

Client and matter risk assessments

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Why is it important?

- Regulatory requirement
- Decide whether to accept instructions
- Decide level of client due diligence required
- Promote good business
- Financial sanctions risks

Thematic review

- 94% of firms had a process
- Nearly half (47%) files didn't have a client/matter risk assessment
- Outcomes

What it isn't!

- E-verification system rating
- Business risk assessment
- 'red tape' exercise

Good Practice

- Recording rationale
- Tailored templates
- Review at appropriate intervals

SRA Template

- ABC LLP is a law firm based in Bristol
- Client based in Birmingham
- £250,000 residential property purchase in Birmingham
- £25,000 deposit from client, alongside £225,000 mortgage

1.Client details

Client name

Jane Elisabeth Smith

DoB

22/01/1985

Address

The Cube, 199 Wharfside Street, Birmingham, B1 1RN

New

Existing

Date due diligence was last updated

Occupation/
Source of income

Client is a nurse. Salary is approximately £32,000 annually. No other source of income.

For entities - Please complete section 2e.

Entity type

N/a

2b. Jurisdiction risk

Where is the client based?

Birmingham

Do you have any concerns about the client's location?

Yes No

Does it make sense for the client to instruct us from this location?

Yes No

Are there overseas elements? If **yes**, provide details below
e.g. overseas beneficiary, contracts for overseas entities

Yes No

Provide details of any issues identified in this [section](#)

Client is not local to us, but we acted for her sister in a purchase a few months ago.

2c. Delivery channel risk

Will we meet the client in person?

Yes No

If **no**, how are we satisfied that the client is who they say they are?

Client will be met via Teams. The client will be asked to show us a copy of her ID and a screenshot will be taken with her holding this up. The client's identity and address will then be verified using our electronic checking system. This will check that the client's ID is [legitimate](#) and she is registered to live at the given address. A letter will also be sent to the client's [address](#) and she'll be required to sign and return this to us.

2d. Due diligence review

What steps have you taken to verify the client or any instructing third party's identity?

The [above](#) is being actioned.

Is there any adverse media about the client or beneficial owners?

Yes No

Description of work and transaction value

3. Matter risks

Property purchase for £250,000 in Birmingham. Client is buying a first-time buyer. Putting down 10% deposit. The deposit will come from savings from her earnings. Remainder will be funded via a mortgage from X bank.

- | | | |
|---|---|--|
| Do we usually carry out this type of work? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| Does the matter involve creating a complex structure? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Does it involve a cash-intensive industry? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Does it involve a high-risk industry? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Does the matter involve a risk of proliferation financing? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Are there any there any other AML or Counter Terrorist Financing risks? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Have you checked the source of funds for this transaction? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

3b. Enhanced due diligence

If 'Yes' applies to any of the following, contact the nominated person before proceeding. Provide details of the additional measures you will take to mitigate the risk identified below.

If the client is not an individual, is the structure complex or unusual? Yes No

Does the client own, manage or direct a business or activity that falls within a higher risk sector? Yes No

Does the matter involve a client, a beneficial owner or other party linked to the transaction, manage or direct a business or activity that is cash intensive? Yes No

Does the matter involve a client, a beneficial owner or any party established in a high-risk third country or high-risk jurisdiction? Yes No

Is the client, a beneficial owner or any party linked to the transaction a politically exposed person (PEP), family member or a close associate of a PEP? Yes No

3c. Risk level and justification

What level of risk is posed by the client?

Low Medium High

What level of risk is posed by the matter?

Low Medium High

I have given these ratings because...

Purchases are high-risk so I have requested source of funds information, this matter is largely funded by a mortgage and client is in full time employment, there are no concerning factors in this [transaction](#) so I have reduced the rating to medium. The client has been referred by her sister. We will identify and verify her identity. The purchase value is normal for [us](#) and the transaction value makes sense based on the client's circumstances. We are waiting for evidence of the source of funds.

For high-risk matters:

Have you obtained evidence of source of wealth?

Yes No

Does the stated source of wealth/funds and the sum of money [involved](#) correspond with what you know about the client? *e.g. age and occupation*

Yes No

Explain why you are happy to proceed with the [matter](#)

4. Due diligence

Click or tap here to enter text.

What level of customer due diligence will you apply?

Simplified Standard Enhanced

Standard checks required. No concerning features about client, makes sense for the client to instruct us. Client will be met virtually. Electronic checks will be conducted to verify the client's identity. Source of funds will be checked.

Date

22/05/2023

Signed

Michelle Clement

5. Ongoing monitoring

Date due diligence was conducted

01/06/2023

Has your due diligence changed your assessment of the level of risk?

Yes

No

If **yes** to questions above, provide details and actions you will take to address any concerns

What have you done to monitor any risks relating to the client and matter since your last review?

I met the client via Zoom on 1 June 2023 – she showed me her passport and held up the data page. The picture on the passport appeared to be the person I was speaking with. Electronic checks have returned without issue. They have confirmed the passport is legitimate. The client's details match. Nothing of concern has been identified.

Key takeaways

- Do it every client, for every matter in scope of the MLR
- Make sure the relevant people know how to access it
- Make sure the relevant people can read and understand it
- Write it down