**Anti-money laundering (AML) Firm Risk Assessment Checklist**

Those firms that are in scope of Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (‘the money laundering regulations’) must have a written AML risk assessment. The risk assessment must identify and assesses the risk of your firm being used for money laundering or terrorist financing. This document should underpin your AML policies, controls and procedures including your matter risk assessments.

**Status of this document**

This checklist will help you prepare your firm’s risk assessment by providing links to key documents you are legally required to consider and also setting out relevant factors about the size and nature of your firm. Tick all that are applicable. It is not an exhaustive list, or a risk assessment. However you could use it to record the steps you have taken to prepare your firm wide risk assessment, as required under the money laundering regulations. You are not required to complete this checklist, however doing so may help you comply with your obligations under the money laundering regulations.

**Documents you must consider**

Before you begin, you need to read the following and take them into account when drafting your risk assessment[[1]](#endnote-1):

* [SRA sectoral risk assessment](https://www.sra.org.uk/globalassets/documents/solicitors/code/lsag-anti-money-laundering-guidance.pdf)
* [Legal Sector Affinity Group guidance](https://www.sra.org.uk/documents/solicitors/code/lsag-anti-money-laundering-guidance.pdf)
* [HM Treasury National Risk Assessment](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/655198/National_risk_assessment_of_money_laundering_and_terrorist_financing_2017_pdf_web.pdf)

**Your firm**

Your risk assessment should also be appropriate to the size and nature of your firm’s business[[2]](#endnote-2).

Do you consider your firm to be:

* very large
* large
* medium
* small
* a sole practice

Is your firm’s work:

* full service
* commercial
* private client
* high street
* niche or specialist

Is your firm’s reach:

* global
* multi-national
* national
* regional
* local

Does your firm have:

* a stable client base
* high client turnover
* referral arrangements
* reciprocal arrangements with other firms
* a restricted or closed client base

**Your clients[[3]](#endnote-3)**

|  |  |
| --- | --- |
| **Does your firm deal with clients who are:** | |
| Individuals |  |
| Corporate entities – UK |  |
| Corporate entities – overseas (EU) |  |
| Credit or financial institutions |  |
| Government or local authorities |  |
| Entities listed on a regulated market |  |

|  |  |
| --- | --- |
| **Does your firm have measures in place to identify:** | |
| Adverse media, such as reports of criminality or misconduct |  |
| Beneficial owners of corporate entities |  |
| Politically Exposed Persons (PEPs) |  |
| Those subject to financial sanctions |  |

Does your firm deal with clients who:

* operate cash intensive businesses
* are high net worth individuals
* have multiple layers of complex ownership
* use third parties, agents or intermediaries to act on their behalf
* may be linked to PEPs
* have adverse information against them in the public domain
* seek anonymity or cannot prove their identity

Does your firm have a central register of clients who are PEPs?

* yes
* no, we do not have one
* we regularly check for PEPs, but we do not have any PEP clients

**Geographical area[[4]](#endnote-4)**

Does your firm have:

* overseas offices
* overseas clients
* clients with overseas connections

Does your firm operate overseas in countries that do not have equivalent AML requirements to the MLR 2017?

* yes
* no

Does your firm deal with individuals/entities which are located (whether clients or referrers, suppliers etc):

* in the UK
* in the European Economic Area[[5]](#endnote-5) (EEA)
* in the rest of the world

Does your firm deal with entities that are owned or controlled by entities/individuals:

* in the UK
* in the EEA
* in the rest of the world

Does your firm receive funds in from jurisdictions outside the EEA?

* yes
* no

There is no one method of identifying a high-risk jurisdiction. But you should make sure that it is based on reputable and independent source.

Does your firm use[[6]](#endnote-6):

* [the Financial Action Task Force](http://www.fatf-gafi.org/countries/#high-risk)
* [Transparency International Corruption Perceptions Index](https://www.transparency.org/cpi2018)
* [the Basel Institute of Governance AML Index](https://www.baselgovernance.org/basel-aml-index)
* [CIA World Factbook](https://www.cia.gov/library/publications/the-world-factbook/).

Bear in mind, though, that not all of these lists include sub-national jurisdictions (for example, British Virgin Islands, Curaçao, Guernsey, Jersey or the Isle of Man). If your firm deals with these jurisdictions, you will need to find a way of assessing their risk.

**Products and services[[7]](#endnote-7)**

|  |  |
| --- | --- |
| **Does your firm provide the following services:** | |
| Client Accounts |  |
| Creating/managing trusts |  |
| Creating/managing companies |  |
| Services involving nominees |  |
| Accepting funds from alternative funding platforms (Crowd – Funding, Cryptocurrency) |  |

Is your firm regularly involved in transactions which are undertaken within short time frames/notice or with quick turnarounds?

* yes
* no

Does your firm accept/send money to or from third parties, who are not your underlying client?

* yes
* no

Does your firm always maintain a relationship with the underlying client?

* yes
* no **Transactions[[8]](#endnote-8)**

|  |  |
| --- | --- |
| **Does your firm provide services which involve:** | |
| Large and high-value transactions |  |
| Cash and electronic money |  |
| Transactions or products that facilitate anonymity |  |
| Complex transactions |  |
| New products, delivery mechanisms or technologies (for example, Blockchain) |  |

Does your firm carry out:

* residential conveyancing
* commercial conveyancing
* sales/purchases of shares
* sales/purchases of companies

Does your firm accept:

* cash
* crypto-currency
* credit card payments
* cheques
* bank transfers
* electronic money
* payment platforms such as PayPal

**Delivery channels[[9]](#endnote-9)**

|  |  |
| --- | --- |
| **Does your firm provide services which involve:** | |
| Remote clients (ie clients who will not be met face to face) |  |
| Combining services (ie forming single purpose vehicles for conveyancing) |  |
| Payments to or from third parties |  |

Does your firm deal with clients:

* face to face
* by telephone
* by email
* by video call, eg Skype
* via mobile applications or online portals

Does your firm take instructions:

* from clients alone
* from family members of the client
* from other intermediaries, eg a referrer
* from clients’ legal representatives

**Money laundering risk mitigation**

You may also wish consider how your firm mitigates the risk of money laundering.

The following steps are mandatory under the money laundering regulations.

1. Does your firm have written AML policies, controls and procedures which cover[[10]](#endnote-10):

* risk management practices

(such as client/matter risk assessment)

* internal controls[[11]](#endnote-11)
* customer due diligence[[12]](#endnote-12)
* reliance and record keeping[[13]](#endnote-13)
* unusually large transactions
* complex transactions
* unusual patterns of transactions
* transactions with no apparent economic or legal purpose
* politically exposed persons[[14]](#endnote-14)
* suspicious activity reporting

1. Does your firm have an independent audit function[[15]](#endnote-15)?

* yes
* no
* not appropriate to your firm’s size and nature

1. Does your firm screen employees[[16]](#endnote-16) who undertake work in scope of the money laundering regulations by checking:

* qualifications
* regulatory history
* disclosure & barring service
* search engines (ie for adverse media)
* due diligence database

1. Does your firm provide AML training[[17]](#endnote-17) to:

* solicitors
* secretaries and personal assistants
* non-solicitor fee earners
* reception staff
* administrative staff
* temporary staff (including consultants or contractors)
* trainees
* work experience staff

1. Does your AML training cover[[18]](#endnote-18):

* AML law and regulation
* data protection
* recognising and dealing with transactions

vulnerable to money laundering

* suspicious activity reporting
* terrorist financing

1. Is AML training recorded[[19]](#endnote-19)?

* yes
* no
* sometimes

1. How often is AML training provided?

* every month
* at least every six months
* at least annually
* at least every two years
* more than two years apart
* never

1. Regulation 18(2)(a) MLR 2017 [↑](#endnote-ref-1)
2. Regulation 18(3) MLR 2017 [↑](#endnote-ref-2)
3. Regulation 18(2)(b)(i) MLR 2017 [↑](#endnote-ref-3)
4. Regulation 18(2)(b)(ii) MLR 2017 [↑](#endnote-ref-4)
5. That is, the European Union plus Norway, Iceland and Liechtenstein. Switzerland is not in the EEA. [↑](#endnote-ref-5)
6. There is no exhaustive list of sources to use, but these are some of the more well-known ones. [↑](#endnote-ref-6)
7. Regulation 18(2)(b)(iii) MLR 2017 [↑](#endnote-ref-7)
8. Regulation 18(2)(b)(iv) MLR 2017 [↑](#endnote-ref-8)
9. Regulation 18(2)(b)(v) MLR 2017 [↑](#endnote-ref-9)
10. Regulation 19 MLR 2017 [↑](#endnote-ref-10)
11. Regulations 21-24 MLR 2017 [↑](#endnote-ref-11)
12. Regulations 27-38 MLR 2017 [↑](#endnote-ref-12)
13. Regulations 39-40 MLR 2017 [↑](#endnote-ref-13)
14. Regulation 35(1) MLR 2017 [↑](#endnote-ref-14)
15. Regulation 21(c) MLR 2017 [↑](#endnote-ref-15)
16. Regulations 21(1)(b) and 21(2) MLR 2017 [↑](#endnote-ref-16)
17. Regulation 24 MLR 2017 [↑](#endnote-ref-17)
18. Regulation 24(1)(a) MLR 2017 [↑](#endnote-ref-18)
19. Regulation 24(1)(b) MLR 2017 [↑](#endnote-ref-19)