

DU VAL – MONEY LAUNDERING – THE FULL STORY

INTRODUCTION:

We have attached a recent article from the NBR, and thought you may wish to read through that to gather examples of the difference between a good faith attempt to manage AML/CFT obligations, and what looks like at the very least to be wilful blindness.

Dimension GRC run training throughout the year for our managed service law firms. This helps those firms to meet their CPD obligations and is also a great tool for starting the type of conversations that help staff think about and examine the challenges they face with daily AML/CFT matters.

One of the frequent statements made by firms is that "we know all of our clients and they are not money launderers!" To a large extent this is true, however, it is also true that most organised money launderers use a law firm to assist in the placement, layering and/or integration of criminal proceeds, so it can't be true all of the time, or for all law firms.

The answer is: that money launderers are not prolific, and in fact they likely represent less than 0.25% of the individuals that seek representation from a law firm. So maybe 1 in 400 clients may be associated with some type of laundering.

This number is a generalisation as well, because some firms provide services that are more suited to money launderers such as managing M&A deals, corporate financing where the funds come from off-shore, and setting up trusts or other legal arrangements that are more attractive for laundering money. Consequently, those firms with a wider set of services may well face attempts to launder money more frequently.

Accordingly, whilst the time, costs and effort to maintain an effective AML/CFT program may seem to be disproportionate compared to the statistical risk, that is actually not the case.

Social harm from money laundering has an outsized effect on the public in general, especially as most non-violent crime is reliant on some type of laundering to reward the criminal, so if we removed the ability of criminals to profit from their illegal endeavours, it would not take long for those bad actors to stop what they were doing if there was no profit in it.

Basically, we are all looking for the proverbial needle in the hay stack, and it is expensive, but! Those cost we incur are actually quite small compared to the damage money laundering does to our society.

I believe it is important to note that our experience with law firms in particular, is that they strive to be compliant, and most of the time we field questions relating to "how can we do better". That attitude is part of the good faith element of all rules and regulations that we as a nation are bound by, and what makes the difference to outcomes.

Lastly for the avoidance of doubt, ICLaw is not, and has never been, a client of Dimension GRC.

