

Sovereign LAW – Money Laundering
01/03/04

As you are no doubt aware, the new Money Laundering Regulations 2003 made under the Proceeds of Crime Act 2002 come into force on the 1st March 2004.

The Law Society has issued its Guidance document, but this is only described as 'pilot', and it is clear that there are many points of detail yet to be resolved. The Regulations do however come into force on the 1st March 2004, along with their potential criminal liability, so action is necessary.

The Guidance states that the 'Golden Rules' are:

- * Know the legislation;
- * Know the professional guidelines;
- * Know your client;
- * Know your business;
- * Train your staff;
- * Monitor compliance.

The purpose of this document is to outline the changes we will be making to Sovereign LAW to assist with compliance. **We emphasise that these changes do not provide you with a universal panacea - the obligation remains on you to comply with the legislation.**

We recommend that you pass on this document to your Money Laundering Reporting Officer (MLRO) for further discussion.

Set up

The following set up procedure will usually have been carried out by the Curat Lex Help Desk. No further action is required unless you wish to enforce the client validation options etc.

1. Import Program

Use System Manager to import ML8STORE into main accounts system (and network system if applicable) and rebuild data dictionary. Contact Curat Lex Help Desk for further assistance with this procedure.

2. Work Type Codes

Select options: Utilities –Module Parameters –Work Types –New
Set up the following work type codes:

Code	Description
N	Non-finance (eg. Legal advice)
P	Publicly funded (eg. LSC civil or crime)
E	Exempt finance transaction (ie. one-off, < €15000.00) (eg. will)
I	ID required

Leave Contentious flag as blank.

Set the exception flags as appropriate for each work type (as shown below)

Code	Description	Contentious	Non-FT	Exempt	PF
N	Non-finance		Yes		
P	Publicly funded		Yes		Yes
E	Exempt finance transaction		No	Yes	

Additional Notes:

(i) If your system is already configured to use Work Type codes, then simply set the appropriate exception flag against each existing work type and description.

(ii) You may decide to set up an additional Work Type code:

T – Temporary record (eg. awaiting documents)

Set the Non-FT exception flag to 'Yes.'

This could then be used in cases where a File Record needs to be set up but the client has not yet provided documentary evidence of identity and/or address. The System Administrator could then run report to keep check on these temporary records.

3. Options

Select options: Utilities –Module Parameters –Client, File Nos. & Options –Options

(i) Is Work Type mandatory for files?

Set this flag to either Yes or No (to be decided by System Administrator). [Recommended setting –No].

-If set to Yes, then one of the 4 Work Type codes must be set on all new files (ie either one of the 3 exception codes; or the ID required code).

-If set to No, then it would only be necessary to enter one of the 3 exception codes (N, P or E) to identify files that do not require Client ID validation. A file with a blank Work Type (shown as -) would still require Client ID validation (but at least this makes user input slightly easier).

(ii) Is Work Type to be skipped? [This must be set to No].

- If the Work Type codes are to be used on the system, then this flag should be set to No.

(iii) Is Client Validation mandatory?

Set this flag to either Yes, blank or No (to be decided by System Administrator). [It is recommended that this flag is set to Yes].

- If set to Yes, then all Client Records (including existing clients) will need to be validated before a New File Record can be set up (unless the file is to be excluded from money laundering regulations using one of the exception work type codes).

- If set to blank, then an advisory warning is displayed if an existing Client Record (set up before 1/3/04) has not been validated. A new File Record can still be set up. However, all new Client Records set up after 1/3/04 will still need to be validated before a new file can be set up.

- If set to No, then client validation is not mandatory. The Client validation screens can still be used to record Client ID details etc. However, there would be no restriction on opening new file records. The Work Type codes would not need to be set up.

4. Report

In Windows system, it will be necessary to set up new “Money Laundering” report on menu of required users.

The report should be set up on menu (level 60/70): Reports –File Based –Parameters –ML Report

The program name is: LAW-RPRTF-ML-1 (LAWRML1.SKO)

Contact Curat Lex Help Desk for further assistance if required.

In DOS system, the report will be set up automatically.

Procedure

Client Record

After completing a new Client Record, the “Validate ID” option should be selected (unless the subsequent File Record will be exempt from money laundering regulations in which case Client ID validation is not required).

Complete the Client ID details on the screen.

The system will only ‘validate’ the Client Record if:

either Client “ID Taken” details have been set (ie. ID Taken, By and Date as well as record of documentary evidence of identity and address)

or Client “ID Certified” details have been set (ie. ID Certified, By and Date).

Pressing *PageDown* key will display the Personal Details and Account Details screens if required. The details on these screens are optional.

When all required details are complete, press *Escape* and select *Accept*.

If Client ID details are not correctly completed, then a warning is displayed on screen and the Client Record is NOT validated. However, it is still possible to Accept the Client ID details with a view to returning later to complete the details correctly.

Additional Notes:

(i) On reselecting the “Validate ID” option, the user is given the option of either amending the Client ID details of an existing person or creating new Client ID details for another person (eg. in the case of joint clients, Client ID details for both clients can be recorded)

(ii) For existing Client Records, the “ID Certified” details can be set if no Client ID details (eg. passport etc) will be requested. The system will then validate the Client. This can be used for cases where the firm has an on-going business relationship with the client that has been authorised (eg. by a Partner).

File Record

When setting up new File Records, the Work Type flag should be set as follows:

either

I ID required (or leave blank if Work Type is not mandatory)
This indicates that the money laundering regulations apply to this matter.
The File Record CANNOT be completed unless the Client ID has been validated

or

N Non-finance matter (eg. legal advice)

P Publicly funded (eg. LSC civil or crime)

E Exempt finance transaction (ie. one-off, < €15000.00) (eg. will)

These flags indicate that the money laundering regulations do not apply to this matter and client validation is not required. Therefore, Client ID details do not previously have to have been set up and confirmed.

Additional Notes:

(i) New Files for Existing Clients

If the Client Validation Mandatory flag has been set to Yes (in Module Parameters), then it is only possible to set up new File Records if the Client ID has already been validated. Therefore, it would be necessary to use the “Validate ID” option to update the Client ID details.

However, if the Client Validation Mandatory flag has been set to blank then only an advisory warning is displayed if a new file is being set up for an existing client (set up before 01/03/04) that has not been validated.

(ii) Amend File Record

When amending an existing file record, the Work Type must still be set although only an advisory warning is given if the existing Client ID details have not been validated.

Reports

A standard “Money Laundering” report is located in ‘Reports –File Based –Parameters –ML Report. This can be run on a monthly basis. The parameters can be set as follows:

Start Date	List of files opened between specified dates (ddmmyy)
End Date	
Validated	Include – includes all Client Records whether or not they have been validated Exclude – only includes Client Records that have not been validated.
Evidence	Print – includes text for documentary evidence of identity and address Omit - evidence is not printed on report
Work Type	? - to include all Work Types N, P or E - to include each of these specific exceptions only I or blank - to include files subject to money laundering regulations

Enquiries

The Tab Enquiries option (windows version only) includes option to view Client ID details. From the Tab Enquiries menu, select options: Options –Client Tab –ID.

Printing

When printing Client Details and File Details, an additional menu option now exists to allow printing of Client ID details.

Strongroom

If Client Validation has been enabled on the system, then before setting up a new Deed, Security or Grant record, it is necessary to ensure that the Client Record has been validated. It is not necessary to validate the Client Record before setting up a new Will record.