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 A

John is a junior partner in a law firm and from time to time he acts as the Cashroom Manager.

John is the designated solicitor for a number of key clients. One of his key clients is well known to him as a long-term client and as someone with whom he regularly plays golf.

The client is known to John as an individual of financial substance who is the owner of multiple trading companies. One of the companies is involved in the purchase, refurbishment and sale of property whilst a second is a manufacturing company which makes doors, window frames and internal fittings for residential homes.

During a round of golf, the client informs John that he intends to dispose of these two businesses and retire overseas. Further, he tells John that he was approached by a prospective buyer who is based in Turkey. The “buyer” has offered a “very competitive price” for each business and wishes to conclude a bargain immediately as the prospective buyer has necessary funds available.

The client advised that he is expecting the buyer to remit the purchase prices during the next two weeks. Thereafter, the client intends to transfer most of the sales proceeds to Florida in anticipation of his relocating there upon retirement from work.

John’s golf partner outlined a sequence of actions which he should like John to perform.

The client’s proposal is that to avoid double handling of money transfers, the expected sales proceeds should be routed directly to the Client Bank Account managed by John’s firm, from which subsequent bank transfers can be arranged and made. From the sales proceeds of £2 million, the client wants the sum of £20,000 invested in a Cash ISA account and £100,000 deposited in a 12-month term account (the solicitor to obtain the best market rate possible).

The sum of £50,000 should be retained in the client account to settle the cost of the legal fees for the work to be performed, with the balance of funds transferred to an account with the Bank of Bermuda (account details to be provided by the client, soonest).

The client acknowledged that the legal process to transfer ownership of the businesses will likely be completed retrospectively but does not expect there to be any issues arising as the purchase price is being paid upfront as a sign of good faith by the buyer.

A few days after the golf course conversation, the client visited the Firm’s office to repeat the details previously mentioned, provided the details of a newly opened Bank of Bermuda account and John confirmed the bank account detail to which the sale proceeds should be remitted in the first instance. John opened a new client file and prepared a file note to record the meeting’s conversation.

The whole of the sale proceeds is received one week following the latest conversation with the client, which coincidently is when John was deputising for the Cashroom Manager who was absent due to a planned vacation.
After the monies were received in the Client Bank Account, the firm’s experienced cashier approached John to express concern regarding a large receipt from an unknown payer which they could not relate to any known client.

As John anticipated receipt of the monies, he assured the cashier that the funds should be recorded against the client disposing of the companies.

Having selected a savings accounts for the client, John instructed the cashier to transfer monies as was discussed with the client.

Subsequent to the receipt of the sales proceeds and making the transfers authorised by the client, John completed the formal process to transfer both companies to the new owner and on behalf of the buyer completed all corresponding actions to complete the transfer process.

John concluded the client’s remit by preparing a fee note/invoice in respect of all of the services rendered and took a £50,000 settlement from the balance of monies held for the client in the Client Bank Account.

**Required**

Consider the scenario above and referring to the LSS Accounting Rules and Money Laundering regulations, prepare a critique of the actions and activity occurring between the Firm and the client.

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**Question B**

You have been approached by a medium sized Firm of solicitors with the proposal that you join the Firm as the Managing Partner.

Currently, the Firm has 4 partners but a founding partner has decided to retire for personal reasons, prompting a need to recruit an experienced practitioner at a time when the Firm’s business activity is expanding.

You are sufficiently interested in the opportunity and agree to speak with the existing partners to explore the Firm’s proposal.

**Required**

i. In anticipation of your exploratory meeting with the Firm’s partners, what action plan and task list will you prepare as a means of determining if the approach by this Firm offers you a positive career opportunity and hence worthy of you evaluating/accepting the proposition?

Prioritise the tasks identified and explain your prioritisation of the tasks which will
influence your response to the Firm’s proposition.

ii. If you join the Firm, what programme of work would you initiated after you are in post?

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**Question C**

Using your knowledge of the Rules as set out and provided in the “LSS Rules and Guidance” document, address the following questions.

**Required**

i. What are the responsibilities of the Cashroom Manager and what skills and knowledge are required to discharge the role?

ii. Who might have an interest (either directly or indirectly) in the outputs created by the Cashroom Manager?

iii. What are the key tasks performed by an MLRO?

iv. Outline a situation when a DAML SAR might be prepared. Is such preparation at the discretion of a Firm? If prepared, who is informed of a DAML SAR?

v. The LSS has prepared a “Draft Money Laundering Risk Assessment Form” which is available to regulated firms on their website. Identify the two primary categories of risk highlighted by the LSS (as featured in the form) and comment on the scope of risk considerations mentioned by the LSS.

vi. The Firm has access to a night safe facility with their bank. Why have such a facility and what are appropriate uses of the facility?

vii. What action is required in the accounting records when a client’s mortgage advance is received ten days before an agreed purchase settlement date?

**END OF QUESTION PAPER**