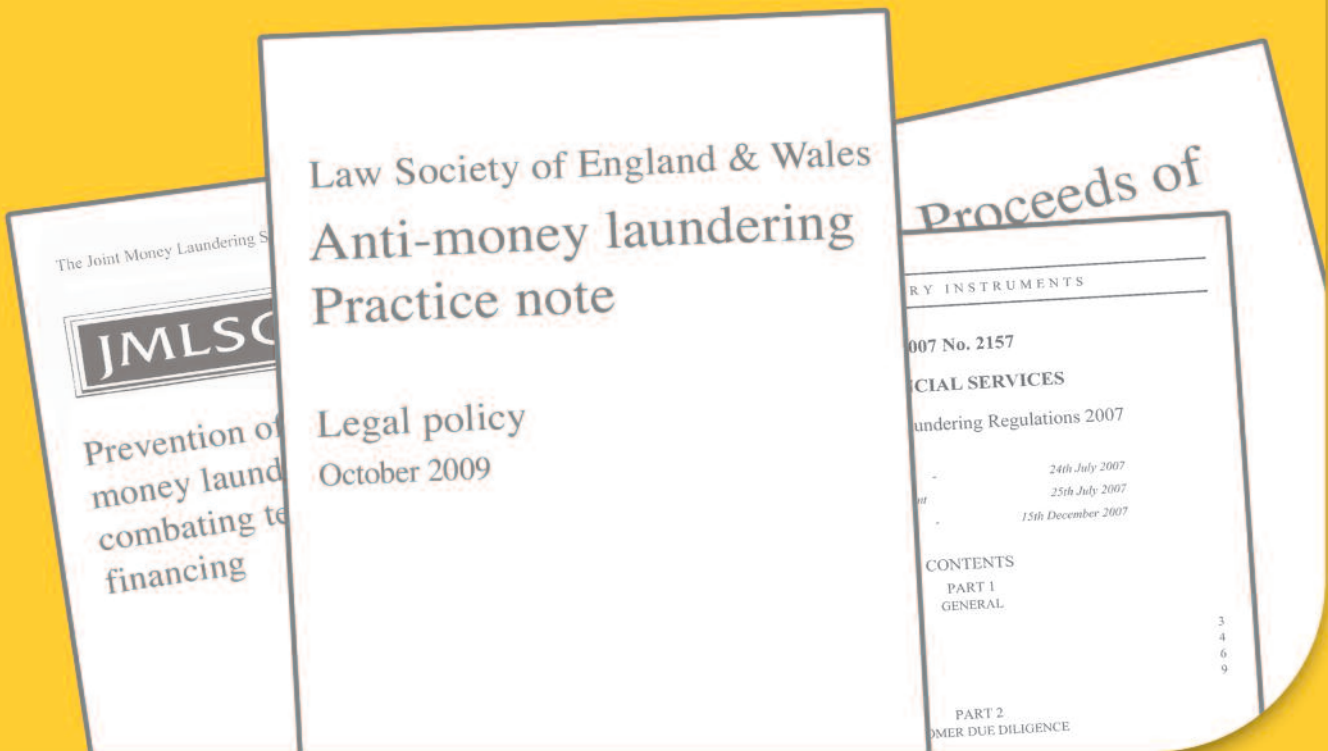


A 192 Compliance Guide: The Law Society Anti-Money Laundering Practice Note



Making sense of AML and Client Due Diligence

It goes without saying that solicitors are key professionals in the business and financial worlds and as such have key roles to play in preventing money laundering as an enabler to crime and terrorist financing.

A key element of legal firms' role in this area is that they follow a robust Know Your Customer regime so that they may better identify suspicious transactions. The Client Due Diligence (CDD) that law firms are mandated to undertake is simple yet, there is much confusion in the market about what, when, how and why CDD must take place.

As specialists in identity verification solutions, we have produced this guide to highlight the key facts about CDD in the Law Society Practice Note. Of course this is no substitute for reading and understanding the Practice Note, which is available at www.lawsociety.org.uk/productsandservices/practicenotes/aml.page

We are pleased to announce that the Law Society has selected 192business as its preferred supplier for identity and KYC checking" said Neil Skinner, Business Development Manager at the Law Society. Instrumental in our decision to appoint 192business was their understanding of law firms' money laundering compliance requirements and the data and features in their KYC tools that can help MLRO's meet their client due diligence requirements."

Neil Skinner,
Business Development Manager
The Law Society



So when do firms have to do CDD?

The regulations on CDD only apply to certain solicitors' activities where there is a financial or property transaction

1.4.5

- *buying and selling of real property or business entities*
- *managing of client money, securities or other assets*
- *opening or management of bank, savings or securities accounts*
- *organisation of contributions necessary for the creation, operation or management of companies*
- *creation, operation or management of trusts, companies or similar structures*

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But some firms' activities will not be subjected to a CDD including...

1.4.5

- *preparing a home information pack or any document or information for inclusion in a HIP*
- *payment on account of costs to a solicitor or payment of a solicitor's bill*
- *provision of legal advice*
- *participation in litigation or a form of alternative dispute resolution*
- *will-writing, although you should consider whether any accompanying taxation advice is covered*
- *publicly-funded work*

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The current trend however is that law firms are choosing to run CDD on all clients, irrespective of the practice area used to avoid potential lapses in CDD compliance should clients migrate across practice areas.

Law firms providing investment advice in investment vehicles such as stocks and shares will be regulated not only by the Solicitors Regulation Authority but also by the Financial Services Authority. These firms will need to maintain the CDD requirements of the JMLSG Guidance Notes and the Law Society Practice Note.

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When is CDD required?

Client Due Diligence is required on all customers when firms are

4.3.1

- *establishing a business relationship*
- *carrying out an occasional transaction*
- *suspect money laundering or terrorist financing*
- *doubt the veracity or adequacy of documents, data or information previously obtained for the purpose of CDD*

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The Practice Note also requires that firms keep evidence and records in relation to CDD

You may keep either a copy of verification material or references to it. Keep it for five years after the business relationship ends or the occasional transaction is completed.

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So what is CDD?

Client Due Diligence is summarised as

4.3.2

Identifying the client and verifying their identity on the basis of documents, data or information obtained from a reliable and independent source

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The Practice Note goes on to emphasise a difference between "identifying" and verifying"

4.3.2

Identification of a client or a beneficial owner is simply being told or coming to know a client's identifying details, such as their name and address.

Verification is obtaining some evidence which supports this claim of identity.

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CDD then is the act of verifying the client identity and this can be done by documents, data and information which come from a reliable and independent source

4.3.3

- *obtaining or viewing original documents*
- *conducting electronic verification*
- *obtaining information from other regulated persons*

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192's multiple data sources for electronic CCD



The current and historical Electoral Rolls



The Directory Enquiries database



Companies House data



Credit Reference Agency data



Passport



Driving licence



Mortality



Known Fraudsters & Money Launderers



Terrorist & Sanctions Files



Politically Exposed Persons

Electronic verification is a suitable means of CDD

The Law Society recommends that electronic verification is used in conjunction with other CDD techniques such as obtaining or viewing original documents.

The Practice Note also lays down criteria about electronic verification systems and their providers as below.

4.3.3

has proof of registration with the Information Commissioner's Office to store personal data

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Our registration No. with the ICO is Z7403278. We have been handling and managing sensitive consumer data for 10 years and we only licence data from credible sources under strict licence agreements.

4.3.3

can link an applicant to both current and previous circumstances using a range of positive information sources

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The information that can be verified to prove identity can be Name, Date of Birth, Address, Phone Number, Nationality, Gender and other such characteristics.

4.3.3

accesses negative information sources such as databases on identity fraud and deceased persons

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Our AML check tools systems access multiple negative data sources such as the EU and Bank of England Sanctions files, lists of PEPs, the OFAC SDN list, lists of known money launderers, terrorist individuals and groups, confirmed fraud data and lists of the deceased.

4.3.3

accesses a wide range of alert data sources

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4.3.3

has transparent processes enabling you to know what checks are carried out, the results of the checks, and how much certainty they gave on the identity of the subject"

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Our ID check Archive ensures that our clients have a quickly accessible record of the ID check process and the outcome thus helping our clients to meet AML compliance.

4.3.3

allows you to capture and store the information used to verify an identity

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We believe that we meet all of the above conditions and have presented our AML solution to the JMLSG and as a result we are listed on the JMLSG website as a suitable provider of electronic identity checks.

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Firms should apply a risk-based approach to CDD

Whilst CDD must be performed on all clients, the Law Society rightly starts from the premise that most clients are not money launderers or terrorist financiers but does ask firms to implement CDD in a Risk Based manner. Factors that firms should consider to inform levels of risk are whether they...

2.3.1
act for politically exposed persons (PEPs)

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Our AML ID check solutions will automatically match clients to the latest PEP databases

2.3.1
act for clients without meeting them

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Our ID check solutions are especially suited to identity verification where the client is not physically present and are used by leading organisations such as Panasonic, Halfords and The MoneyShop to prevent identity fraud.

2.3.1
act for clients affiliated to countries with high levels of corruption or where terrorist organisations operate

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Our CDD solutions will check client details against our aggregated databases of terrorist organisations and individuals.

2.3.1
act for entities that have a complex ownership structure

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Our CDD solutions show company directorship and ownership using data from Companies House and business universes from Dun and Bradstreet and Market Location.

2.3.1
are easily able to obtain details of beneficial owners of your client or not

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Our CDD solutions can verify organisational data as beneficial owners including the business structure and directors of those organisations.

The Practice Note also says that some areas of legal practise are more likely to be involved in money laundering or terrorist financing such as:

- 2.3.2**
- *complicated financial or property transactions*
 - *providing assistance in setting up trusts or company structures, which could be used to obscure ownership of property*
 - *payments that are made to or received from third parties*
 - *payments made by cash*
 - *transactions with a cross-border element*

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We believe that 192 meets the Expectations, Definitions and Standards of the Law Society Anti-Money Laundering Practice Note

This document only covers the key parts of the Practice Note in relation to CDD but should serve to illustrate how 192's ID check solutions are designed to help firms be compliant with the latest money laundering regulations. If you have any questions or want to see how we can help your AML KYC compliance please email us at compliance@192.com.

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How to search our identity solutions

Our ID check tools have always been simple and easy to use and our latest search interface has been designed for your team to enter the minimum of information to launch a customer ID-check.

1

The search form can be used to run ID checks in any country for which we have data coverage

2

Simply enter the customer name here and address data here

The screenshot shows the 'Check-ID UK' search form. It includes fields for First Name, Other Names, Surname, Address Line 1, City, Country (a dropdown menu), Postcode, Date of Birth (with Day, Month, and Year dropdowns), Gender, Phone Number, and Customer Reference. There are 'Find Address' and 'Submit' buttons. A 'Reverse Search Phone Number' checkbox is also present. Callouts 1-5 point to various parts of the form: 1 points to the top of the form, 2 points to the name fields, 3 points to the 'Find Address' button, 4 points to the Customer Reference field, and 5 points to the Date of Birth field.

5

Incorporate a Date of Birth check or leave it blank

4

Additionally you can create your unique customer reference number

3

Address look-up in the search form to save users 70% of the keystrokes it takes to enter an address

CDD from Ipswich to Iran...

Our ID check solution is designed for practices that have global customer bases so our ID databases that can verify Name, Address and Phone Number in 25 countries. Where we have no database coverage we can offer Passport, ID Card and Travel Visa document ID checks according to the standards set out by the International Civil Aviation Organisation.

How to view search results

Our latest development aims to make the results screen show as little or as much information as you want to see.

At first glance users will see a series of data blocks. This more modular approach will enable users to go straight to the section of the ID report that they deem most important. Each data block can be expanded or minimised to enable your users to view reports as they prefer.

The screenshot displays a search results page for 'JOHN R FERRARI'. The interface is modular, with expandable sections. Key sections include:

- Input Details:** Date (Thursday, 23 August 2007 at 10:38:37), Name (JOHN R FERRARI), Gender (Male), Date of Birth (Friday, 13 October 1944), Address (17 X99F), Standardised Address (17 Top Gear Lane Test Town, X9 9LF).
- KYC Summary:** Full Name and Address Verified (YES, 3 sources), Surname and Address Verified (YES, 3 sources), Date of Birth Verified (YES, 1 source).
- Report Summary:** Credit Reference (Match), Electoral Roll (Match), Telephony (Match), Directors (Match), Fraud-ID (No Match), Sanctions (Caution), IP Address (Match), Deceased (Caution).
- Electoral Roll:** Name (JOHN R FERRARI, Match), Address (17 Top Gear Lane Test Town, Match), Postcode (X9 9LF, Match), ER Date of Birth (13th October 1944, Match), Years (2008, 2007, 2006, 2005, Match), Gender (Male, Match), Years at Address (6, Match).
- Telephony:** Name (Jonh R Ferrari, Match), Address (17 Top Gear Lane Test Town, Match), Postcode (X9 9LF, Match), Tel. (020 7790 9169, Match), Raw OSIS: Address (17 Top Gear Lane Test Town), Postcode (X9 9LF), Exchange (020-7790).
- Credit Reference:** (CRA) Active Credit File (Match), (CRA) Date of Birth (Match), Electoral Roll (Match), Electoral Roll Date of Birth (-), Telephone Directory (No Match), Phone Number (-), Total Number of Verifications (3), Bank of England (BOE) (No Match), Politically Exposed (PEP) (No Match), Office of Foreign Assets Control (OFAC) (No Match), Deceased (HALO) (Caution), County Court Judgement (CCJ's) (No Match), Linked Forwarding Address (Caution), CIFAS (No Match).
- Fraud-ID:** Forename (Benjamin, Helen, John), Surname (Smith, Anderson-Smith, Smith), Premise (1b Greenbank Road, 5, 38 Errington Close), Postcode (LA22 9BD, TF9 3UB, AL10 9AU), Transaction Date (26/03/2008, 30/01/2008, 29/01/2008), Fraud Type (Suspected Fraud, Suspected Fraud, Reported Fraud).

1 The main benefit to users is the new KYC Summary Report giving a quick heads up on what customer details have been verified and by how many sources.

2 We have also added a Report Summary to show which data sources have matched the customer details put forward.

3 We have enhanced the way that results against Electoral Roll searches are displayed and can now display additional ER information such as Length of residency, gender and Date of Birth.

4 One of the best improvements we've made to is the addition of more Credit Reference Agency (CRA) data and improved how results against CRA data are displayed.

5 Our Credit Reference Data now also includes CCJ and forwarding address notifications. For CIFAS members we can also provide matches to CIFAS data as part of the CRA data query.

6 Searches against our Credit Reference Data will also return matches against our database of Politically Exposed People (PEP) including heads of government, members of parliament....

7 Matches against Credit Reference Data will result in an electronic ID check footprint being left on the search subject's credit reference file. However, this footprint does not adversely effect a credit reference file and is not used by lenders to inform credit decisions.

8 The Fraud-ID module is becoming increasingly used by retailers such as Panasonic and IKe a to profile transactions for any previous fraud history. Send your fraud alert data to us and we can switch this module on when you use

Telephone directory data is sourced from the British Telecommunications plc Wholesale Directory Solutions (BWTDS) OSIS database, and i-CD publishing (UK) Ltd is licensed by BWTDS to use the data to provide retail directory information services.

"I find 192business incredibly easy to use and the support excellent. We use 192business to make our partner's lives easier by completing quick and effective online verification. This in turn makes our clients' lives easier."

*berwin leighton paisner

Call our team on +44 (0)207 909 2192

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Visit www.192business.com

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