinely certified by the practice.
- It is unclear how the practice checks whether clients are Politically Exposed Persons (PEPs) or on the latest sanctions lists.

It was also noted that some of these issues were identified in the previous inspection in 2018 and in 2014. This factor, in addition to how widespread the issues were and concerns about some of the assurances given by the practice, led to consideration of disciplinary action. The decision was taken to pursue disciplinary action and a notice of disciplinary investigation was sent to the practice in January 2023.



The report was issued to the practice on 5 December 2022. The report included a number of actions specific to AML which were considered necessary to address the findings above and to bring the practice back into compliance with the CLC's codes. The AML actions were as follows (the numbering begins at five because there were other, non-AML, actions listed before these):

Anti-Money Laundering and Combating Terrorist Financing

- 5 The practice is required to draft an appropriate AML/CTF policy and provide a copy to the CLC (AML & CTF Code, 9(a)).
- 6 The practice must confirm to the CLC that Mr Day has booked on an AML/CTF enhanced training course and then provide evidence of the training once it has been completed (AML & CTF Code, 9(b)).
- 7 The practice must confirm to the CLC that it will obtain all relevant client ID to establish a client's identity and to ensure that these documents are retained on file ((AML & CTF Code, 11(ca) and MLRs R27).
- 8 The practice is required to put in place client and matter risk assessments and provide a copy of its template risk assessments to the CLC for review (AML & CTF Code, 1(c) and MLRs R28(1)).
- 9 The practice is required to provide an up-to-date practice wide risk assessment to the CLC for review (AML & CTF Code, 7 and MLRs R18).
- 10 The practice must develop a source of funds checklist which must be used on every file going forward and retained on file along with the relevant evidence obtained (AML & CTF Code, 11c).
- 11 The practice must confirm to the CLC that it will certify ID for all clients that it does not meet in person (AML & CTF Code, 11a)
- 12 The practice must outline to the CLC how it checks whether a client is (a) a PEP and (b) on the sanctions list (AML & CTF Code, 11a)

For all of these actions the practice was given until 15 January 2023 to implement them. Although the practice did make progress with some of the actions it was considered that, after a few months, the practice had not made enough progress and therefore the report could not be signed off.

The disciplinary case against the practice was heard on 4 October 2023 before the independent Adjudication Panel (AP) and the outcome was that all of the allegations, which related to the AML findings at the inspection and code of conduct issues, were found proved. Person A, a sole practitioner, was disqualified from being a licenced conveyancer for 3 years and was fined £1,000. The practice was fined £5,000 and the CLC was awarded its costs in investigating and bringing the matter before the AP.



Case study 2 – Practice B

An inspection of this practice took place on 2 August 2022. The practice is an ABS which means that non-lawyers are involved in the ownership of the business. During the inspection the CLC's inspector identified issues in relation to AML which was found to be non-compliant. The findings were as follows:

- The practice's AML Policy does not name its MLRO and does not make reference to the relevant AML statutes and regulations. In addition, it does not set out all its procedures, for example, in relation to source of wealth and that online searches are conducted against all clients. It mentions PEPs but does not explain what a PEP is.
- Neither the practice's AML Policy, nor the separate "Guide when instructed by a company" procedure sets out the obligation to report discrepancies in CDD undertaken on non-natural clients to Companies House.
- The practice's MLRO attended dedicated MLRO training just over 12 months ago but was unable to confirm when it took place.
- The practice has made two SARs but has only kept a detailed record of the second one.
- The practice's practice wide risk assessment was updated in May 2022 but much information is quite general, for example in relation to the number of overseas clients and how the risks they pose are managed, while other information appears contradictory in relation to sources of work.

The report was sent to the practice on 13 September 2022. In Section 12, a number of actions were devised which addressed the issues identified above and to bring the practice back into compliance. The actions were as follows:

Anti-Money Laundering and Combating Terrorist Financing

- 11 The practice is required to review and update its AML policy, procedures and templates so that they are appropriate and more accurately reflect the practice evidenced in the file reviews. Copies thereof should be provided to the CLC (Anti-Money Laundering and Combating Terrorist Financing Code 6 & 7).
- 12 The practice's MLRO is required to attend training appropriate for the role and to confirm to the CLC when this has taken place (Anti-Money Laundering and Combating Terrorist Financing Code 9b).
- 13 The practice is required to confirm how it will ensure that AML training will be recorded in a training log which is kept up to date (Anti-Money Laundering and Combating Terrorist Financing Code 9b).
- 14 The practice is required to confirm that it has implemented appropriate procedures for the recording and monitoring of SARs reported by it (Anti-Money Laundering and Combating Terrorist Financing Code 9d).
- 15 The practice is required to review and update its practice wide risk assessment and to provide a copy to the CLC (Anti-Money Laundering and Combating Terrorist Financing Code 7).

These AML actions were to be implemented by the practice by 11 October 2022. The practice provided responses to the AML actions to the Regulatory Supervision Manager (RSM) in a series of emails. After review of these responses, the RSM wrote to the practice on 17 November 2022 to confirm that the actions had been satisfied and that the inspection process had now been closed.



Case study 3 – Practice C

A first inspection of a sole practitioner practice (Recognised Body) took place on 5 October 2022. This inspection was attended by two CLC Regulatory Supervision Managers (RSMs) and covered all of the CLC codes. With respect to AML the conclusion was that the practice was “generally compliant” with the findings as follows:

- The practice’s AML policy and client care letter refers to outdated AML legislation.
- The practice’s AML policy refers to an outdated list of high-risk countries.
- Whilst there is an entry in the training log that the AML training was undertaken on 06 July 2022, it was unclear whether the training was appropriate for the MLRO role.

The report was sent to the practice on 12 October 2022. The AML actions that were devised for the practice were to be completed by 26 October 2022 and were as follows:

Anti-Money Laundering and Combating Terrorist Financing

- 6 The practice is required to update its AML Policy and client care letter to ensure that it includes reference to the up-to-date AML legislation and the current list of high-risk countries (Paragraph 9a). The practice is required to provide a copy of the updated AML Policy and client care letter to the CLC for review.
- 7 The practice is required to ensure that the Nominated Officer attends appropriate AML training. The practice is required provide a copy of the certificate (or equivalent) to the CLC for review (Paragraph 9b).

The practice’s response to the AML section of the report was received on 20 October 2022 and was reviewed by the RSM shortly afterwards. The RSM concluded that the response satisfied the AML actions. Following this the practice complied with the remainder of the actions in the report (which covered other parts of the CLC codes) and signed off the report on 16 November 2022.



ANNEX A

CLC AML Analysis: Sources of Information, Evidence and Data

Internal data sources

1. Assessments (including desk based and onsite assessments)
2. Questionnaires
3. Thematic/project work
4. Annual returns
5. Complaints
6. Report of a potential AML breach
7. Breach Reporting / Whistleblowing
8. Enquiries
9. Complaints
10. Financial information (such as accountant's reports and reconciliations of the client account)

External data sources

11. FATF guidance
12. LSAG / CCAB guidance
13. National Risk Assessment
14. AML Forums
15. FIN-NET
16. SIS
17. SARS
18. CASCADE
19. Lenders and Panel managers
20. Professional Forums
21. HMG Depts / Other Regulators
22. Insurers & Brokers / Other Market Contacts
23. Media / social media
24. The CLC's (Independent & External) Adjudication Panel



ANNEX B

Anti-Money Laundering Guidance

AML/CTF Example Procedure

IMPORTANT It is essential that the business and its employees comply with the letter and spirit of these procedures since failure to do so may amount to a criminal offence for which it is possible to be sentenced to a term of imprisonment.

Procedures

1. You must not act or continue to act for a client until all requirements for Customer Due Diligence (CDD) or Enhanced Customer Due Diligence (EDD) have been met. If these cannot be met, you must:
 - a) not establish a new business relationship; or
 - b) terminate any existing business relationship.You must then consider whether to make an internal report to the Nominated Officer.
2. The purpose of CDD and EDD is to help you decide whether your clients are the persons they say they are and that you can:
 - a) know with some certainty whether your clients are acting on behalf of another (called a beneficial owner)
 - b) establish there is nothing to prevent you providing the service requested
 - c) assess whether the purpose of the instruction is consistent with the lifestyle and economic means of your clients
 - d) establish there are no obvious elements which suggest that any transaction is unusual or overly complex in the context of those instructions.
3. Whenever instructed by any client you must obtain evidence as early as possible that
 - a) the client is the person he or she claims to be, for example, by a current signed passport or current UK photo driving licence or by using an electronic ID system; and
 - b) a person of that name lives at the address given, for example, by a utility bill less than 3 months old or mortgage statement;
4. Further examples of acceptable ID evidence are set out in the Acting for Lenders and Mortgage Fraud Code and Guidance. Photocopies should always be certified as being true copies of the original and signed and dated by the person making the copies.
5. You should find out whether there is a beneficial owner in which case you must be satisfied who that person is. A beneficial owner is the person who ultimately owns and controls the client on whose behalf a transaction is being conducted. There may be more than one. If the client is a Company you must identify who owns 25% or more of the structure and who exercises effective management and control.



6. If your client is a non-natural person you must take reasonable measures to understand the person's ownership and control structure.
7. If you discover any discrepancy between the information you collect about a non-natural client and information collected from a relevant register, you must report the discrepancy to Companies House as soon as is reasonably possible.
8. EDD checks must be made in any situation which by its nature can present a higher risk of money laundering or terrorist financing. Under the Money Laundering Regulations 2017, EDD is no longer mandatory if you do not see your client although should be considered as one of the risk factors.
9. You must apply EDD when any of the following apply: the transaction is complex; the transaction is unusually large; there is an unusual pattern of transactions or the transaction or transactions have no apparent economic or legal purpose.
10. You must apply EDD and ongoing monitoring when the client or counterparty is established in a high risk third country.
11. Politically Exposed Persons (PEPs), which include local PEPs, are deemed to be higher risk. The approval by senior management is required for establishing or continuing the business relationship with a PEP, a family member or a known close associate of a PEP.
12. In addition to the usual steps taken to verify identity for CDD, you should obtain at least one additional document of identity or verify identity electronically through [state specific source the business uses].



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