

Annual report by the Money Laundering Reporting Officer (MLRO) for the year ended 5 April 2024

Background

- 1 Financial crimes such as fraud are regarded by government as a threat to national security and the prosperity of the UK, and while there are no exact figures to determine the impact, it is estimated that money laundering costs the UK more than £100 billion a year. Money laundering is the method used by criminals and their associates attempting to make criminally obtained monies or assets appear legitimate, and distance them from their illicit origins.
- 2 Money laundering allows criminals to profit from crimes that are detrimental to the legitimate economy and harmful to society, for example fraud, drug dealing, human trafficking and modern slavery, and tax evasion. Disrupting criminals' ability to profit from their crimes and minimise opportunities to their launder criminal proceeds remains a high priority for government and law enforcement agencies.
- 3 We take our responsibility to detect, and report suspected money laundering and terrorist financing activity in the legal sector incredibly seriously and have dedicated specialist resource in place to carry out this work.
- 4 Money Laundering Reporting Officers (MLROs) perform their duties in compliance with the Money Laundering Regulations 2017 (as amended), Proceeds of Crime Act 2002 and Terrorism Act 2000. The primary responsibility of an MLRO is to consider internal reports relating to suspicions of money laundering or terrorist financing and submit high quality and timely Suspicious Activity Reports (SARs) to the National Crime Agency (NCA) where appropriate.
- 5 While it is not a requirement for MLROs within anti-money laundering (AML) supervisors to deliver annual reports, this is something we have done since 2019, and recognise as good governance. This is in addition to the annual reporting obligations placed upon us by HM Treasury, and our anti-money laundering oversight body the Office for Professional Anti-Money Laundering Supervision (OPBAS).
- 6 This report, my sixth as MLRO, is an overview of my team's work covering the year to 5 April 2024 which runs in line with these other reporting requirements placed upon us by government.
- 7 This report is delivered so that the Board remains informed on our work in this important area and demonstrates our ongoing commitment to discharge our legal obligations.
- 8 The report outlines the suspected money laundering related activities we have seen and reported to the National Crime Agency (NCA) by way of Suspicious Activity Reports (SARs) as well drawing out key themes in those reports. Additionally, it details

any reports we have made to the Office of Financial Sanctions Implementation (OFSI) concerning any known or suspected sanctions breaches.

- 9 It also provides an overview of the financial crime and internal reporting training our MLRO and Deputy MLRO deliver to staff, customer service and engagement, as well as any success outcomes during the period.

Discussion

Training

- 10 The development and delivery of relevant and timely training for colleagues across the organisation remains an ongoing priority work area for me, and during this period I have delivered and facilitated Internal Suspicious Activity Report (iSAR) training to 108 new members of staff. This mandatory all staff training, which is part our corporate induction programme, covers money laundering (ML) and terrorist financing (TF) offences, as well as information on financial sanctions.
- 11 The sessions focus on red flags and risks staff must consider in their work and clearly explains the process for internally reporting any suspicions to the MLRO team. Our training materials are continually reviewed and updated to help keep staff informed on the most up to date risks we are seeing in the legal profession, as well as proactively seeking and listening to the feedback from staff.
- 12 I have also continued to be involved in the delivery of our wider AML training programme, where we discuss and highlight the differences between regulatory breaches and our legal reporting obligations involving suspected criminal ML and TF offences.
- 13 In addition to the suite of formal training, I have also delivered training presentations at various team meetings throughout the year. These sessions are tailored to the audience and are designed to support staff by refreshing knowledge about internal reporting, discussing current risks and trends, as well as socialising case studies to aid learning about ML, TF, and sanctions. Our proactive attendance at team meetings across the organisation also supports our visibility and understanding of our work and provides is with an opportunity to speak with staff, answer technical questions, as well as encouraging engagement with us.
- 14 The outcomes from this work include:
 - colleagues following due process by flagging cases and raising internal SARs for me to consider our reporting obligations
 - significant proportion of high-quality actionable reports escalated which resulted in SARs to be submitted by me
 - continued high levels of engagement with us by colleagues from operational and internally facing teams across the organisation to discuss cases or seeking general advice
 - positive written feedback captured from attendees of our training sessions

Internal referrals and records management

- 15 I continue to have effective and robust processes and controls in place to ensure MLRO awareness of any new investigations which may carry ML, TF, or financial sanctions related risks, as well as capturing all independent and accountable decisions made by me or the Deputy MLRO.
- 16 The records management systems we operate within my team, which have enhanced security measures and restricted access controls, are configured in a way that supports us to provide management with monthly updates on our work. Also, to easily spot any new trends or financial crime threats, as well as helping us to comply with data collection exercises carried out by OPBAS and HM Treasury every year.
- 17 It remains important that staff escalate any matters of concern directly for MLRO consideration without any barriers or undue delays and we continue to have in place several effective reporting channels so as MLRO I am sighted on these cases. These include:
- Internal Suspicious Activity Reports (iSARs) – formal escalation process
 - Investigation case files being flagged to the MLRO team at the triage stage
 - Direct engagement with MLRO or Deputy MLRO by staff across all departments
 - Reports received from external stakeholders (including law enforcement agencies, other AML Supervisors, or regulators).
- 18 Figures taken from the MLRO records show that, in the year to 5 April 2024, we received 36 Internal Suspicious Activity Reports (iSARs) to consider our reporting obligations under the Proceeds of Crime Act 2002.
- 19 As a result of these internal reports, I submitted 23 Suspicious Activity Reports (SARs) to the National Crime Agency (NCA) involving more than £75.4 million in suspect transactions, or arrangements, involving the legal profession. All SARs related to suspicions of money laundering (no terrorist financing SARs were made during the year), but we continue to remain vigilant to the risk.
- 20 In addition to these formal internal reports, 410 matters cases which carry potential ML, TF or financial sanctions related risks were flagged to my attention. This early warning system meant any cases assessed as posing a specific financial crime risk could be monitored to track follow up investigations.

ML themes and trends

- 21 Based on the 23 SARs submitted by us the main red flags and risk areas were:
- property conveyancing transactions (both residential and commercial)

- funds linked to fraud – for example vendor fraud, dubious investment schemes and insurance fraud (motor vehicle and personal injury)
 - transactions with no underlying legal work or legitimate purpose for the involvement of a solicitor (misuse of the client account)
 - clients and or funds from countries which pose a higher risk for money laundering
 - aborted or unexplained / unclear transactions
 - pressure to complete a transaction very quickly
 - funds being broken down and remitted or received in multiple transactions
 - involvement of third parties (individuals and companies)
 - carrying our work not in keeping with a firm's usual business activities
- 22 From the SARs submitted by us 73% involved property conveyancing work, the majority of which were residential properties. Most of the transactions completed with funds being exchanged, but in some instances the transaction was aborted and did not proceed. Therefore, based on what we have seen during the period, property conveyancing remains by far the highest risk area for illicit finance and money laundering in our reports.
- 23 Other aspects which featured in our reports concerned transactions where no underlying legal work was carried out, leaving firms vulnerable to facilitating suspected money laundering through misuse of the client account. Also, firms transacting proceeds from insurance frauds, such as motor vehicle and personal injury were seen. Additionally, this year also saw us make our first SAR linked to proliferation financing involving the trading of large quantities of high value dual-use goods.
- 24 Firms not conducting any or sufficient due diligence and source of funding checks on their clients, or third parties, was a key theme in many of the cases we reported. Also, in some instances firms not properly scrutinising the information they were in receipt of which should have triggered concerns about the legitimacy of the funds or instruction they were involved with. In a small number of cases the firms did identify money laundering red flags and formed a suspicion but failed to make a SAR.
- 25 The SARs I and Deputy MLRO submitted during the year involved all sizes and types of firms, however more than half (64%) related to activities carried out at small firms (2-10 fee earners) and sole practitioners.

Financial Sanctions

- 26 In addition to SAR reporting, as our MLRO I have assumed responsibility for reporting to the Office of Financial Sanctions Implementation (OFSI) concerning any known or suspected sanctions breaches. During the period I made two reports to OFSI detailing suspicions of breaches of the Russia Sanctions regime for their consideration. Those reports involved firms facilitating transactions of more than £300,000.

Customer Service

27 Delivering the best service possible to our customers has remained an important area of my work, ensuring we provide technically sound and timely advice to support colleagues and external customer's needs.

28 I am pro-active and encourage engagement and work to create an inclusive culture where staff are comfortable and confident in approaching my team to discuss, often complex financial crime issues. To support this approach and to show our ongoing commitment to our customers I have:

- promoted what we do and how we can support colleagues through training, regular team meetings attendance, and the bespoke training sessions we provide
- achieved a 100% response time in responding to all customer enquiries within our KPI of 3 working days
- made a customer service pledge of Accountability, Availability and Aftercare, to demonstrate how committed we are to the needs of our customers
- delivered a shadowing programme to give colleagues an opportunity to see in more detail what we do and how we work within the MLRO function.

Following on from the success of this shadowing programme, and the positive feedback received this is something I will continue to offer as part of our proactive engagement commitment in the future.

29 Additionally, I have also used a variety of ways to keep the organisation informed on our work and how we can support other teams. These include:

- delivering a monthly MLRO update report to key departments, including members of the Executive team
- sharing data and holding regular meetings with the Risk & Analysis Team to help inform the Risk Outlook and Horizon Scanning Programme
- MLRO contributions and attendance at AML Steering Group meetings
- attendance at and guest speaking at the Operational Risk Forum as a risk champion
- holding meet and greet sessions with all new starters within the AML Directorate
- socialising relevant and helpful information with colleagues via direct communications or more widely through our internal Intranet pages
- all staff or targeted internal communications, as necessary.

Quality Assurance

30 During the year I have continued to oversee a programme of quality assurance work, led by the Deputy MLRO, which involves carrying out independent reviews on small batches of open and closed investigation cases each month. During the year, 45 cases were reviewed, and a findings report shared with relevant managers, senior management and members of the Executive Team.

- 31 This work serves as a second line of defence to ensure any ML, TF, or financial sanctions related concerns have been escalated for MLRO consideration as appropriate. It is also an opportunity to identify and share good practice, give feedback to individuals or teams, and make recommendations if any issues or concerns are found, as well as helping to inform the wider Continuous Improvement Programme.

External customer engagement

- 32 I have continued to maintain a positive and close working relationship with the NCA on an operational, project, and strategic level. This relationship helps to inform our investigation and supervisory work, identify financial crime risks within the legal profession, as well as sharing information.
- 33 As part of my collaborative work with the NCA, this year saw me involved in providing real time constructive feedback to their updated SAR reporting system (SAR Portal), as well as giving a demonstration of the new system to the SARs I.T Reform Board from the perspective of a SAR reporters user experience.
- 34 Other external customer engagement included:
- presenting to large groups of police forces and NCA Accredited Financial Investigators at their training events to help raise awareness of our work, encourage engagement and intelligence sharing, as well as partnership working
 - attending multi-agency events such as the Intelligence Sharing Expert Working Group (ISEWG) meeting (currently chaired by the SRA) to engage with other legal sector supervisors
 - meeting with and presenting to our counterparts of the Law Society Scotland to share ways of working and discuss case studies

Success Outcomes

- 35 Discharging our legal obligations to detect and report ML, TF and sanctions breaches to support law enforcement efforts to tackle financial crime and reduce harm, as well as working collaboratively to support our organisation's wider objectives are incredibly important to my team's work. Our commitment to achieving this is demonstrated through:
- the written staff feedback we have received in relation to the standards of customer service and training we have delivered
 - maintaining 100% on the KPIs set for customer service and triage of new referrals
 - the high levels of internal engagement we have seen, and the actionable reports being escalated
 - written feedback from the NCA commending our collaboration and the positive contributions we have made to the SARs I.T. Reform Programme

- positive engagement and collaboration with law enforcement and other regulators to share information and good practice
- supporting law enforcement enquiries relating to any of our SAR submissions, or more general discussions around how we can support their investigations, lawfully share information, or explore potential joint working opportunities
- submitted SARs involving more than £75.4 million in suspected criminal proceeds reported to the NCA to support law enforcements efforts to detect criminal proceeds, disrupt criminal enterprises and reduce harm.

Declaration

- 36 The MLRO is required to confirm whether there have been any restrictions or resistance to them undertaking their statutory duties and/or accessing relevant information and senior management.
- 37 As MLRO I give assurance that I have experienced no restrictions or resistance in undertaking my duties, including the ability to make independent and accountable decisions. I have unfettered access to the senior management team, including members of the Executive Team and CEO, and have experienced continued full co-operation across the organisation.

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