



THE LAW SOCIETY OF SCOTLAND  
QUALIFIED LAWYERS ASSESSMENT

**THE ACCOUNTS RULES**

11 May 2021

1300 – 1430  
(90 minutes)

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

You have acted for John Jones for over 10 years but have not heard from him for 3 or 4 years. He lives in Edinburgh, but you understand that he spent some time working in the oil industry, particularly in Africa. He contacts you to say that unfortunately his father, being his last surviving parent, died last week and that he and his sister, Sarah, who lives in Canada, have been appointed Executors under the Will. They wish to appoint you to act.

- (i) Explain what your duties are under the anti-money laundering regulations in relation to John and Sarah, in each case providing reasoning for your answers; explain in each case what, if any, documents or other paperwork you would require to see.
- (ii) During the same telephone conversation John tells you that although provision has been made for both himself and Sarah in the Will, most of the Estate has been left by specific request to John's children and Sarah's children (the deceased's 4 grandchildren), the youngest of whom is one year old and the eldest of whom is 25 years of age. What anti-money laundering related obligations do you have in relation to the grandchildren as beneficiaries, and what documentation if any do you need to see? You should assume that the Estate is worth £600,000 with each grandchild inheriting around £100,000.
- (iii) You realise that the deceased was never a client of your firm. Are you under any obligation to check his identity and source of wealth? Please explain your answers.
- (iv) The progress of the executry was delayed considerably because of the illiquidity of some assets. However, two and a half years later you have now successfully ingathered the Estate and paid all necessary outgoings. You are now in a position to make a distribution to the beneficiaries. In the meantime, you have had no contact from any of them. All your dealings have been through John and Sarah, the two Executors. Explain what checks you require to make at this stage in respect of the identity of the beneficiaries and explain what steps you would take prior to transferring any money to the beneficiaries.
- (v) After enquiry it transpires that the eldest grandson is now living and working in the United Arab Emirates. Does this in any way change your answer to the preceding question?
- (vi) In addition to the legacies to the grandchildren there is a specific legacy of £30,000 to an organisation stated in the will as "The Poverty Relief Association of The Middle East". You have never heard of this organisation. John tells you that he knows it well and that it is a charitable organisation based in Scotland, but which funds infrastructural regeneration projects in Islamic countries hit by war or natural disaster. John tells you that his father had been an engineer and had worked for many years in Syria and other Middle Eastern countries and had always had a strong desire to help to improve the infrastructure.

Do you have any obligations to check the nature of this organisation? Explain your answer. If you do, what checks will you carry out and why?

## Question 2

A friend who is setting up a new legal firm has asked you for guidance on the main requirements of the Accounts Rules.

Please provide a Report on the following:-

- (i) The Books of Account that must be maintained.
- (ii) The Bank Accounts which must be set up in respect of dealing with client and other money.
- (iii) The Rules regarding reconciliation of such accounts and the process must be followed to complete such reconciliations.
- (iv) How client balances should be dealt with and what options are available to the firm in tidying up the ledgers.

One of your colleagues approaches you to say that he has been asked by a client to hold money on account pending the resolution of a dispute which the client is currently in with another company. He asks that you hold the money until the dispute is resolved and that you then send the money to the party who is successful in this dispute. The amount is £100,000.

Explain what considerations apply out of the Accounts Rules and the Money Laundering Regulations and what, if any, restrictions there are upon you carrying out this instruction.

### Question 3

- (a) The Money Laundering Regulations impose an obligation on legal firms to take appropriate steps to identify and assess the risks of money laundering and terrorist financing to which its business is subject. List the obligations which legal firms are under when carrying out this risk assessment.
- (b) Those regulations oblige legal firms to establish and maintain policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified in [their] risk assessment. List what must be included in the policies, controls and procedures.
- (c) List the principal obligations imposed by Regulation 21 relative to internal controls.
- (d) Write brief notes explaining:
  - i) when you would use enhanced customer due diligence
  - ii) when you would use simplified due diligence
  - iii) the differences between the two.

**END OF QUESTION PAPER**