Parrott&Coales LLP
SOLICITORS

MONEY LAUNDERING COMPLIANCE POLICY

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This document explains our policies and procedures. It supplements the more general training which you have and will continue to receive. It is important that you read this manual, and refer to it when relevant issues arise.

Our **Money Laundering Reporting Officer is Richard Sauvain.** Consult him in cases of difficulty. In his absence, consult the **Deputy Money Laundering Reporting Officer, who is Fiona Hewitt.**

WARNING
Failure to comply with the firm's policies may be treated as gross misconduct and result in disciplinary action. Such failure may also put you at risk of prosecution under the Proceeds of Crime Act.

A INTRODUCTION

1 The Money Laundering Regulations 2017

These regulations require us to follow procedures to prevent criminals from being able to use our services to launder money or to finance terrorism. All references in this manual to money laundering include terrorist financing.

2 Regulated Work

The Money Laundering Regulations only apply if we are doing certain types of work (regulation 3(9)). This means that litigation work, and some other work which does not involve any financial or real property transaction are not regulated. Nonetheless **it is the policy of this firm that the procedures set out in this manual should be applied to all clients, and all matters**

3 Record Keeping

The firm is required to maintain records (including records of client identification and about their transactions) for at least five years from the end of our business relationship with a client. Personal data received from clients is protected by data protection law. It must be used or processed only for the purposes of preventing money laundering.

4 Training

The firm must ensure that you receive training about avoiding money laundering. The firm's policy is that:
- all fee-earners should receive online training annually, and
- relevant support staff (including members of the finance team) should also receive online training annually.
You must undertake such training, and read this policy.

5 Your Role

Your main obligations are

- To carry out "customer due diligence"
- Monitor transactions including the source of funds
- Recognise and report suspicious transactions.
- You must also avoid tipping off a suspect that a report has been made.

Responding to AML Enquiries from the Authorities

6 We may receive enquiries about anti-money laundering issues it from bodies including the police, the National Crime Agency and the Solicitors Regulation Authority. All such enquiries must be referred immediately to the MLRO, who will investigate the matter and make what response is appropriate.

7 Sanctions

The government imposes sanctions on some regimes and individuals to seek to protect peace and security. Occasionally there may be reason to suspect that someone involved in a matter is the subject of sanctions or has committed an offence under sanctions regulations. If so you must inform the MLRO without delay, who will look into

the matter, and where appropriate will make a report to the Office of Financial Sanctions Implementation.

The remainder of this manual explains what you should do to comply with these obligations. If you are unsure how to apply this policy consult the MLRO.

B CUSTOMER DUE DILIGENCE

1. What is "Customer Due Diligence"?

The Money Laundering Regulations require you to carry out "customer due diligence" ("CDD") and "ongoing monitoring" when you do regulated work. This involves several elements.

1.1. Client identification.

1.2. Identifying the person who instructs us on behalf of an entity (such as a person who represents a company) and checking they are authorised so to act.

1.3. Identifying any beneficial owners.

1.4. Obtaining information on the purpose and intended nature of the business relationship.

1.5. Assessing risk. CDD and ongoing monitoring must be done on a risk-sensitive basis.

1.6. Ongoing monitoring of the business relationship, including where necessary source of funds.

2. The Importance of Thorough CDD

2.1. Our reputation is our greatest asset. Thorough CDD will not only ensure compliance with the law, but will tend to deter undesirable clients from instructing this firm.

2.2. When taking instructions from new clients do not be embarrassed about explaining your obligation to do due diligence, and the reason for that obligation. Where appropriate ask questions about the source of the client's wealth, and how any transaction is to be financed. Few, if any honest clients will resent such questions, if they are properly explained. Our standard client care letter contains clauses explaining our CDD obligations, and you may wish to draw those clauses to clients' attention.

3. Cash

Explain to clients that the Firm's policy is that we only accept cash from a client up to a limit of £1,000 (in any 28 day period. This rule is explained in our terms of business. If a client asks you to accept a sum above £1,000 in cash, you should normally report the request.

4. The Client Due Diligence 'CDD' Form

4.1. The firm has devised a CDD Form (attached, FORM A), to help you to carry out due diligence in an organised and reliable manner. It includes detailed notes. You must always complete the form:

- when taking on a new client,
- when opening a new matter file for an existing client (note that whenever you send an engagement letter to a client, you should complete a fresh CDD form)

- if you suspect money laundering, or doubt the veracity or accuracy of due diligence documents previously supplied (regulation 7 specifically requires you to carry out fresh CDD at such times).

4.2. You must also run fresh checks and fill in the form again if:

- the client's risk profile has changed significantly (especially if it is a company or other entity),
- if there is any indication that the beneficial owner of a client has changed, or if you suspect money laundering, or doubt the veracity of due diligence documents previously supplied.

4.3. The completed CDD form, along with evidence of identity, should be retained on the file and scanned on to Tikit by the fee earner or their secretary. This is because we must keep a central record. The scanned copy can be found in the Tikit 'Post Room' and must be added to 'entity properties', and selecting 'entity proofs type'. The CDD form can be saved under proof type 'Completed CDD Form', although this is not strictly a proof type. Once saved the ID should then be deleted from the 'Post Room'.

4.4 You must always complete a client due diligence form because this is not a proof of identity form but confirmation of the assessment you have made of the risk of taking on the client.

4.5 You may also be required to complete a PEP Questionnaire and Source of Funds Questionnaire in some cases.

C CLIENT IDENTIFICATION

1. Identification and Verification

Identification of a client or a beneficial owner is simply being told by them who they are, or by coming to know their identifying details, such as their name and address. Verification is the more difficult and more important part which relates to obtaining **evidence which supports this claim of identity**.

2. Timing

2.1. You should normally verify the identity of the client before accepting instructions to act for him or her. But regulation 30 allows verification to be "completed during the establishment of a business relationship if (a) this is necessary not to interrupt the normal course of business, and (b) there is little risk of money laundering and terrorist financing.

2.2. However verification must be completed as soon as practicable after contact is first established.

3. Proof – online searches

Wherever possible, proof of identity should be undertaken via our current online search provider. This is not only because it is swift and reliable but also because it specifically checks the Bank of England sanctions list and PEP list (see below). Guidance on how to use this was provided when the service was set up and further assistance can be obtained from the provider's helpline. In the higher risk areas of conveyancing, and where the client is not physically present, when you are acting for a new client, you should also obtain a copy of a passport or photographic driving licence.

4. Documents

If you are relying on documents rather than an online search you should be satisfied that any documents offered to verify identity are originals, to guard against forgery. Ensure that any photographs provide a likeness of the client. Take copies of the relevant evidence, and sign and date the copies, to verify that they have been compared with the originals. Copies of relevant evidence for clients were not present must be certified as set out below.

5. Clients Who Are Not Physically Present – and no "clear" online search

Where the client is not physically present for identification purposes and it is not possible for some reason to undertake to an online search, or that is not to be relied on, you must take specific and adequate measures to compensate for the higher risk. If it is not possible to meet your client, for example because he is not in the area, you should normally ensure that a trustworthy third party, such as a solicitor, accountant or consular official carries out the identification process on our behalf, and sends us the certified copies of the evidence of identity which should also include their own contact details so we can check them if we think necessary. A Confirmation of Identity form should be sent to the client for the person certifying the ID to be completed and returned to the office before progressing. In lower risk cases it will be sufficient to ensure that the first payment from the client is carried out through a bank or building society account in the client's name. Alternatively you may be able to accept a reference from another organisation (see the following section.

6. Existing clients

It is important to appreciate that the strict identification requirements under the 2007 regime require constant vigilance. Therefore if the client is an existing client of the firm then identification is still required, unless the client has instructed the firm less than 9 months for before you accept instructions from them in relation to the new matter.

7. Reliance

7.1 Regulation 38 states that instead of carrying out identification ourselves, we may sometimes rely on due diligence conducted by certain other organisations which are covered by the Money Laundering Regulations (or equivalent abroad) such as other law firms, external accountants, estate agents, insolvency practitioners, auditors or tax advisers.

7.2 However we do not accept this as a standard practice and you will first need the approval of a partner of Parrott and Coales LLP before you can proceed on this basis, in addition, to rely on the due diligence of another organisation, you need:
- the due diligence information they have obtained to be provided to us

7.3 their agreement that they will provide you with the due diligence material upon request.

7.4 their written agreement that they will provide us with copies of any identification and verification data and any other relevant documentation on the identity of the customer or its beneficial owner; upon request, and that they will retain such data and documents.

7.5 We remain liable for any failure by the other party to apply verification correctly. Accordingly you should only rely on organisations which you have reason to believe are reputable and take their responsibilities in this area seriously. In any case the regulations require that the body on which you rely is one authorised by the FSA (in the case of a bank or financial institution) or supervised by a listed professional regulator, such as the ICAEW, ACCA or Law Society. If in doubt, check that they are so regulated.

8. Evidence Required

8.1 Detailed guidelines about the evidence required in different circumstances is in the notes which accompany the CDD Form. If in doubt consult the MRLO.

8.2 You should apply common sense to what you require, bearing in mind the level of risk. You should also be aware that different forms of evidence have different levels of security. If in doubt consult the MLRO. You should not apply the guidelines in a mechanical way. In the words of the Law Society "Your firm will need to make its own assessments as to what evidence is appropriate to verify the identity of its clients." In their guidance they merely "outline a number of sources which may help you make that assessment."

9. Apparent inconsistencies in identification evidence

9.1 To an outside observer inconsistencies in identification evidence could easily be said to give rise to suspicion. However your knowledge of the circumstances and discussions with the client can clarify and explain these. However the due diligence form only contains what you have recorded on it, not what you may know that explains any inconsistencies.

The due diligence form should contain this explanation, since if the client was subject to investigation in the future your lack of a record of the explanation for the apparent inconsistency could prove to be difficult.

D BENEFICIAL OWNERS

1. Our Duty to Investigate Beneficial Ownership

Money launderers may seek to hide their identity behind nominees, or corporate or trust structures. So when we are instructed on behalf of any company, partnership, trust or other principal we must:

- check the identity the person instructing us
- check they are authorised to act
- take measures to understand the client, including its ownership and control structure
- establish if there is any beneficial owner who is not the client, and take adequate measures, on a risk-sensitive basis, to verify their identity, so that we are confident

about the identity of the ultimate beneficial owner(s).

2. Definition of a Beneficial Owner

2.1. Broadly a beneficial owner is anyone with 25% ownership or voting rights. It also includes anyone who exercises control over the management of a company. In practice directors of private companies should generally be identified as beneficial owners, because they are usually substantial shareholders, and also because of the control that they exercise.

2.2. The purpose of identifying **beneficial owners is** to understand **who is the natural person who own and control the client, and in whose interests it is operating**. It will rarely be necessary to consult the detailed definition of a beneficial owner, if you keep that principle in mind.

3. Evidence Required to Verify Identity of Beneficial Owners

1.1 Your obligation to verify the identity of beneficial owners is less onerous than the obligation to verify the identity of the client. You do not always have to see evidence to verify the identity of all beneficial owners. It depends on the risk level.

1.2 If we are instructed by a business in most cases you should obtain the same evidence to verify the identity of the beneficial owner(s) you would if they had instructed you directly as the client. However in the case of large, well established businesses with many people involved you may not need to see the documents of all beneficial
Owners.

1.3 You may often be able to accept assurances from directors, trustees and others as to the identity of beneficial owners. But you should normally obtain such assurances in writing. Consider also asking the beneficial owner so named to confirm in writing that they agree they are the beneficial owner. If a person is reluctant to put such information in writing, that may be suspicious, and you should consider referring the matter to the MLRO (Richard Sauvain).

3.1. If it seems the client may be a mere nominee or front for another person, insist on full and strict verification of that other person's identity. In particular, if the client is a company or LLP which is owned and controlled by three people or fewer, verify their identity just as you would for a client.

E RISK ASSESSMENT

1. What is Risk Assessment?

1.1. You must make enquiries about the client, the source of funds and the purpose and nature of the transaction so you can make an initial assessment of the money laundering risk. These are the normal inquiries you make of any new client.

1.2. Based on those enquiries, you are required to make a written risk assessment when completing the CDD Form. But in addition you must continue to assess risk throughout a client relationship.

Your risk assessment will determine the approach you take to CDD in general, and ongoing monitoring

2. Enhanced Due Diligence - High Risk Matters and Clients

2.1. We must carry out "enhanced due diligence" in any case where there is a high risk of money laundering. The law says that includes the following.

- We are dealing with a person established in a high-risk country.
- The client is a PEP, or a family member or known close associate of a PEP.
- The client has provided false or stolen identification documentation or information and we still propose to deal with them.
- The client is a legal arrangement or vehicle for holding personal assets.
- The client is a company that has nominee shareholders or shares in bearer form.
- The client is a cash-intensive business.
- The corporate structure of the client is unusual or excessively complex
- A transaction is complex and unusually large and has no apparent economic or legal purpose, or there is an unusual pattern of transactions with no apparent economic or legal purpose.
- There is an unusual pattern of transactions, and the transaction or transactions have no apparent economic or legal purpose.

2.2. In addition you should be aware of the following risk factors which particularly apply in the context of this firm.
We may act for clients who use complex corporate or trust structures which may aid anonymity, or who otherwise make it difficult for us to obtain complete and reliable information about beneficial ownership.

- We may act in transactions in which funds are coming from a high-risk country.
- We may act for clients we have advised in contentious matters where we are aware of dishonesty or criminal associations.
- We may act for businesses which handle cash.
- We may be asked to act in a matter outside our normal experience.
- We may act for clients who may have sympathies for terrorism.
- Property work carries a particularly high risk of money laundering. Factors which may make property work particularly high risk include
    - high value purchases, particularly if they do not involve a mortgage
    - funds being provided by someone other than the client or a mortgage lender
    - clients who are otherwise unable to provide convincing explanations of their source of funds
    - rapid purchase and sale of property.

2.3. In such cases you should discuss what extra precautions are required with the MLRO. Precautions may include fuller evidence of identification (for example of beneficial owners), taking up references, and monitoring rigorously the source of funds both initially and throughout the matter.

3. Politically Exposed Persons ("PEPs")

3.1. **You must get approval from the firm's MLRO before accepting a PEP as a client**.

3.2. A PEP is a person who is entrusted with prominent public functions, whether in the UK or abroad, other than as a middle-ranking or more junior official.

3.3. You should make enquiries to establish if a client is or may be a PEP. You must also check if:

- they have been a PEP in the recent past (certainly in the last 12 months);

- they are immediate family members of a PEP;
- they are known close associates of a PEP.

3.4. If a client is a foreign national you should make enquiries to establish if she/he is a PEP. In addition to asking the client themselves, you can perform a search on the Internet by inserting their name in the search engine www.google.com. You may not accept a PEP as a client without approval from the firm's MLRO (Richard Sauvain).

3.5 If you act for a PEP you must take adequate measures to establish the source of wealth and the source of funds which are involved. You must also conduct enhanced ongoing monitoring of the business relationship.

4. HM Treasury Sanctions List

4.1. It is an offence to act for anyone who appears on the HM Treasury sanctions list whether you know that they are on it or not.

4.2. It is therefore vital to know whether or not your potential client may be on the list
and the only way of easily and clearly establishing this is by an online search, although a list is always available on the Treasury website at: http://www.hm-treasury.gov.uk/financialsanctions

4.3. The list has been set up to target particularly terrorist financing. HM Treasury targets anyone they suspect may be attempting to participate in the commissions of acts of terrorism, and anyone who works on their behalf.

4.4. This can clearly include anyone in the UK suspected of terrorism, and I do not think you need reminding that one of the July 7 bombers lived in Aylesbury and would therefore have been on this list or he or his family would have appeared on
the list very shortly after 7 July 2005.

4.5. The Financial Sanctions Unit of the Bank of England administers financial sanctions in the United Kingdom on behalf of HM Treasury. It has been in operation since before 1993 when it applied sanctions against the Government of Libya.

4.6. Financial sanctions have established under a multitude of regimes, from UN Security Council Committee Established Pursuant to Resolution 1267 (1999) Concerning Al-Qaida and the Taliban and Associated Individuals and Entities, to EC Commission Regulations, to UK Government orders enforcing trade restrictions
against activities in particular countries. Often these authorities overlap so that the
same candidates for sanctions are listed from different sources.

4.7 Aside from the Al-Qaida and the Taliban regimes, there are sanctions regimes against persons associated with Belarus, Burundi, Central African Republic, Democratic Republic of the Congo, Egypt, Eritrea, Republic of Guinea, Republic of Guinea-Bissau, Iran, Iran (nuclear proliferation), Lebanon, Syria, Libya, North Korea, Somalia, Tunisia, Ukraine, Yemen and Zimbabwe.

6. Mortgage Fraud

Be particularly alert to signs of mortgage fraud. Any attempt to mislead lenders may indicate mortgage fraud, as may the use of shell companies or nominees, and the rapid re-sale of property.

7. Simplified Due Diligence - Low Risk Clients and Matters

7.1 You do not have to check the beneficial owners of listed companies or their subsidiaries (if listed on a main market; this does not include AIM companies, which you must check).

7.2 Generally if a client and a matter are low risk for money laundering, (for example because the client is well known and reputable, or well regulated) you may take a proportionate approach to due diligence. For example simplified due diligence may be appropriate when instructed by:

- financial businesses which are regulated by the FCA
- public bodies
- regulated professional firms, such as accountants and solicitors
- reputable charities registered with the Charity Commission.

7.3 Even in low risk matters, if there is reason to suspect money laundering, even of a technical nature, you must report it to the firm's MLRO (Richard Sauvain).

8. Precautions to Mitigate Risk

In high risk cases you should identify the action you will take to mitigate the risk. In many cases merely being aware of the risk and applying enhanced ongoing monitoring will be sufficient, but consider whether any further action is appropriate.

F ONGOING MONITORING

1. What is Ongoing Monitoring?

Regulation 8 requires us to undertake ongoing monitoring of business relationships. This means scrutiny of transactions, including where necessary, the source of funds, to ensure they are consistent with our knowledge of the client, his business and risk profile. It also involves keeping our due diligence documents and data up to date.

The Law Society states that "ongoing monitoring will normally be conducted by fee earners handling the retainer, and involves staying alert to suspicious circumstances which may suggest money laundering, terrorist financing, or the provision of false CDD material." The higher risk the client and the transaction, the more rigorous should be your ongoing monitoring.

2. Enhanced Ongoing Monitoring

For higher risk clients, including PEPs, you must conduct enhanced ongoing monitoring. What this involves will depend on the circumstances, but it may include paying strict attention to the source of funds applied during a transaction, and questioning your client closely about relevant issues as the matter proceeds. It could also involve a discussion

with the MLRO (Richard Sauvain) if the case is proceeding for more than two months so that agreement can be reached about continuing monitoring.

3. Source of Funds – Property Purchase etc

When acting for someone who is purchasing property or entering into any other large financial transaction, you should understand how they will be funding the transaction. This is both to meet our "ongoing monitoring" obligation and to check that their funding arrangements comply with their mortgage offer.

Ask the client to complete a "Source of Funds Questionnaire". Alternatively you can complete and sign the form yourself, based on discussions with the client.

It is not normally necessary to inspect bank statements or other documents to verify the information given. However if the client gives inconsistent or implausible information you should seek further evidence and discuss the matter with the MLRO.

G REPORTING SUSPICIOUS TRANSACTIONS

1. Why Report?

You must report anything that should give you grounds to suspect that money laundering has taken place or is being attempted, to the MLRO. To fail to do so is a serious criminal offence, under s330 Proceeds of Crime Act 2002.

Money laundering is generally defined as the process by which the proceeds of crime, and the true ownership of those proceeds, are changed so that the proceeds appear to come from a legitimate source. Under POCA, the definition is broader and more subtle. Money laundering can arise from small profits and savings from relatively minor crimes, such as regulatory breaches, minor tax evasion or benefit fraud. A deliberate attempt to obscure the ownership of illegitimate funds is not necessary.

2. Privilege

2.1. Information received from a client, or from the representative of a client, for the purposes of legal advice may be covered by legal advice privilege. If so, that may prevent you from making a disclosure. **The law on privilege is complex and if it may apply you should discuss the issue with the MLRO (Richard Sauvain)**.

2.2. Even if information is privileged it will still be an offence to be involved in a money laundering transaction (s327 - 329 Proceeds of Crime Act 2002). If legal privilege prevents you from making a report, you may still need to cease to act for the client, if to continue would involve you in, for example, facilitating a money laundering transaction. There will be some circumstances where you might consider making a voluntary disclosure as you might want to retain the ability to continue to act. As stated above these issues are complex and must be dealt with in consultation with the MLRO (Richard Sauvain)

3. Renewed Due Diligence

If you have concerns you may make enquiries of your client, or a third party, to help you decide whether you have a suspicion. You should "apply customer due diligence measures" when you suspect money laundering or terrorist financing or doubt the veracity or adequacy of identification documents. That may include you making normal

inquiries to clarify facts. These inquiries will not amount to tipping off. To quote the Law Society "There is nothing in POCA which prevents you making normal enquiries about your client's instructions and the proposed retainer, in order to remove, if possible, any concerns and to enable the firm to decide whether to take on or continue the retainer."

4. Tipping Off

Where there is a suspicion of money laundering it is important that **you should only report this to the appropriate persons within the Firm**. You must not tip off the person being reported, even if it is a client. Otherwise you may commit an offence under s333 Proceeds of Crime Act 2002, by making a disclosure likely to prejudice an investigation.

5. How to Report

5.1. If you need to report a suspicion of money laundering, a form has been designed for this purpose. Money Laundering Report Form. It is sensible to try and complete this before reporting the matter anyway in order that you get your own thoughts and suspicions clear. When it has been completed you should take it to Richard Sauvain the MLRO and discuss your concern with him. If he is absent refer the matter to Fiona Hewitt, the deputy MLRO or the Managing Partner.

5.2. Upon receipt of the form, and after discussion with you the MLRO (Richard Sauvain) will consider the problem in the light of all the circumstances and will take a decision about whether to report the matter to NCA (National Crime Agency).

5.3. NCA will consider the disclosures received and may pass all or some of the intelligence contained in the suspicious transaction report on to the enforcement agency with the power to investigate further. Where the intelligence relates to offences committed overseas, NCA may disclose the intelligence to equivalent law enforcement agencies overseas.

6. Authorised and Protected Disclosures

You need not fear that making an erroneous report will expose you to legal or professional sanctions. Sections 337 and 338 Proceeds of Crime Act 2002 provides that a report of suspicions of money laundering is not to be taken to breach any duty of confidentiality.

H DETECTING MONEY LAUNDERING

1. Suspicion

This part of the manual contains guidance on when you should suspect money laundering, and make a report to the MLRO (Richard Sauvain). Note that for suspicion a person would not be expected to know the exact criminal offence or that particular funds were definitely those arising from the crime. The "reasonable grounds for suspicion" test is objective. Generic or stereotypical views of which groups of people are more likely to be involved in criminal activity cannot be the basis of the "reasonable grounds".

Sound and well-documented due diligence procedures and ongoing monitoring will enable you to demonstrate that you took all reasonable steps to prevent money

laundering.

2. Grounds for Suspicion – General

In any practice area any of the following factors may make you suspicious.

2.1. **Cash**. Any party (whether our client or otherwise) proposes to pay significant sums in cash, or client who asks that the firm hold in client account a large sum of cash, pending further instructions for no purpose.

2.2. **Rapid transfers of funds**. Paying money into and out of our client account may be designed to conceal the true origin of the funds.

2.3. **No commercial purpose**. A transaction which has no apparent purpose and which makes no obvious economic sense is suspicious.

2.4. **Unusual transaction**. Where the transaction is, without reasonable explanation, out of the range of services normally requested by that client or outside the experience of the firm. A request to use a junior member of staff or one who lacks expertise in the relevant area may be suspicious. Criminals can believe that an inexperienced solicitor will be less likely to note or report unusual features.

2.5. **Lack of concern about costs**. A client who wishes matters to be done in an unduly complex manner, or who otherwise does not seem concerned to control costs.

2.6. **Secretive clients**. The client refuses to provide requested information without reasonable explanation, including client identification information, the client who is not prepared to attend at the office with no good reason for not doing so.

2.7. **Unusual sources of funds**. The client provides funds other than from an account in his/her own name maintained with a recognised and reputable financial institution.

2.8. **High-risk country.**
The client or a beneficial owner is resident in or has a substantial connection to high-risk country, or relevant assets are in a high-risk country.

2.9. **Unusual Payment methods** - Any client who requires that payments to or from them be in cash, particularly in large commercial transactions or purchases of property, or the requirement that payment be by way of a third party cheque or some other form of money transfer

2.10. **Suspect jurisdictions**. Take particular care where the funds come from a jurisdiction with less rigorous anti-money laundering controls. Uzbekistan, Iran, Pakistan, Turkmenistan, São Tomé and Príncipe and the northern part of Cyprus have been criticised by the Financial Action Task Force (FATF). It issued a warning on 28 February 2008 of the higher risks of money laundering and terrorist financing posed by deficiencies in those jurisdictions. Other countries not on that list may still be suspect, since not all countries can be effectively monitored by FATF.

2.11. **'Safe jurisdictions'** On the other hand all EEA states are subject to the money laundering directive, and can be assumed to be have similar money laundering systems to our own. On 12 May 2008 HM Treasury stated that the following non-EEA states may also be considered as having equivalent anti-money laundering systems. Argentina, Australia, Brazil, Canada, Hong Kong, Japan, Mexico, New Zealand, The Russian Federation, Singapore, Switzerland, South Africa and the USA..

2.12. **Politically Exposed Persons**. Remember that you need approval to take on a client who is a PEP.

2.13. **Terrorism**. Particular care should be taken where the client or other party to a transaction is believed to have sympathies with a terrorist group. Fund raising for apparently benevolent objects, or payments to accounts in politically unstable areas may in some circumstances give rise to suspicion.

2.14. The client who has **no discernible reason** for instructing the firm or a particular fee earner

2.15. Clients who for **no apparent reason** are not using their usual solicitor

2.16. Clients who request that a **transaction be handled in a particular way** without there being a good reason. Clients from outside of the area

2.17. The client who is using the firm for a type of work that the firm is not generally known to handle.

2.18. Request to hold boxes, parcels, and sealed envelopes on behalf of client.

3. Grounds for Suspicion – Property

Real estate transactions are a high-risk area for money laundering. The purchase and sale of property can be used to confuse an audit trail ("layering") or an investment in property may be the long term goal of money laundering ("integration"). In addition to the general risk factors listed above, factors particularly relevant in property transactions include the following.

3.1. Transactions with no clear commercial motive.

3.2. Transactions where the source of the client's wealth is unclear.

3.3. Property purchased and sold rapidly, for no clear reason.

3.4. Insistence that a matter be completed very urgently, since this may be a tactic to distract you from making proper checks.

3.5. Cancelled transactions, particularly where the client requests that funds she/he has provided should be paid out to a fresh destination.

3.6. Properties owned by nominee companies, off shore companies or multiple owners, where there is no logical explanation.

3.7. Difficulties with identification of client or beneficial owners, including reluctance to attend for identification processes, which may suggest impersonation.

3.8. A third party providing the funding for a purchase, but the property being registered in somebody else's name. Of course third parties often assist others with purchases, e.g. relatives of a first time buyer. However if there is no family connection or other obvious reason why the third party is providing funding, further inquiries may be appropriate.

3.9. Large amounts of money provided by a client who appears to have a low income.

3.10. Irregularities in valuation of the property, which may be evidence of mortgage fraud or attempts to defeat creditors.

3.11. Transactions where the value involved is unusually large.

3.12. A misleading apportionment of the purchase price, with the intention of avoiding Stamp Duty Land Tax. If a solicitor discovers such tax evasion after it has taken place this will normally trigger an obligation to report.

3.13. Information about past tax evasion or welfare benefit fraud may also come to light in conveyancing matters, and may necessitate a report.

3.14. Payment of deposit direct to vendor (particularly where the deposit paid is excessive).

3.15. Misrepresentation of purchase price.

3.16. Individuals who claim to act for a large number of 'clients' all of whom suddenly decided to buy houses and most of whom can never find time to meet the solicitor.

3.17. Be particularly alert to signs of mortgage fraud. Any attempt to mislead lenders may indicate mortgage fraud, as may the use of shell companies or nominees, and the rapid re-sale of property.

4. Grounds for Suspicion – Corporate

Many of the issues that relate to property transactions may also be relevant to the buying and selling of businesses. Other issues may include the following.

4.1. During due diligence it may become apparent that some or all of the assets owned by a business represent criminal property, due to tax evasion or other offences committed by the seller.

4.2. Requests for unusual structures, including offshore companies, trusts or structures in circumstances where the client's business needs do not support such requirements may be suspicious, in that they may suggest that the client is seeking to conceal the true ownership of assets.

4.3. Formation of subsidiaries in circumstances where there appears to be no commercial purpose or other purpose (particularly overseas subsidiaries).

4.4. Large payments for unspecified services to consultants, related parties, employees etc.

4.5. Long delays over the production of company accounts.

4.6. Unauthorised transactions or improperly recorded transactions (particularly where company has poor / inadequate accounting systems).

4.7. Dubious businesses often use more than one set of professional advisers. Ask 'why me?'

5. Grounds for Suspicion - Private Client

Generally, wills and probate work is relatively low risk for serious money laundering, because transferring wealth on death provides few opportunities for professional criminals to hide or enjoy criminal property. However the need to make a report may arise in a variety of circumstances.

5.1. A solicitor administering an estate may become aware that the deceased committed benefit fraud, for example because the estate includes assets that exceeded the relevant limits for benefits the deceased was claiming.

5.2. If the deceased was known to have committed acquisitive crimes (for example because the firm acted for him in criminal matters) it may be suspected that his estate includes criminal property.

5.3. Solicitors may suspect that a testator or beneficiaries have committed tax evasion. For example it may be discovered that beneficiaries have failed to declare gifts received from the deceased in the seven years before death.

5.4. If the estate includes assets in poorly regulated foreign jurisdictions. It may be appropriate to make further inquiries.

5.5. Some trust work may be high risk, especially if the trust was set up inter vivos and there is inadequate information about the source of the wealth used to fund the trust. Discretionary trusts and offshore trusts can be particularly useful to conceal the ownership or origin of assets. Particular care may be appropriate if the trust has an unusual or unduly complex structure, the assets involved are high in value, or there is no logical explanation for their origin, or there is difficulty obtaining proper evidence of the identity of those involved.

6. Grounds for Suspicion – Litigation

6.1 You need not report suspicions of money laundering based on information received when undertaking litigation work, since it is not regulated business.

6.2 You may also continue with a litigation matter involving the transfer of criminal property, without being guilty of an offence. Litigation work is exempted from normal money laundering rules by the judgment of the Court of Appeal in Bowman v Fels (2005) EWCA Civ 226. That decided that s328 Proceeds of Crime Act "is not intended to cover or affect the ordinary conduct of litigation by legal professionals".

6.3 This exemption extends to settlement of a dispute "where there are existing or contemplated legal proceedings" (para 101 of the judgment). In the view of the Law Society it also extends to Alternative Dispute Resolution and to dealing with the final division of assets under a judgment or settlement, including handling "criminal property".

6.4 The protection only applies to legal professionals. Clients involved in a case involving criminal property may still be committing an offence under s327 - 329 Proceeds of Crime Act 2002, unless they make a disclosure to NCA and obtain consent to proceed. They should be so advised.

6.5 For example, in matrimonial litigation, it may be that the assets which are the subject of an application for a property adjustment order are criminal property, most commonly due to tax evasion or benefits fraud. In any litigation involving allegations of dishonesty, it may be that money held by a party could be the proceeds of that dishonesty.

6.5 Bowman v Fels does not apply to "**sham litigation**" e.g. where litigation or settlement negotiations are fabricated by the parties to launder the proceeds of crime. A more common example is where a dishonest claimant fabricates a claim or category of loss against an innocent defendant. By acting in sham litigation we could be guilty of money laundering. There may also be other legal and ethical issues. If you believe that a claimant may have fabricated their claim or a category of loss, consult the MLRO (Richard Sauvain).

“CUSTOMER DUE DILIGENCE” FORM (*Note 1*)

Part 1
To be Completed in All Cases

See the Notes below for guidance.

Who Is Instructing Us? *Give the particulars of the person(s) instructing us, whether the client or someone acting on behalf of the client.*		
Full name(s)	Address	Date of birth

What Evidence Do We Have?	*Tick one*
EITHER: I have identified the person(s) named above, and verified their identity on the basis of documents or information from a reliable and independent source. **I attach copies**. (*Note 2*)	
OR: The client’s identity is already known to, and has been verified by, the firm. (*Note 3*)	

Is There Any Other Client or Beneficial Owner(s)?	*Tick one*
EITHER: I have made enquiries and confirm that the person(s) instructing us act(s) entirely on their own account.	
OR: I have • verified that the person instructing us is authorised so to do (Note 4), and • completed Part 2 of this form to give details of the ultimate client and beneficial owners.	

What Is The Risk Level?	*Tick to confirm*
I have made enquiries and am satisfied that neither the client nor any beneficial owner is a politically exposed person, nor a family member or known close associate of such a person. (*Note 5)*	
I have assessed and obtained information on the purpose and intended nature of the business relationship or transaction. *(Note 6)*	
If acting for a buyer I have completed a “Source of Funds Questionnaire”. *(Note 7)*	
I assess the money laundering risk as follows: *Add a note of particular risk factors identified. (Note 8)*	**Low** **Medium** **High**

Signed …………………………………………..…………… Dated ………………..

Notes for Part 1

Note 1 Timing:

Complete this form when you open a new matter, even if for an existing client. Identification and verification should normally be completed before the establishment of a business relationship with the client.

Note 2 Evidence Required:

Ask for either:
- current photocard driving licence, or
- passport.

Check the photo against your client's appearance.

Take a copy of original document(s) and write on the copy "Checked against the original and the subject's appearance. [Signed/ dated]."

If no government issued photographic evidence is available we will need multiple alternative sources of evidence. Check with the MLRO as to what may be acceptable.

IMPORTANT: If acting for the seller of property, also ask for documents such as the old conveyancing file or documents relating to building work which only the true owner would be likely to have. This reduces the risk that the client is an imposter using a fake passport etc.

Note 3 Client already known:

If we have acted for a client previously check we hold evidence of identity on file. You need to be sure that it is the same person. If in any doubt, obtain fresh evidence.

Note 4 Authorised to act:

Under regulation 28(10) where someone purports to act on behalf of the client we must verify that they are authorised so to act, as well as verifying their identity.

Unless the person in question is a trustee, director, or partner we will normally need written authority from the client.

Note 5 Politically Exposed Persons:

You must make appropriate enquiries to determine whether the client or a beneficial owner may be a PEP, or family member or known close associate of a PEP.

A PEP is someone entrusted with prominent public functions other than as a middle ranking or more junior official.

[You must ensure that the "Politically Exposed Persons" Questionnaire is completed when instructed on transactions exceeding £250,000 in value.]

You must not accept a PEP as a client without approval from the firm's MLRO.

Note 6: Purpose and Intended Nature:

The normal inquiries you make of any new client will usually be sufficient.

Note 7 Source of funds:

When acting for buyers you must complete the separate "Source of Funds Questionnaire. This reflects your duty to monitor transactions to ensure they are consistent with what you know (regulation 28(11)).

Note 8 Risk Assessment:

You should be familiar with the risk factors set out in the firm's Anti-Money Laundering Policy.

Regulation 33 requires us to apply enhanced due diligence checks in these cases.
- A transaction or relationship with someone established in a high-risk country.
- The client has provided false or stolen identification documentation or information.
- The transaction is complex and unusually large.
- There is an unusual pattern of transactions and the transaction(s) have no apparent purpose
- Any other case which presents a higher risk of money laundering or terrorist financing.

Seek approval from the MLRO before proceeding in any such case

Part 2
To be completed if the person instructing us does not act entirely on their own account

See the “Notes for Part 2” *below for guidance on how to complete this part.*

What Evidence of the Client Do We Have?	*Tick one*
EITHER: I have identified the client(s) named above, and verified its/his/her identity on the basis of documents or information from a reliable and independent source. **I attach copies.**	
OR: The client’s identity is already known to, and has been verified by, the firm.	

<table>
<tr><th colspan="2">IS THERE A BENEFICIAL OWNER?</th><th>Tick one</th></tr>
<tr><td colspan="2">EITHER: I have made enquiries and confirm
<table><tr><th colspan="2">WHO IS THE CLIENT?
Give the particulars of our ultimate client (as specified in the engagement letter).</th></tr><tr><td>Full name(s)</td><td>Address and where appropriate date of birth</td></tr><tr><td></td><td></td></tr></table>that there is no beneficial owner other than the client and the person instructing us.</td><td></td></tr>
<tr><td colspan="2">OR: There is/are the following beneficial owner(s).
Give particulars below.</td><td></td></tr>
<tr><td>Full name(s) or description</td><td colspan="2">Nature of role or interest, address, date of birth.</td></tr>
<tr><td></td><td colspan="2"></td></tr>
</table>

What Evidence of Beneficial Owners Do We Have?	*Tick one*
EITHER: I have identified the beneficial owner(s) described above, and taken reasonable measures to verify their identity so that I am satisfied that I know who the beneficial owner is, including taking reasonable measures to understand the ownership and control structure of any trust, company or other arrangement. **I attach copies of any relevant evidence.**	
OR: The identity of the beneficial owner(s) is already known to, and has been sufficiently verified by, the firm.	

Signed …………………………………….…………… Dated ………………..

NOTES FOR PART 2

Low Risk Clients

Simplified due diligence may be appropriate for low-risk clients, for example a listed company, public body, regulated financial institution or regulated and known professional firm. In such cases it may be acceptable to rely on assurances from the client, and/or publicly available information. Otherwise proceed as below.

Unlisted Companies & LLPs

Use a Companies House search and enquiries of the client to obtain:

- the registered name of the company
- its company number
- the address of its registered office, and if different, its principal place of business
- the law to which it is subject, and its memorandum of association or other governing documents
- the names of the board of directors or members of its management body and its senior management
- its PSC Register.

You do not satisfy your obligations in respect of beneficial owners by relying on a PSC register (regulation 28(9)). You will normally need to get in touch with those named to ask them to confirm in writing that they agree the register is accurate, and to verify their identity.

Beneficial owner in this context is any individual who—
(a) ultimately owns or controls (whether through direct or indirect ownership or control, including through bearer share holdings) more than 25% of the shares or voting rights, or
(b) otherwise exercises control over the management of the body.

Partnerships

For well-known, reputable firms where there is substantial public information about them the following information should be sufficient:

- name
- trading address
- registered address, if any
- nature of business

Otherwise:

- small partnerships should be treated as private individuals
- for larger firms verify the identity of at least two partners, including the partner instructing you, and the firm's trading address.

In higher risk cases, or if you do not meet the client obtain the partnership deed to establish who are beneficial owners.

The definition of a beneficial owner includes any individual who
(a) ultimately is entitled to or controls (whether directly or indirectly) more than a 25% share of the capital or profits of the partnership or more than 25% of the voting rights; or
(b) otherwise exercises control over the management of the partnership.

Trusts

Trusts vary widely in money laundering risk, and your approach should vary accordingly.

You will normally require:

- information about the settlor and the source of wealth used to fund the trust
- the trust deed
- any document such as a letter of wishes relating to the trust referred to therein
- a copy of the “accurate and up-to-date records” of beneficial owners which trustees must maintain
- evidence of the identity of the trustee instructing you, and possibly all the trustees.

See regulation 43 for the duties of trustees.

“Beneficial owner”, in relation to a trust, means each of the following—
(a) the settlor
(b) the trustees
(c) the beneficiaries, or where the individuals benefiting from the trust have not been determined, the class of persons in whose main interest the trust is set up, or operates
(d) any individual who has control over the trust. (Regulation 6)

If beneficiaries are designated as a class under regulation 30(7) one must establish and verify the identity of a beneficiary before —
(a) any payment is made to them or
(b) they exercise vested rights.

Estates in course of administration

Only the executor or administrator is a beneficial owner (regulation 6(8)). There is no need to verify the beneficiaries.

FORM B

MONEY LAUNDERING REPORT FORM (INTERNAL)

IMPORTANT If you suspect money laundering or terrorist financing submit this report without delay to the firm's MLRO (Richard Sauvain). Also telephone to advise that a report is being made. Do not inform anyone else. It may be an offence to disclose that this report has been made.

CLIENT DETAILS

Name ……………………………………………… Date of Birth: …………………

Aliases / Trading / Business Name……………………………………………….

Address ……………………………………………………………………………….

……………………………………………….. Telephone No. ……..……

If beneficial owner exists who is not the client:

(a) Name of beneficial owner ………………………………………………………

(b) Address of beneficial owner ………………………………………………………

……………………………………………………………………………………….

Evidence of identity of client / beneficial owner attached: YES/NO (give details):

…………………………………………………………………………………………….

Name and Address of Introducer (if any) ………………………………………………….

INFORMATION/SUSPICION

Details of Transaction, (including value, source of funds, other parties, etc)

…………………………………………………………………………………………….

…………………………………………………………………………………………….

Reason for Suspicion (continue on separate sheet as necessary)

…………………………………………………………………………………………….

…………………………………………………………………………………………….

…………………………………………………………………………………………….

Other Comments ……………………………………………………………………….

REPORTER

Name ………………………………………….. Dept …………… Extension …………

Signed ……………………………………………….. Date ……………..

MLRO USE

Date / time received …………………………………..