

PRACTICE NOTE

Money Laundering Regulations 2017

This note summarises changes to Anti Money Laundering requirements introduced by the [Money Laundering Regulations 2017](#) (MLR 2017) with effect from **26 June 2017**.

- i. As we said when we gave notice that the MLR 2017 had come into force, the CLC will take a proportionate and pragmatic approach as firms take steps to comply with the new requirements
- ii. The CLC is working with the other AML supervisors of the legal sector to agree one set of guidance for the legal sector which will be submitted to HM Treasury for approval very shortly
- iii. This is not a comprehensive review of the changes, and assumes prior knowledge of the requirements of [MLR 2007](#) (which have been replaced by MLR 2017)
- iv. It is focused primarily on those changes which are most likely to affect CLC Practices providing conveyancing and probate services and the resources needed to ensure that you compliance with the MLR 2017
- v. Many of the changes make explicit the requirements to report to the CLC as AML Supervisor and to maintain written records evidencing compliance with MLR 2017
- vi. As far as possible, the guidance repeats the phrasing in MLR 2017
- vii. Numbering in square brackets [] cross-refers to the MLR 2017.

1. Risk Assessment [18]

CLC Practices must take appropriate steps to identify and assess the risks of money laundering and terrorist financing in writing, and keep it up to date.

2. Policies, controls and procedures [19]

CLC Practices must establish and maintain policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified in any risk assessment

- (a) these must be approved by senior management
- (b) they must be maintained in writing, as must changes in policies, controls and procedures made as a result of reviews and the steps taken to communicate them within the practice
- (c) parent undertakings need to have group wide AML policies and controls [20].

3. Internal controls [21]

Where appropriate with regard to the size and nature of its business, CLC Practices are required to:

- (a) appoint member of board or management with responsibility for compliance with MLR 2017
- (b) notify the CLC within 14 days of the appointment of the member of board or management and of the nominated officer (and any subsequent appointments)
- (c) screen employees that carry out work relevant to firm's AML procedures
- (d) establish independent audit function to examine and evaluate adequacy and effectiveness of the practice's policies, controls and procedures, make recommendations and monitor compliance with those recommendations
- (e) have systems in place which enable it to respond fully and rapidly to enquiries from financial investigators and any law enforcement authority about business relationships with any person.

4. **Training [24]**

CLC Practices must keep a record in writing of the steps taken to make employees aware of AML requirements and in particular of the training given.

5. **Customer Due Diligence (CDD) [27 & 28]**

- (a) As now, CDD must be completed before establishing a business relationship or starting work for the client [30(2)]
- (b) CDD records must be kept for 5 years and destroyed at end of period [40(3)] unless required by statute, for the purpose of court proceedings or agreed otherwise with client [40(5)].

6. **Enhanced Due Diligence (EDD) [33]**

- (a) CLC Practices need to consider in what circumstances it may be applicable to carry out EDD. EDD is no longer mandatory if you do not see your client, though it is listed as one of the risk factors [33(6)(b)(iii)]
- (b) Politically Exposed Persons (PEP) [35] are now extended to local PEP [35(14)]
- (c) CLC Practices must have the approval of senior management for establishing or continuing the business relationship with a PEP, a family member or known close associate of a PEP [35(5)(a)]

7. **Simplified Due Diligence (SDD) [37]**

CLC Practices may rely on SDD in even fewer circumstances than under MLR 2007.

8. **Criminality checks [26]**

Owners and managers of CLC Practices (including sole practitioners) must apply before 26 June 2018 for approval by the CLC. The CLC will grant approval unless an individual has been convicted of an offence listed in Schedule 3 MLR 2017. The CLC is currently planning this process and will notify relevant individuals when applications should be made.

9. **Trust or company service providers (TCSP) [56]**

A CLC Practice must not act as a TCSP unless it has been registered with HMRC. So far as the CLC aware, no CLC Practice currently acts as TCSP.