



# GUIDELINES

## LEGAL PRACTITIONERS / LAW PRACTICES (2020 – 2022)

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For other enquiries, please contact us at [STRO@spf.gov.sg](mailto:STRO@spf.gov.sg).

### PURPOSE

The purpose of this publication is to:

- Provide insights and trends observed in the STRs filed by the profession, which in turn allow legal practitioners to better understand their roles in developing a more robust AML/CFT regime in Singapore within the legal profession;
- Assist legal practitioners enhance awareness of how financial criminals might leverage on legal services to achieve their outcomes, by providing case studies and sector-specific suspicious indicators; and
- Communicate the observed strengths and areas of improvement in the filing of STRs to improve the quality and quantity of STRs filed by legal practitioners.

### SCOPE

This publication analyses the STRs submitted by the legal practitioners and law practices in Singapore for a three-year period between January 2020 and December 2022. This publication is designed principally for the use of the following audience:

- Legal practitioners and law practices (hereinafter collectively referred to as “the sector”);
- Ministry of Law; and
- Law Society of Singapore.

## INTRODUCTION

Legal practitioners provide a wide range of legal services. Certain legal services such as conveyancing of property typically involve significant sums of monies which poses higher money laundering and terrorism financing (ML/TF) risks for the sector.

Under section 70D of the Legal Professional Act (LPA), a legal practitioner or law practice that knows or has reasonable grounds to suspect any matter referred to in section 45(1) of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992 (CDSA) must make a suspicious transaction report (STR). Legal practitioners are also required to file STRs pursuant to provisions under section 8 of the Terrorism (Suppression of Financing) Act 2002 (TSOFA). There are also rules and guidelines requiring legal practitioners and law practices to develop and implement internal policies and controls to detect and prevent ML/TF.

The ability of legal practitioners to detect suspicious transactions is important to ensure a robust anti-money laundering and counter-financing of terrorism (AML/CFT) regime in Singapore. Each reporting entity has visibility over different parts of any one chain of events or transactions. Information provided by each reporting entity can help to establish previously unknown linkages between entities/transactions, enabling the Suspicious Transaction Reporting Office (STRO) to develop actionable financial intelligence for the law enforcement agencies (LEAs). For example, legal practitioners may have handled transactions for an entity who is later known to have committed criminal offences. Information on these transactions may assist authorities in their asset recovery efforts.

Law practices that do not comply with AML/CFT measures and/or misused by criminals may attract adverse media coverage not just to themselves, but also diminish Singapore's international reputation as a safe place to do business.

## PROFILE OF STR REPORTING ENTITIES



As of 31 December 2022, the population of law practices in Singapore stands at around 1,220. Only about 4.8% of law practices in Singapore have filed at least one STR between 2020 and 2022.

## CHARACTERISTICS OF STRS FILED

This section outlines the reported characteristics identified in the STRs filed by the sector that are not on behalf of their clients. Based on the identified common characteristics in the STRs filed, the STRs had been categorised into four areas as shown in Chart 1. 80% of STRs filed by the sector relates to real estate property transactions, ranging from purchase, sale, redemption of housing loan and others.

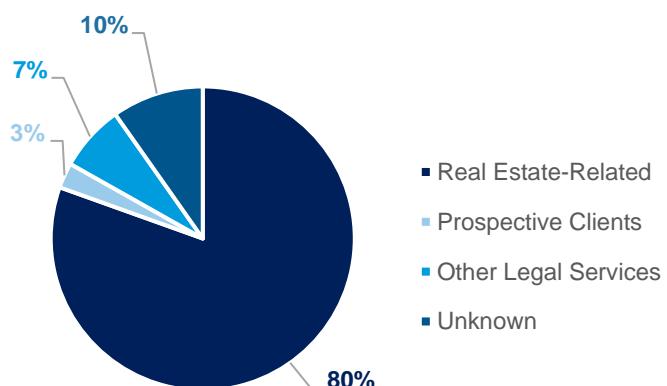
Real estate-related services such as conveyance continue to be a key risk area susceptible to money laundering activities. A large portion of the STRs filed relating to real estate featured non-financed purchase of property or the source of wealth/fund of the client being unknown.

As identified in Financial Action Task Force (FATF) 2021-2022 annual report, real estate attracts criminals who use real estate in their illicit activities or to launder their criminal profits. Further, the real estate sector was found to generally have a poor understanding of the risks they faced. Legal practitioners who frequently deal with real estate transactions may refer to the Risk-based Approach Guidance for the Real Estate Sector published by FATF on 26 July 2022<sup>1</sup> for detailed guidance on how to mitigate the money laundering risks.

About 3% of the STRs filed by the sector during the period of review were in relation to prospective clients or failed transactions. STRO would like to encourage reporting entities to continue to file such STRs - the obligation to file STRs remains even when a legal practitioner had rejected a prospective client. If a STR is filed on a rejected client due to suspicion of money laundering or terrorism financing, the assessment and findings by the legal practitioner, including the reason for rejection, should be included in the STR.

Other legal services include advice given for share transactions, purchase and sale of products, incorporation of new companies, etc. While it is commendable that the sector had become sensitised to the risks relating to

**CHART 1**      **CHARACTERISTICS OF STRS FILED**



<sup>1</sup> <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Guidance-rba-real-estate-sector.html>

real estate transactions, they should also be mindful and stay vigilant of the AML/CFT risks posed by other services offered by the sector and consider filing STRs, where appropriate.

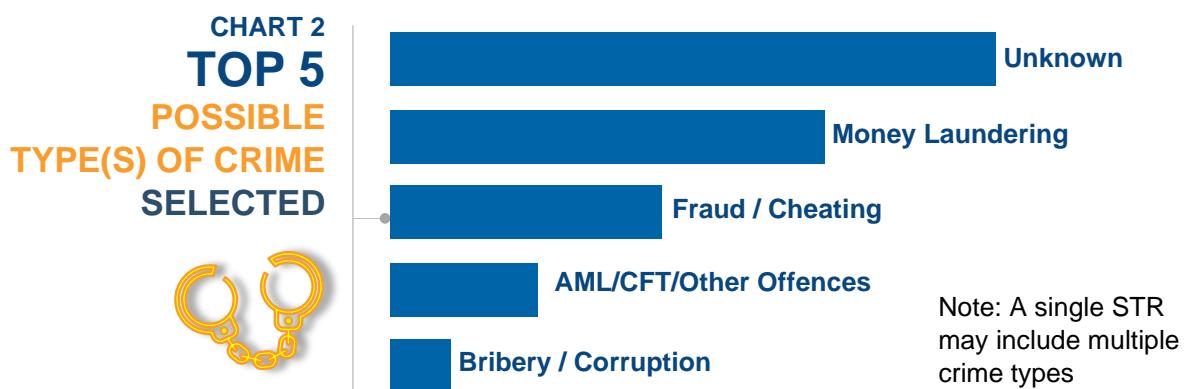
The remaining STRs filed by the sector cannot be categorised due to insufficient information in the STR. STRO would like to remind reporting entities that sufficient information should be included in the STRs to facilitate the understanding of the reporting entity's role in the event that triggered the STR filing and why the STR was filed.

Incomplete narratives that do not clarify the relationship between entities or do not elaborate on the suspicious activity will reduce the usefulness of the STR. In particular, STRs that were submitted with the reasons for suspicion left blank or only stated that the transaction was not financed without further elaboration, are of limited use. The sector should provide narratives that are clear and concise to explain the basis of filing the STR. High quality STRs enhance STRO's analysis and enable meaningful insights to be drawn.

## REASONS FOR FILING – POSSIBLE TYPE(S) OF CRIME (TOC)

STRO observed that the sector selected "Not Established/Unknown" instead of a specific TOC for majority of STRs filed between 2020 and 2022 (Chart 2). A majority of these STRs relates to the reporting entity having insufficient information on the source of wealth/funds of their client.

If the transaction with unknown source of fund/wealth arouses the reporting entity's suspicion, the reporting entity may wish to consider if re-evaluation of the client's ML/TF risk profile is necessary. The reporting entity should also consider conducting further due diligence on these clients where necessary.



## REASONS FOR FILING – CATEGORIES OF SUSPICION (“COS”)

Majority of STRs were filed due to the reporting entities’ inability to determine the source of wealth of the client or the source of funds for a transaction. The top 10 reasons<sup>2</sup> for filing STRs from 2020 to 2022 are:



### Anomalies noted during Customer Due Diligence

- Unable to determine source of wealth
- Entity was unable/unwilling to provide information/documentation
- Unable to determine relationship between entity and transacting party/parties
- Entity(s) featured in adverse news/transactions with entity(s) featured in adverse news
- Financial activity inconsistent with known profile of entity
- Questionable or false information/document was/were provided during onboarding

### Structuring/Layering of Transactions

- Unable to determine source of funds
- Large cash transactions
- Unusual/uneconomic movement of funds
- Transactions using separate entities to conceal the source of funds/orderer of transactions

Please refer to Annex C for the list of red flag indicators according to the different COS to raise the sector’s awareness of common money laundering methods used. Legal practitioners are reminded to remain vigilant and mindful of the red flag indicators, especially money laundering typologies, since criminals and potential launderers might leverage on using the legal profession to create a veil of legitimacy for criminal proceeds.

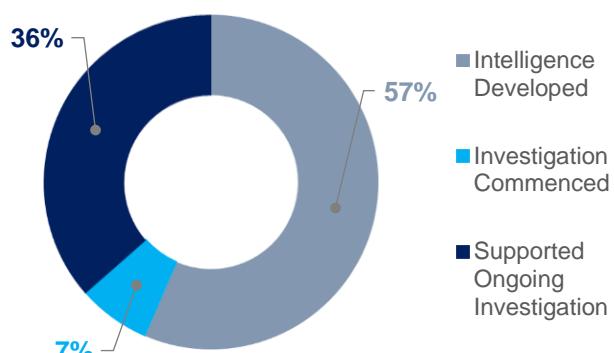
## OUTCOME OF STRS DISSEMINATED

Financial intelligence is crucial to investigations as it may provide leads to commence investigations or support ongoing investigations. Preliminary financial intelligence can also be used to develop further intelligence, identify emerging crime trends or detect possible crimes.

Of the STRs filed by the sector during the review period, about 17% were disseminated to LEAs and 7% of the STRs disseminated led to investigation commencing<sup>3</sup> (Chart 3). The number of STRs disseminated provides an indication of the usefulness of the information provided in the STRs. STRO hopes to work with the sector to continually improve on the quality of STRs filed such that more of these STRs filed could translate into actionable intelligence that our LEAs can use to initiate and/or assist investigation.

CHART 3

### IMPACT OF STRS DISSEMINATED



<sup>2</sup> A single STR may include multiple COS selections.

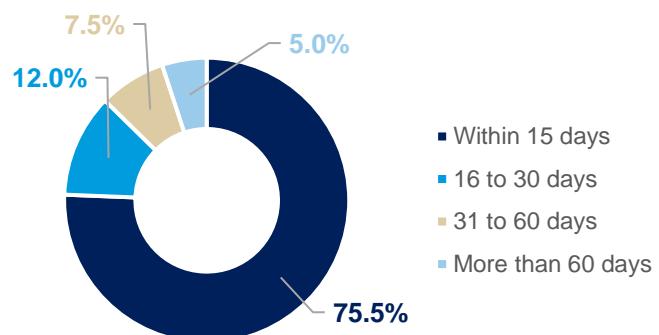
<sup>3</sup> The statistics are accurate and correct as of October 2023 as information disseminated to LEAs takes time to result in commencing or supporting investigations and is fluid.

## TIMELINESS OF STR REPORTING

75.5% of the STRs filed during the review period were filed within 15 business days<sup>4</sup> after the date in which knowledge of the suspicion was first formed (Chart 4).

A STR must be filed as soon as practicable. Late filings may impact adversely on LEAs' ability to take swift enforcement action where necessary. Therefore, it is imperative that the sector ensures that their internal systems support the timely filing of STRs and avoid unnecessary delay.

**CHART 4 TIMELINESS OF REPORTING**



## MODE OF STR REPORTING

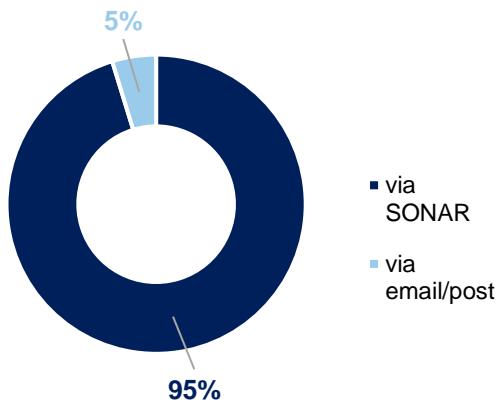


Since the introduction of the one-stop e-services portal, the STRO Online Notices and Reporting Platform (SONAR) in August 2018, the majority of STRs received from the sector had been through SONAR. Between 2020-2022, 95% of STRs were filed via the e-services platform while 5% were via post or email. Almost all STRs which were not filed via SONAR were filed by law practitioners.

In order to improve efficiency and enhance STRO's data analytics capabilities to disseminate more timely and relevant financial intelligence to our law enforcement and regulatory counterparts, STRO strongly encourages the sector to report suspicious transactions electronically. This includes STRs which are filed on behalf of a client. Additionally, if a STR is submitted on behalf of a client, please indicate this clearly in the narrative of the report. The reporting entity does not need to include their name in the reason for suspicion free-text field.

Reporting entities are also reminded to ensure that all the structured fields within the form are populated to the fullest extent possible. The data points collected from the structured fields allow STRO to identify possible trends emerging from the STRs filed by the sector.

**CHART 5 MODE OF STR REPORTING, 2020 - 2022**



<sup>4</sup> Banks are required to file an STR within 15 business days of detection, as set out in the Guidelines to MAS Notice 626 on prevention of ML/TF. STRO notes that there is no such equivalent benchmark applicable for the sector.

## POTENTIAL RISK AREAS

STRO has highlighted two risk areas below based on the STRs filed by the sector in the review period. The sector should consider whether the risk areas are sufficiently mitigated and take appropriate measures if required.

### RISK AREA 1 – ML/TL RISKS FACED OTHER THAN REAL ESTATE TRANSACTIONS

While the large proportion of STRs relating to real estate transactions filed by legal practitioners indicates a high level of awareness of the ML/TF risks relating to such transactions, the sector should be attuned to other potential ML/TL risks faced.

Five specific activities are highlighted in the FATF's Guidance for a risk-based approach for legal practitioners as being more susceptible to ML/TF activities:

1. buying and selling of real estate;
2. managing of client money, securities or other assets;
3. management of bank, savings or securities accounts;
4. organisation of contributions for the creation, operation or management of companies; and
5. creating, operating or management of legal persons or arrangements and buying and selling of business entities.

Aside from real estate transactions, the STRs filed on the four other highlighted areas remain low. Each legal practitioner has a part to play in ensuring that there is a robust risk-based approach to tackling ML/TF risk in Singapore. STRO encourages all legal practitioners to be more aware of their client's circumstances when providing legal service relating to any of the five activities highlighted in the FATF's Guidance above, especially given Singapore's status as one of the international financial centres.

### RISK AREA 2 – UNSUBSTANTIATED OR UNKNOWN SOURCE OF WEALTH

On 8 February 2024, the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992 (CDSA) had been amended<sup>5</sup> to introduce rash and negligent money laundering as new offences under the Act.

A significant proportion of STRs filed by the sector relates to unsubstantiated or unknown source of wealth/funds. Unsubstantiated or unknown sources of wealth could possibly be linked to crime. As prescribed in the (Prevention of Money Laundering and Financing of Terrorism) Rules 2015, legal practitioners are required to conduct customer due diligence (CDD) and enhanced CDD where appropriate. When there are risks of ML/TF, legal practitioners should take reasonable measures to establish the source of wealth. STRs filed due to suspicious source of wealth should include the findings from legal practitioners' attempt to establish the source of wealth.

<sup>5</sup> <https://www.mha.gov.sg/mediaroom/press-releases/commencement-of-amendments-to-the-computer-misuse-act-and-corruption-drug-trafficking-and-other-serious-offences-confiscation-of-benefits-act/>

## CURRENT STRENGTHS

STRO noted that more STRs have been filed during the review period on declined customer relationships. Information on declined customer relationship can be useful in identifying entities which are trying to infiltrate Singapore's financial system by visiting multiple different legal practitioners after being rejected. It is imperative for the sector to remain vigilant against ML/TF threats as criminals would probe for the weakest link within the sector to launder funds.

The STRs filed by the sector generally contains sufficient identifiers on the entity it is filed on. Identifying information such as passport number, registration number and date of birth/registration are mostly provided in the STR form. Such information is important as it helps to verify whether the subjects are true match against other reports received or are person of interests in active investigations.

STRO also notes that screenings against commercially available databases were performed on clients and potential clients. These screenings are helpful in assisting the reporting entities to identify clients or prospective clients that are of higher risk. Reporting entities should conduct further assessments upon screening hits on whether ML/TF risks had been sufficiently mitigated by their current processes and whether any further information is required before providing any service to the client.

## AREAS FOR IMPROVEMENT

Key areas for improvement and the corresponding recommended action(s) are highlighted below. Please refer to Annexes A and B for case studies featuring best practices of STR filing and the common deficiencies identified.

S/N	Description	Recommended Action
1	Insufficient information provided in the “Reasons for Suspicion” free-text field on the basis of filing the STR.	Include narratives that are clear, concise and thorough in the “Reasons for Suspicion” free-text field of the STR form.
2	Blank “Reasons for Suspicion” free-text field submitted (no explanation or context given for filing the STR).	Provide sufficient information that would allow the reader to understand the role of the reporting entity, the entities involved and basis of filing the STR.
3	No/limited property information provided when the STR relates to a property purchase/sale.	Provide the property information, the unit number, the purchase price, the transaction date, buyer and seller information and the counterparty's solicitor where available.
4	No details provided on why the source of funds/wealth could not be determined.	Provide elaboration on the reasons on why source of funds/wealth cannot be determined.  Include the findings from CDD or any additional measures taken to establish source of funds/wealth.

## Conclusion

In the review period, the majority of the STRs filed by the sector relates to real estate transactions, which is indicative of sector's heightened awareness of the risks involved in these transactions. However, given that the sector provides other types of services which may be susceptible to ML/TF risks, the sector should remain vigilant regardless of the service provided and consider filing STRs where appropriate.

The sector had demonstrated good use of structured fields when filing STRs and provided sufficient identifiers on the entities in the STRs filed. However, as some of the narratives provided in the STRs filed are sparse as seen in Annex B, the sector should work towards improving the quality when filing STRs. A key area for improvement is to provide sufficient context, elaborate on the grounds for suspicion and provide any additional information that may be helpful to the authorities but are not captured in the structured fields of the STR, such as findings from CDD and property information. The case studies in the next section aims to assist reporting entities in how to improve their STR filings.

Finally, STRO hopes that this guideline would allow the sector to gain a better understanding of the STR regime in Singapore and continue staying vigilant. We would like to emphasize the importance of the role each of us play in upholding the integrity of Singapore's financial system.

## Annex A – Case Studies to highlight Best Practices when filing STRs

### Case Study 1: Clear Reasons for Suspicion Narrative

#### Part VI:

##### Reasons for Suspicion (ROS) [Summary]

The reporting entity was instructed by foreign Company A to act for them in a deal involving purchase of products from Company B and sale of the same product to Company C. The reporting entity did not identify any red flags regarding the deal and proceeded to provide the required legal service for the deal.

Subsequently, the reporting entity was requested to act for another deal by Company A involving Company D. Company A rushed the reporting entity to complete the deal and did not give the reporting entity sufficient time to conduct their risk checks on Company D.

The reporting entity was requested to hold funds as part of an escrow arrangement and were given little time to review the escrow agreements.

The reporting entity realised that there were multiple red flags involved in their situation and choose to exit the client.

Details of the red flags such as passthrough transactions, the way the client rushed the reporting entity to complete transactions without conducting risk checks and other red flags were detailed in the STR.

- ✓ Clear indication of the reporting entity's role and the service provided to the client.
- ✓ Provided detailed grounds for suspicion provided and description of red flags encountered during the provision of service to the client.

## Case Study 2: Clear Reasons for Suspicion Narrative and Sufficient Identifiers Provided

### Part III: Entity Profile

Identifiers were provided in the structured fields on the company, directors, and shareholders.

### Part VI: Reasons for Suspicion (ROS) [Summary]

The reporting entity was instructed by Company A to act for them in a potential acquisition of Company B by conducting due diligence on Company B.

Company B is 51% owned by 3 Singapore Citizens while 49% owned by Company C in Country X. As part of the due diligence process, it was revealed that the 3 Singapore Citizens were holding the shares of Company B on trust for Company C. Company C is the actual ultimate beneficial owner of Company B with 100% ownership of Company B.

In the course of inspecting Company B, the reporting entity noted Company B received Government Grant X from the Singapore Government. Further open-source searches by the reporting entity found that Government Grant X required grant recipients to have a certain percentage of ownership by Singapore Citizens or Singapore Permanent Residents, determined by the ultimate beneficial ownership.

The reporting entity then realised that there was a possibility of a section 420 Penal Code 1871 cheating offence committed by Company B. It seemed likely that there was false declaration of ownership for Company B to receive Government Grant X despite knowledge that Company B was beneficially owned by Company C in Country X.

Finally, the reporting entity provided legal advice to Company A and filed a STR due to the possible criminal offence by Company B.

- ✓ Clear indication of what the reporting entity's role.
- ✓ Description of the events that led to the reporting entity developing suspicion of the client's counterparty.
- ✓ Sufficient identifiers were provided in the structured fields of the STR form.

### Case Study 3: Rejected Prospective Client due to ML/TF Concerns and Clear Reasons for Suspicion Narrative

#### Part III: Entity Profile

Identifiers were provided in the structured fields on the entities involved.

#### Part VI: Reasons for Suspicion (ROS) [Summary]

The reporting entity was approached by Company A to offer legal services relating to the sale of a yacht, Yacht X. The name of Yacht X and the owner of Yacht X was provided in the STR.

Based on screening conducted by the reporting entity, they noted that Company A is owned by Individual X.

Individual X was noted to be under investigation in Country X for investment fraud.

The reporting entity noted that victims of the investment fraud had alleged that Individual X used a yacht to demonstrate his wealth, as part of his marketing tactic to convince victims to invest. The reporting entity suspected that Yacht X is the yacht used by Individual X for his fraudulent scheme and may be proceeds of crime.

The reporting entity declined to provide legal services to Company A and filed a STR.

- ✓ The reporting entity filed a STR after declining the engagement.
- ✓ Clear indication of the reporting entity's role and type of service being requested.
- ✓ Description of the events that led to the reporting entity developing suspicion of the entity.
- ✓ Conclusion of action taken by the reporting entity in respect of the suspicious transaction highlighted.
- ✓ Accurate and complete information provided in the structured fields of the STR form.

## Annex B – Case Studies to highlight Areas for Improvement when filing STRs

Case Study 4: Lack of Context provided in STR filed	
<p>The following STRs have their Reasons for Suspicion (ROS) reproduced in full. The STRs below lack a clear and comprehensive narrative. Incomplete narratives that do not describe the entity's relationships or do not explain the nature of the ongoing suspicious activity reduce the usefulness of the STR.</p>	
Case Study 4-1	Case Study 4-2
<blank>	FULL CASH PURCHASE OF PROPERTY IN SINGAPORE
<ul style="list-style-type: none"> <li>✖ STRs were filed by the sector with a blank "Reasons for Suspicion" free-text field in Part VI of the STR form.</li> <li>✖ No information provided on how the reporting entity came to know of the suspicious activities and the grounds for suspicion.</li> </ul>	<ul style="list-style-type: none"> <li>✖ Details, such as the property address, the amount paid, the transaction date, any CDD findings on the client, observations on client's suspicious behaviour, etc should be provided.</li> <li>✖ It is also unclear as to whether physical cash was used by the client or that the reporting entity meant that no loan was obtained by the client for the property purchase.</li> </ul>
Case Study 4-3	Case Study 4-4
Unable to determine source of wealth/funds.	Huge cash price involved from 3rd party source.
<ul style="list-style-type: none"> <li>✖ It is unclear how the reporting entity came to know of the suspicious transactions or the type of legal service the reporting entity provided.</li> <li>✖ There was also no context given on the type of transaction, whether it was a property sale or a company acquisition, etc. was occurring and how each entity was involved.</li> <li>✖ There was also no information on the subsequent steps taken by the reporting entity to establish the source of wealth/funds.</li> </ul>	

### Case Study 5: STR filed solely due to possible matches to commercial screening databases

In addition to screening their prospective clients/clients against open-source information and/or commercially available databases, the reporting entity should provide further elaboration such as identification, circumstantial or background information on the subject, to justify if the match could be a true hit. Where relevant, the reporting entity should provide details of any suspicious activities/transactions observed.

## Annex C – Red Flag Indicators

### Red flags identified by STRO and the Law Society of Singapore

#### Type of Client (Client risk factors)

- Non-resident client and client who has no address or multiple addresses.
- Client or beneficial owner is a politically-exposed individual or a family member or close associate of any such individual.
- Legal persons or arrangements that are personal asset holding vehicles.
- Companies with nominee shareholders or bearer shares.
- Businesses that are cash-intensive.
- Client with criminal convictions involving fraud or dishonesty.
- Client shows an unusual familiarity with respect to the ordinary standards provided for by the law in the matter of satisfactory client identification.
- Client who asks for short-cuts and unexplained speed in completing the transaction.
- Client is overly secretive or evasive (e.g. of who the beneficial owner is, or the source of funds).
- Client is actively avoiding personal contact without good reason.
- Client is willing to pay fees without requirement for legal work to be undertaken (other than deposits as requested by you in advance of the work to be undertaken).

#### Type of Client (Country/territory risk factors)

- Client is from or in any country or jurisdiction in relation to which the FATF has called for countermeasures or enhanced client due diligence measures.
- Client is from or in any country or jurisdiction known to have inadequate measures to prevent money laundering and the financing of terrorism.

#### The business relationship with the client

- Instructions to a legal practitioner or law practice at a distance from the client or transaction without legitimate or economic reason.
- Instructions to a legal practitioner or law practice without experience in a particular specialty or without experience in providing services in complicated or especially large transactions.
- Use of client account without underlying legal services provided.
- Payments are made by the client in actual cash (in the form of notes and coins).
- The transaction relates to, any country or jurisdiction in relation to which the FATF has called for countermeasures or enhanced client due diligence measures.
- Disproportionate amount of private funding for the purchase of real estate/property which is inconsistent with the socio-economic profile of the client.
- Large cash payments made for purchase of interest in land whose value is far less, or the method of funding is unusual such as funding from a third party who is not a relative or known to the buyer, or there is an

absence of any logical explanation from the parties why the property is owned by multiple owners or by nominee companies.

- Unusually high levels of assets or unusually large transactions in relation to what might reasonably be expected of clients with a similar profile.
- Transfer of real estate between parties in an unusually short time period.
- Requests by the client for payments to third parties without substantiating reason or corresponding transaction.
- Instructions by the client for the creation of complicated ownership structures where there is no legitimate or economic reason.
- Disputes which are settled too easily, with little involvement by the legal practitioner or law practice (may indicate sham litigation).
- Abandoned transactions with no concern for the fee level.
- Loss making transactions where the loss is avoidable.
- An absence of documentation to support the client's story, previous transactions or company activities.
- Unexplained use of express trusts.
- Unexplained delegation of authority by the client through the use of powers of attorney, mixed boards and representative offices.
- In the case of express trusts, an unexplained relationship between a settlor and beneficiaries with a vested right, other beneficiaries and persons who are the object of a power.
- In the case of an express trust, an unexplained (where explanation is warranted) nature of classes of beneficiaries and classes within an expression of wishes.

## Red flags identified by the FATF

The FATF identified red flags in their publication Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals. Legal Practitioners are encouraged to review this list to aid their understanding and future identification of suspicious activity.

### **Red flags about the client:**

#### **The client:**

- Is using an agent or intermediary without good reason
- Is actively avoiding personal contact without good reason
- Is reluctant to provide or refuses to provide information, data and documents usually required in order to enable the transaction's execution
- Holds or has previously held a public position (political or high-level professional appointment) or has professional or family ties to such an individual and is engaged in unusual private business given the frequency or characteristics involved
- Provides false or counterfeited documentation
- Is a business entity that cannot be found on the internet and/or uses an email address with a domain part such as Hotmail, Gmail, Yahoo etc., especially if the client is otherwise secretive or avoids direct contact
- Is known to have convictions for acquisitive crime, known to be currently under investigation for acquisitive crime or have known connections to criminals
- Is or is related to or is a known associate of a person listed as being involved or suspected of involvement with terrorist or terrorist financing related activities
- Shows an unusual familiarity with respect to the ordinary standards provided for by the law in the matter of satisfactory customer identification, data entries, and suspicious transaction reports – that is, asks repeated questions on the procedures for applying the ordinary standards

#### **The parties:**

- The parties or their representatives (and, where applicable, the real owners or intermediary companies in the chain of ownership of legal entities) are native to, resident in, or incorporated in a high-risk country
- The parties to the transaction are connected without an apparent business reason
- The ties between the parties of a family, employment, corporate or any other nature generate doubts as to the real nature or reason for the transaction
- There are multiple appearances of the same parties in transactions over a short period of time
- The age of the executing parties is unusual for the transaction, especially if they are under legal age, or the executing parties are incapacitated, and there is no logical explanation for their involvement
- There are attempts to disguise the real owner or parties to the transaction
- The person actually directing the operation is not one of the formal parties to the transaction or the representative
- The natural person acting as the director or representative does not appear to be a suitable representative

### Red flags in the source of funds:

- The transaction involves a disproportionate amount of private funding, bearer cheques or cash, especially if it is inconsistent with the socio-economic profile of the individual or the company's economic profile
- The client or third party is contributing a significant sum in cash as collateral provided by the borrower/debtor rather than simply using those funds directly, without logical explanation
- The source of funds is unusual, eg:
  - Third party funding either for the transaction or for the fees taxes involved with no apparent connection or legitimate explanation
  - Funds received from or sent to a foreign country when there is no apparent connection between the country and the client
  - Funds received from or sent to high-risk countries
  - The client is using multiple bank accounts or foreign accounts without good reason
- Private expenditure is funded by a company, business, or government
- Selecting the method of payment has been deferred to a date very close to the time of notarisation, in a jurisdiction where the method of payment is normally included in the contract, particularly if no guarantee securing the payment is established, without logical explanation
- An unusually short repayment period has been set without logical explanation
- Mortgages are repeatedly repaid significantly prior to the initially agreed maturity date, with no logical explanation
- The asset is purchased with cash and then rapidly used as collateral for a loan
- There is a request to change the payment procedures previously agreed upon without logical explanation, especially when payment instruments are suggested that are not appropriate for the common practice used for the ordered transaction
- Finance is provided by a lender, either a natural or legal person, other than a credit institution, with no logical explanation or economic justification
- The collateral being provided for the transaction is currently located in a high-risk country
- There has been a significant increase in capital for a recently incorporated company or successive contributions over a short period of time to the same company, with no logical explanation
- There has been an increase in capital from a foreign country, which either has no relationship to the company or is high risk
- The company receives an injection of capital or assets in kind that is notably high in comparison to the business, size or market value of the company performing, with no logical explanation
- There is an excessively high or low price attached to the securities transferred, with regard to any circumstance indicating such an excess (eg, volume of revenue, trade or business; premises; size; knowledge of declaration of systematic losses or gains) or with regard to the sum declared in another operation
- There are large financial transactions, especially if requested by recently created companies, where these transactions are not justified by the corporate purpose, the activity of the client or the possible group of companies to which it belongs or other justifiable reasons

**Red flags in the choice of lawyer:**

- Instruction of a legal professional at a distance from the client or transaction without legitimate or economic reason
- Instruction of a legal professional without experience in a particular speciality or without experience in providing services in complicated or especially large transactions
- The client is prepared to pay substantially higher fees than usual, without legitimate reason
- The client has changed advisor a number of times in a short space of time or engaged multiple legal advisors without legitimate reason
- The required service was refused by another professional or the relationship with another professional was terminated

**Red flags in the nature of the retainer:**

**The transaction is unusual, eg:**

- The type of operation being notarised is clearly inconsistent with the size, age, or activity of the legal entity or natural person acting
- The transactions are unusual because of their size, nature, frequency, or manner of execution
- There are remarkable and highly significant differences between the declared price and the approximate or actual values in accordance with any reference that could give an approximate idea of this value or in the judgement of a legal professional
- A non-profit organisation requests services for purposes or transactions not compatible with those declared or not typical for that body

**The client:**

- Is involved in transactions that do not correspond to his/her normal professional or business activities
- Shows he/she does not have a suitable knowledge of the nature, object or the purpose of the professional performance requested
- Wishes to establish or take over a legal person with a dubious description of the aim, or a description of the aim that is not related to their normal professional or commercial activities, or their other activities, or with a description of the aim for which a licence is required, while the customer does not have an intention to obtain such a licence
- Frequently changes legal structures and/or managers of legal persons
- Asks for short cuts or unexplained speed in completing a transaction
- Appears very disinterested in the outcome of the retainer
- Requires introduction to financial institutions to help secure banking facilities
- Creation of complicated ownership structures when there is no legitimate or economic reason
- Involvement of structures with multiple countries where there is no apparent link to the client or transaction, with no legitimate or economic reason
- Incorporation and/or purchase of stock or securities of several companies, enterprises or legal entities within a short space of time with elements in common (one or several partners or shareholders, director, registered company office, corporate purpose etc.) with no logical explanation

- There is an absence of documentation to support the client's story, previous transactions, or company activities
- There are several elements in common between a number of transactions in a short period of time without logical explanations
- Back-to-back (or ABC) property transactions, with rapidly increasing value or purchase price
- Abandoned transactions with no concern for the fee level or after receipt of funds
- There are unexplained changes in instructions, especially at the last minute
- The retainer exclusively relates to keeping documents or other goods, holding large deposits of money or otherwise using the client account without the provision of legal services
- There is a lack of sensible commercial/financial/tax or legal reason for the transaction
- There is increased complexity in the transaction or the structures used for the transaction that results in higher taxes and fees than apparently necessary
- A power of attorney is sought for the administration or disposal of assets under conditions that are unusual, where there is no logical explanation
- Investment in immovable property, in the absence of any links with the place where the property is located and/or of any financial advantage from the investment
- Litigation is settled too easily or quickly, with little/no involvement by the legal professional retained
- Requests for payments to third parties without substantiating reason or corresponding transaction.