



THE LAW SOCIETY OF SCOTLAND
QUALIFIED LAWYERS ASSESSMENT

THE ACCOUNTS RULES

3 November 2020

1330 – 1430
(One hour)

Candidates are required to answer TWO out of three questions.

Throughout this paper The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 are referred to as the Money Laundering Regulations.

Question 1

1. With the Money Laundering Regulations in mind, explain in each of the following scenarios who you would require to identify and verify:-
 - (a) You wish to take on a new company client. The company has two shareholders each of whom owns 50 per cent of the company.
 - (b) You wish to take on a new company client. The client is wholly owned by Mr Jones. Instructions however will be taken from his Managing Director, Mr Smith.
 - (c) The MacDonald Trust for Children wishes you to take over the Trust administration from a different firm. The Trust is a discretionary trust, the beneficiaries being the whole class of children of the settler. There are three Trustees.
 - (d) Mr Robertson is a sole trader. He wishes to instruct you to incorporate a company for him.
2. List the obligations in the Accounts Rules relating to client balances held after the conclusion of matter.
3. Detail the rules in the Accounts Rules relating to drawings from clients' accounts.
4. What are your firm's obligations before entering into a bridging loan on behalf of clients?
5. A client pays you £5,000 as a payment to account of various outlays and fees. Explain what your firm's obligations are in respect of that money.

Question 2

1. Which of the following incidents will require you to take steps under the Money Laundering Regulations? Give reasons for your answers and briefly state what steps you require to take:-
 - (a) A client asks you to draft a Will in which he makes a specific bequest to his grandson, John, in respect of a painting by Sir Henry Raeburn. After you have prepared the first draft, he asks you to redraft that clause leaving the painting to his granddaughter, Fiona.
 - (b) In a conveyancing transaction your client advises you that funds will be coming from his account with the Bank of Scotland. Three days before settlement funds arrive in your client account by electronic transfer. The funds have come from HSBC.
 - (c) Mr Campbell instructs your firm to put an offer in for a house in Edinburgh. Three days before settlement, he instructs you take title in the name of his wife instead.
 - (d) You act for Mr Cameron in his divorce from Mrs Cameron. Mrs Cameron is making financial claims against him. Throughout the case Mr Cameron has been adamant that his wife "will not get a penny". A Proof has been set down for two weeks' time. Settlement discussions take place and Mr Cameron agrees to make over title in the family home to his wife as part of the divorce settlement.
2. Your firm undertakes work as estate agents. A client would like to instruct your firm to put his house on the market. Do you have any obligations under the Money Laundering Regulations and if so, what are they?
3. What are the risk factors that your legal firm has to take into account when assessing the risks of money laundering and terrorist financing to which your firm's business is subject?
4. What are the roles and responsibilities of the Cashroom Manager?

Question 3

1. In terms of the Accounts Rules when can money be withdrawn from the client account?
2. In what circumstances can the Council and the Law Society of Scotland carry out a routine inspection?
3. You set up in your own account as a sole practitioner in mid-March 2020. During the pandemic business has been very poor. You are concerned about cashflow. You happen to mention your concerns to a friend of yours for whom you are currently carrying out some conveyancing work. He offers to make a loan available to you. What do the Accounts Rules say about this?
4. You have just won a new client, John Brown Electrical Limited. The company is a family owned business. Mr Brown Senior owns 30 per cent, Mrs Brown owns 10 per cent, a family Trust owns 30 per cent and Mr Brown Junior owns 30 per cent. Explain whose identity you will require to verify and list the documentation which you will require to see.

END OF QUESTION PAPER