

Important Changes to the Anti-Money Laundering Rules for Lawyers

Leah Kosokowsky, Director - Regulation



On January 1, 2020, rule changes affecting client identification and verification and the receipt of cash will come into effect.

What does this mean for you?

All firms need to review and revise their processes to ensure compliance with the existing and new rules. These rules are critically important in the international fight against money laundering and terrorism financing and thus compliance will be enforced robustly.

What help can you expect?

The Law Society will provide several education sessions with resource material to assist you. The education sessions will be provided at no cost and can be applied toward your annual continuing professional development requirements.

Why are we making these changes?

Lawyers must never knowingly assist in or encourage any dishonesty, fraud, crime or illegal conduct. As the *Code of Professional Conduct* puts it, “a lawyer should be on guard against becoming the tool or dupe of an unscrupulous client or others and should be alert to and avoid unwittingly becoming involved with a client or others engaged in criminal activities such as mortgage fraud or money laundering”.

Money laundering and terrorism financing are significant global problems. Lawyers and law firms do not want to knowingly or unknowingly allow clients to launder money by washing it through a lawyer’s trust account.

For some time, the Law Society has had two sets of rules in place, known as the “client identification and verification rules” and the “no cash rules”. These decade-old rules were based on model rules developed by the Federation of Law Societies in an effort to help lawyers prevent money laundering. Over the last several years Canadian law societies have identified that to be effective a more robust set of rules is required. After consultation with the legal profession throughout Canada, the Federation of Law Societies changed the model rules in October 2018, which changes were adopted by the Law Society of Manitoba benchers in May of 2019. The new rule amendments are being drafted and will be finalized by the benchers this fall with an implementation date of January 1, 2020 for all Manitoba lawyers.

What Kind of Changes can you expect?

Receipt of Cash Rules

- Additional definitions
- Greater clarity
- Fewer exceptions to the rule that prohibits lawyers from accepting cash in excess of \$7,500.

continued on page 5

Important Changes to the Anti-Money Laundering Rules for Lawyers

continued from page 4

Client Identification and Verification Rules

- Greater clarity of the information that must be obtained and recorded when identifying clients on all files
- New methods to verify a client's identity on files where you are paying, receiving or transferring funds
- Clarification of files exempt from verification
- Removal of the "reasonable measures" standard for verifying identity
- Obligation to inquire into the source of the funds
- Reduced time to verify a client's identity
- Additional obligations when handling financial matters for corporations, businesses, trusts or other entities
- Amendments relating to the use of agents
- Ongoing monitoring obligations articulated

New Trust Accounting Rule

- New rule expressly prohibiting lawyers from depositing any monies into trust other than trust money that is directly related to legal services that are being provided
- This will eliminate the ability of lawyers to deposit fiduciary property into trust when acting solely in a representative capacity
- No change to other recently enacted rules that place record keeping and reporting requirements on lawyers who act in representative capacity

Check the Law Society of Manitoba [website](#) in the near future for dates and registration details for the education sessions.