

## CLC AML Practice wide risk assessment

Under Regulation 18(1) MLR 2017 (as amended), all CLC Practices are required to carry out and maintain a documented practice-wide risk assessment to identify and assess the risk of money laundering and terrorist financing to which the business is subject.

You must:

- take appropriate steps to identify, assess and understand the money laundering and terrorist financing risks your business faces;
- apply a risk-based approach to compliance with CDD obligations; and
- have documented policies, controls and procedures that enable your business to manage, monitor and mitigate effectively the different risks that have been identified.

No matter how thorough your risk assessment or how appropriate your controls, some criminals may still succeed in exploiting your practice for criminal purposes. A comprehensive practice-wide risk assessment combined with appropriate risk-based judgments on individual clients will enable you to justify your decisions and actions to law enforcement agencies, the courts and the CLC.

### Assessing your practice's risk profile

In carrying out your practice-wide risk assessment you must take into account:

- information on money laundering and terrorist financing risks made available under Regulations 17(9) and 47 (relevant information and guidance from the CLC).
- risk factors relating to:
  - your clients
  - the geographic areas in which your practice operates
  - your services<sup>1</sup>
  - your transactions, and
  - your delivery channels.

In addition, you should consider any issues raised in SARs made by your MLRO and understand the risks they may have identified. Your risk assessment may also include consideration of:

- [the CLC's sectoral risk assessment](#),
- [The UK's National Risk Assessment \(NRA\)](#),
- [The CLC's AML annual report](#),
- [The CLC's January 2024 TCSP thematic review report](#),
- [CLC Guidance and red flag indicators in the AML toolkit](#),
- [The CLC's annual risk agenda](#),
- any other material which may be relevant to assess the risk level particular to your practice, for example, [the Legal Sector Affinity Group Guidance \(LSAG\)](#).<sup>2</sup>

Having assessed the risks your practice faces you should then consider how you can manage these risks and/or reduce their significance to a proportionate and acceptable level, for example by implementing appropriate controls.

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<sup>1</sup> Note you must include the full range of your services in the PWRA which includes probate work, Trust or Company Service Provider (TCSP) work as well as conveyancing or remortgage work.

<sup>2</sup> See paragraph 5.6 onwards.

## Money Laundering Practice Wide Risk Assessment

### A risk based approach to the prevention of money laundering and terrorist financing

The management team are aware of their responsibilities and obligations with anti-money laundering legislation and the need to identify the level of risk posed by the work this practice undertakes.

We are aware of the serious consequences that may arise if our practice fails to comply with the anti-money laundering regime and the possibility of regulatory action, criminal proceedings and sentences that may be imposed by the criminal Courts.

### Current structure of the practice

|                             |                 |          |               |  |
|-----------------------------|-----------------|----------|---------------|--|
| Type of Practice            | Sole Proprietor |          | Partnership   |  |
|                             | Limited Company |          | LLP           |  |
| Number of Offices           |                 |          |               |  |
| Location of Offices         | Local           | National | International |  |
| Number of Qualified Staff   |                 |          |               |  |
| Number of Unqualified Staff |                 |          |               |  |
| MLRO                        |                 |          |               |  |
| Deputy MLRO                 |                 |          |               |  |
| MLCO                        |                 |          |               |  |

### Types of client

|  | % |
|--|---|
| Natural persons  |   |
| Non-natural persons (companies, trusts, partnerships etc)  |   |
| Clients in high-risk sectors <sup>3</sup>  |   |
| Clients with cash intensive businesses   |   |
| Corporate clients who have complex ownership structures and/or links to international/offshore jurisdictions |   |
| Politically Exposed Persons (PEPs)   |   |
| First Time Buyers  |   |
| Buying with a gift   |   |
| 100% Mortgages   |   |

<sup>3</sup> See paragraph 5.6.1.3 of the LSAG guidance for a comprehensive list of higher risk sectors.

|                                |  |
|--------------------------------|--|
| Cash Purchasers                |  |
| Vulnerable Clients             |  |
| Investor / development clients |  |

### Geographic risk factors

|   | % |
|---|---|
| Local clients   |   |
| National clients  |   |
| Overseas clients  |   |
| If Overseas clients - % outside of UK/EU                                    |   |
| Clients "established in" <sup>4</sup> High Risk Third Countries (FATF list) |   |
| Clients subject to sanctions by the UK government                           |   |

### Source of business

|   | % |
|---|---|
| Repeat Business                                   |   |
| Recommendation (from existing clients)            |   |
| Local Advertising                                 |   |
| National Advertising                              |   |
| Online  |   |
| Referrals (estate agent/financial advisor/broker) |   |
| Passing trade                                     |   |

### Services Offered

|                            |  |
|----------------------------|--|
| % Residential Conveyancing |  |
| % Commercial Conveyancing  |  |
| % Re-mortgage              |  |
| % Probate                  |  |

<sup>4</sup> Established in means that for a natural person that individual is resident in the country in question (not just that they were born there) or for a non-natural person that their HQ or primary place of business is in that country.

|   |  |
|---|--|
| % TCSP work (Trust or Company Service Provider) <sup>5</sup>                              |  |
| % Other work (please specify – eg will writing)   |  |
| Are complex or unusually large <sup>6</sup> transactions undertaken?                      |  |
| Are transactions with cross-border elements undertaken?                                   |  |
| What is the inherent proliferation financing <sup>7</sup> risk which your practice faces? |  |

## Payments

|   |  |
|---|--|
| Are cash payments accepted?   |  |
| Is there a policy about receiving cash payments?  |  |
| How many cash payments are received on a monthly basis?   |  |
| Are payments made to or received from third parties?  |  |
| Does the practice accept new forms of finance accepted by the practice? (Such as cryptocurrency) If so please outline procedure.  |  |
| At what stage of transactions are clients provided with the practice's client account details?<br><br>a) At the outset before ID checks are completed<br>b) At the outset after ID checks are completed<br>c) Prior to exchange before SOF/W checks are completed<br>d) Prior to exchange before SOF/W checks are completed |  |

<sup>5</sup> Relevant TCSP work includes:

- acting or arranging for someone else to act as a trustee of an express trust or similar.
- Involvement in the creation and/or management of trusts.
- The formation of companies or other legal persons.
- Acting or arranging for another to act as a director or secretary of a company/partner of a partnership or similar.
- Providing a registered office, business address, correspondence or administrative address or other related services for a company, partnership or any other legal person or legal arrangement.

<sup>6</sup>Unusually large transactions should be judged in relation to the normal activity of the practice (eg what is the practice's normal average transaction value?) and the normal activity of the client.

<sup>7</sup> Proliferation financing relates to the act of providing funds or financial services for use in the "manufacture, acquisition, development, export, trans-shipment, brokering, transport, transfer, stockpiling of or otherwise in connection with the possession or use of, chemical, biological, radiological or nuclear weapons."

## AML/sanctions Checks

|   |  |
|---|--|
| % of clients that are met face to face                              |  |
| % of clients that EDD is undertaken on                              |  |
| % of clients that SDD is undertaken on (Eg public authorities)      |  |
| Are electronic AML checks undertaken? (If so which provider)        |  |
| How are sanctions lists checked? (Manual? Electronic?)              |  |
| How are beneficial owners identified?                               |  |
| How are Politically Exposed Persons (PEPs) checked?                 |  |
| How does the practice undertake ongoing monitoring of transactions? |  |

## Overall Risk Assessment

All of the above has been considered to determine the following assessment of risk which will be fed through to our client acceptance policy.

|  | Initial risk rating | Reason for risk rating | Mitigating factors / reasonable controls | Risk rating after mitigating controls |
|--|---------------------|------------------------|--|---------------------------------------|
| Structure of the Practice                    |                     |                        |  |                                       |
| Types of client                              |                     |                        |  |                                       |
| Source of Business                           |                     |                        |  |                                       |
| Services* offered                            |                     |                        |  |                                       |
| Payments                                     |                     |                        |  |                                       |
| Proliferation Financing                      |                     |                        |  |                                       |
| AML/Sanctions checking                       |                     |                        |  |                                       |
| <b>Overall practice-wide AML risk rating</b> |                     |                        |  |                                       |

\*If you offer conveyancing services – note that the CLC’s sector wide risk assessment and the National Risk Assessment of 2020 concludes that they are at a high risk of being exploited by money launderers.

This Risk Assessment will be reviewed and updated regularly *[state triggers for a review and frequency]* to reflect any change of the risk to the Practice.

Signed:

Name:

Position:

| Date Reviewed | Reviewed by | Changes made<br>(yes/no) | Details |
|---------------|-------------|--------------------------|---------|
|               |             |                          |         |
|               |             |                          |         |
|               |             |                          |         |
|               |             |                          |         |