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

ABC Limited is a long established client. You agree to act for that company in the purchase of commercial property. You take instructions from a director, Mr Jones. He is well known to your firm as you have acted for ABC Limited on his instructions before. You receive from the company £5,000 as a payment to account of various outlays which will be incurred during the transaction.

(a) Are you under any obligation to pay interest to the client on this money? Explain your answer. Identify the Rule under the Accounts Rules.

Halfway through the transaction Mr Jones explains that there has been a change of plan and title will be taken in the name of another company XYZ Limited. XYZ Limited is also a long established client of your firm. You have acted for that company before, again on the instruction of Mr Jones. He is a director of that company. You complete the transaction in the name of XYZ Limited as instructed paying outlays when incurred out of the £5,000. Now that the transaction has concluded you realise that there remains £200 on the client ledger. You no longer need this money as the transaction is completed.

(b) Under the Accounts Rules what are your obligations in relation to this money? Identify the relevant Rule.

You now realise that money belonging to ABC Limited has been used to pay for outlays due to be paid by XYZ Limited.

(c) Has there been a breach of the Accounts Rules? Explain your answer with reference to the Accounts Rules.

(d) With the benefit of hindsight are there any steps which you wish you had taken at the point of instruction by XYZ Limited?

(e) Under the Accounts Rules what is meant by?

(i) “clients’ money”
(ii) “holding ledger”
(iii) “client account”; and
(iv) “balance its books”.

(f) The week before the purchase by XYZ Limited is due to complete Mr Jones explains that his company has recently appointed a new director (Mr Smith) who will take over the instruction of the transaction. You have never met Mr Smith or had prior dealings with him. Do you require to take any steps under the Money Laundering Regulations? Briefly explain your answer.
Question 2

(a) The Accounts Rules set out rules governing the dealings which Solicitors have with client money. Detail the rules relating to drawings from client accounts.

(b) Detail what your obligations are in relation to any client balances held after the conclusion of a matter.

(c) Detail the rules relating to obligations to deliver certificates to the Law Society.

(d) What are your obligations before entering into a bridging loan on behalf of a client?
**Question 3**

Your legal firm has been asked to carry out a commercial property transaction on behalf of a new client. The new client is John Campbell (Edinburgh) Limited. You understand that the company trades in scrap metal and that it wishes to lease a warehousing facility. The company is UK based and has no links with foreign countries. The instruction is coming from Mr John Campbell. Neither the company nor Mr Campbell is an existing client.

(a) With reference to the Regulation 27 of the Money Laundering Regulations what statutory obligations are you under? With reference to Regulation 30 what obligations are you under with regard to timing?

(b) On the information provided, do you need to apply enhanced customer due diligence? Explain your answer.

(c) What is the definition of a PEP under the regulations?

(d) You see from Companies House that Mr Campbell is the sole Director. He does not however own any shares. The shareholding in the company is held as follows:

Mrs Jennifer Campbell – 26 per cent  
The Campbell 1992 Trust for Children – 74 per cent.

(i) What are your obligations with regard to due diligence under the Regulations? 
(ii) List the documentation you would wish to see

**END OF QUESTION PAPER**