

# Navigating the new LSAG AML Guidance

—  
16<sup>th</sup> February 2021

# *New Guidance*

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- Expectations of Regulators
- Status of the Guidance
  - Must – obligatory
  - Should – good practice, explain if you don't follow
  - (who might decide to deviate)
  - May – suggestions
- Confirm used by Courts in judging failures.

# *Additional Processes*

- Indication of policies and processes most firms don't have
  - Process for reporting discrepancies to Companies House – 12.6
    - Establishing a business relationship
    - Reasonably practicable – give client time to rectify
    - Decide if material
  - Procedures for returning unsolicited funds
  - Training Policy
  - Policy for notifying supervisor of changes
  - MLRO report to the board
  - Process for dealing with Law Enforcement queries

# *Additional Processes*

- Indication of policies and processes most firms don't have (cont.)
  - Procedure where issues identifying client or UBO
  - How findings from file reviews will be fed back into the PCPs
  - Procedure for escalation of issues identified in MRA
  - Procedure for adopting new technology
  - Procedures for blocking work if EID&V fails.

# *Firm Risk Assessment (PWRA)*

- Reference to the NRA (not required by the regs)
- Include any issues noted from SARs in PWRA
- Review at least every 1 to 2 years
- More granular detail

# *Matter Risk Assessment*

- MRA should not be a tick box
  - They mean not tick boxy!
  - Talk about risk rating
  - Can have a template for similar cases but must not become tick box
  - Should assess and have regard to negative news results
  - Focus on recording reasoning for assessment
  - Record why you've picked CDD approach

# *CDD*

- Long standing relationships do not wave CDD
- Occasional Transactions unlikely
- Purporting to act – not employees of the company, not directors.
- Timing
  - Not permit funding into client account **except** for fees and disbursements
  - If you use r30(3) must note reasons in C/MRA

# *CDD*

- Purpose and nature
  - Nature and details of job/occupation
  - Source of funds and wealth
  - Anticipated levels
  - UK Bank account myth busted!



# *Technology*

- Should document
  - the role of the tool
  - data sources it uses (considering how accurate they are)
  - when it is appropriate to use it
- Training for those who are using it.
- Testing for accuracy
- Prevent tampering

# *Training*

- Relevant employees
- Agents – acts under your supervision or instruction. Can check if they've had training.
- Mention early on of include privilege – this is a practical danger
- Red Flags – section 18
- At least annual refresher
- Evaluate the training

# *Internal Controls*

- Size and Nature – if you don't think you are, need to say why you wouldn't benefit from having them
- Audit
  - See risk outlook
  - Annually
  - Sample size must be sufficient based on offices and client/matter types
- Screening
  - Helpful table
  - Inclusive – again should, so explain who and why if not everyone.

# *The End!*

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