

The Accounts Rules

Tuesday 5 November 2025

2.30pm to 4.00pm

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.

When applicable, an answer should refer to The Accounts Rule identifier.

Question 1

- a) What are the roles and responsibilities of a Cashroom Manager?
- b) Detail the specific Accounts Rules relating to drawings from clients' accounts.
- c) What are a firm's obligations before entering into a bridging loan on behalf of clients?
- d) The Money Laundering Regulations impose an obligation on legal firms to take appropriate steps to identify and assess the risks of money laundering and terrorist financing to which its business is subject.

List the obligations which legal firms are under when carrying out this risk assessment.

- e) Under regulation 18 of the MLR, firms that are within scope of the MLR must have a written FWRA in place. This has also been a legal requirement since 26 June 2017.

The LSS web site notes that CMRAs and FWRA are often mentioned alongside each other, however it is important to understand the differences between these documents.

Expand the two acronyms to full text.

Explain the aims of each of the two documents.

- f) The AML guidance mandated by the LSS obliges legal firms to establish and maintain policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified in [their] risk assessment.

List what must be included in the policies, controls and procedures (PCPs).

Who would you expect to take the lead in compiling the PCPs for a practice unit?

Question 2

- a) List the principal obligations imposed by Regulation 21 relative to internal controls.
- b) Write brief notes explaining:
 - i) when you would use enhanced customer due diligence
 - ii) when you would use simplified due diligence
 - iii) the differences between the two.

- c) When a Cashroom Manager intimates that they are to leave a firm, how quickly should a replacement be appointed? Who will make the appointment?

What approvals are required?

What would likely happen in the interim period between a CM's departure and a new appointment being made?

- d) What is the frequency of account reconciliations? What is being reconciled? Explain the matching/comparison process which is performed to affirm that the accounting records are correct.
- e) Who is accountable for ensuring that the reconciliation is completed satisfactorily? If the reconciliation process is unsuccessful, what are the resultant actions?
- f) The firm has two associated clients who have asked that monies be transferred from one to the other.

Is this an action which a firm may perform within the Accounts Rules?

If so, what caveats would apply to any potential inter-client transfer?

Refer to any/all of the applicable rule(s) in your response.

- g) A client remits the sum of £5,000 to a firm as a payment to account of various, prospective outlays and fees.

Explain your firm's obligations in respect of that money if retained.

- h) What are the responsibilities of the Cashroom Manager and what skills and knowledge are required to discharge the role?
- i) Who might have an interest (either directly or indirectly) in the outputs created by the Cashroom Manager role? The response should identify multiple outputs which are a CM's responsibility.

Question 3

The LSS conducted a limited survey of regulated members (September 2024) to determine the extent of members understanding of the DAML and SARs regime. The survey findings highlighted a mixed understanding of both.

As an MLRO, you are expected fully understand the regime under the Proceeds of Crime Act 2002.

- a) You are required to explain the purpose of each report (i.e. DAML and SAR).
- b) When would it be appropriate to prepare and submit a SAR.
- c) Outline a situation when a DAML or SAR might be prepared. Is such preparation at the discretion of a Firm?
- d) Who will receive any SAR / DAML report which is prepared?
- e) What do you understand by the expression "Tipping Off"? What are the implications if Tipping Off were to occur?
- f) What are the multiple key tasks performed by an MLRO?
- g) Consider the following scenario and respond to the questions which follow.

Four weeks ago, you were recruited as a junior partner by Top Notch, a firm of solicitors.

At your first partners meeting, you were informed that due to personal reasons, a senior partner would be retiring from the firm. The formal departure is scheduled to happen in 3 weeks' time.

The retiree is the designated Cashroom Manager of the firm and the firm's management team decided that you would be the replacement and assume the CM responsibilities as soon as possible.

Required:

- i) Using the scenario information above, identify and explain what you regard as the immediate considerations as a result of the management decision that you are to assume the role of Cashroom Manager.
- ii) Why is there a need for you to assume responsibility for the Cashroom Manager role as soon as possible?
- iii) Who has oversight responsibilities of your role as Cashroom Manager and who do you expect will assess your performance in this role?

END OF PAPER