

Money Laundering Our Obligations

What is money laundering?

Money laundering is the use of legitimate companies such as banks and law firms to present money as “clean”. The process takes the financial proceeds of crime (for example drug-trafficking) and makes them appear legal. Conveyancing is a particularly high-risk activity for money laundering because high value transactions are common and therefore criminal activity may not be initially perceived as suspicious. Criminals buy assets such as property which can then be passed off as a genuine source of income.

The Money Laundering Regulations (The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Money Laundering and Terrorist Financing (Amendment) Regulations 2019) apply to law firms. Those who take part in money laundering are continuously seeking new ways to deceive businesses and as a result, law firms are under a responsibility to apply the law and the procedures that support it correctly.

What does this mean for our clients?

Customer due diligence is a mandatory process of checks required by anti-money laundering regulations to identify clients and funds being used for the transaction. The firm must act in accordance with the rules, even in respect to clients who have used the firm before.



Verifying identity

Most firms traditionally rely on photo ID (passport and driving licence) plus a recent utility bill. These must be original documents, to guard against forgeries. The firm needs to have sight of these and take copies. Electronic third-party verification software to verify a client's identity is then used – this is a ‘soft search’ which does not leave an imprint on a client's credit file. Many firms, including Slade Legal are now using biometric technology to make this process more efficient. Clients can verify their identity from anywhere in the world - all that is required is valid ID and a suitable device. The technology references the ID to determine whether it is genuine or fraudulent.

Source of funds / Source of wealth

It is important for law firms to know where the money has come from that will pass through their client account and how those funds have accrued over a period of time. Conveyancers are under strict regulations and are unable to rely on the checks that an estate agent or mortgage broker may have carried out.

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	SOURCE OF FUNDS	SOURCE OF WEALTH
WHAT is it?	The activity that was involved in generating the funds (not just which account the funds were transferred from)	The origin of the client's entire wealth (i.e. total assets)
WHY is it required?	<ul style="list-style-type: none"> To identify where the funds for a particular transaction are coming from To identify whether that funding is aligned with the client's source of wealth 	<ul style="list-style-type: none"> To understand the size of the client's wealth and whether the transaction value is aligned with the client's wealth
HOW to establish legitimacy?	<ul style="list-style-type: none"> Bank statements Payslips / P60s Proceeds from the sale of a property Loan documentation Inheritance Gifted deposit (we are required to carry out the same anti-money laundering checks for the person gifting you the money) 	<ul style="list-style-type: none"> Completion statement for a house sale Tax returns Gift deed Estate accounts / Will Company audited financial statements Dividend vouchers / board meeting minutes Director's loan agreement

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