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Occupation, Organisation, Opportunity, and Oversight: Law Firm Client Accounts and (Anti-)Money Laundering

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Abstract
The misuse of law firm pooled client accounts has been identified as one of the primary areas of money laundering and terrorist financing risk for the legal profession. This article demonstrates the varied role that client accounts can play in money laundering, through both purposeful exploitation (by the predicate offender, the lawyer/law firm, or both) of the client account or of other legitimate business processes in which the client account inevitably plays a role, and/or a failure to fulfil regulatory requirements. It examines how the nature of law firm pooled client accounts in the UK creates and shapes an 'opportunity structure' for money laundering, and the occupational and organisational context of this opportunity structure. The article argues that examining the opportunity structures created by client accounts is a more useful approach than categorising them as inherently low, medium or high risk, as is seen in many national risk assessments and reports. Identifying the factors that create opportunities for money laundering through law firm client accounts can direct policymakers striving to prevent money laundering in the legal profession towards more targeted oversight mechanisms.

Keywords Money Laundering · Legal profession · Client (trust) accounts · Opportunity structures · White-collar crime

Introduction

The misuse of law firm pooled client accounts[1] has been identified as one of the primary areas of money laundering (and terrorist financing) risk for the legal profession, alongside real estate transactions, trust and company service provision, and litigation (e.g., FATF, 2013; IBA, 2014; HM Treasury/Home Office, 2017, 2020; SRA, 2023a). Pooled client

[1] In some parts of the world, including Canada and the US, law firm client accounts are known as 'trust accounts'.

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accounts are bank accounts used for receiving, holding and transferring funds related to multiple clients. They are used in various sectors – including the legal and accountancy sectors, real estate agents and letting agents - as a way of separating client funds from funds belonging to the business and therefore protecting client funds from inappropriate use or in the event of business insolvency (HM Treasury, 2022). Law firm pooled client accounts[2] are used for a variety of purposes, including for receiving fees and payments on account; for the transfer of purchase funds and payment of conveyancing costs in property purchases; in various commercial transactions (such as company acquisitions) that require funds to be held in or moved through a law firm client account to another party; in the administration of estates and trusts; and for making disbursements to or on behalf of a client (for example, paying court fees).

The structures, systems and anti-money laundering (AML) requirements of legal professions vary across Europe (see e.g., Levi et al., 2004; Nougayrède, 2019; Levi, 2020; Svenonius & Mörth, 2020). While AML regimes within EU member states (and the UK) are primarily shaped by successive EU Money Laundering Directives, they are also shaped by national legal systems, cultures and philosophies and political priorities (Ali, 2019; Nougayrède, 2019), reflecting the 'glocality' of AML regimes (Benson, 2021). The management of client monies also varies. For example, in the Netherlands, monies other than payments for the provision of legal services must be held in an account controlled by a foundation and transactions must be approved by directors of the foundation (WODC, 2006: 11). In France, client funds are controlled by regional organisations known as CARPAs, which are supervised by their associated bar councils (Nougayrède, 2019). CARPAs create an account for each lawyer or firm in their region, and sub-accounts for each matter. Funds are deposited in these accounts by the client, the CARPA identifies the origin and purpose of the funds and the 'compliance of the financial transaction with the underlying legal or judicial assignment' and, if satisfied, pays the money to the intended beneficiary (CARPA, 2024).

However, in most European countries, including the UK, law firms are required to hold client funds in a client account managed by the firm and held by a recognised financial institution, and to use these funds 'only in accordance with the client's instructions and in relation to the provision of legal services' (FATF, 2013: 18).[3] There will be some variation in the use, management and control of these accounts between different countries, in line with local professional and regulatory contexts. This article focuses on the UK and uses data related specifically to the UK. Many of the findings will be applicable to other European jurisdictions in which pooled client accounts are used, but readers from countries other than the UK should understand these findings within their local contexts. The theoretical and analytical framework used in this article could be applied to other jurisdictions to provide a valuable comparative analysis of the money laundering opportunity structures and oversight measures across different contexts.

Law firm client accounts are considered a vulnerability for money laundering due to the façade of legitimacy they can provide to funds that pass through them and transactions that

[2] Law firms may also hold 'designated client accounts', which are for funds related to a single client, though these have become less common. Pooled client accounts are the focus of concern about money laundering risk and the focus of this article. We use the term 'client accounts' within this article to refer to pooled client accounts.

[3] In the UK, law firms are also permitted to use Third-Party Managed Accounts (TPMAs) as an alternative to client accounts (SRA, 2019d), though as yet there appears to be limited take up of this option.

originate from them, as well as the potential for lawyer-client confidentiality or privilege to be attached to transactions involving these accounts (FATF, 2013). Recent cases illustrate how they can be used in the movement or use of illicit funds. For example, the client accounts of multiple law firms in the UK and US played a role in property purchases and other transactions for Jho Low, the Malaysian financier implicated in the multi-billion-dollar 1MDB fraud and corruption case. London law firm, Macfarlanes, acted as conveyancer in the purchase of three high-end London properties by holding companies linked to Low between 2010 and 2014 (before the fraud was revealed). The purchase funds, which totalled nearly £100 million and are believed to have been proceeds from the 1MDB fraud, moved through the Macfarlanes client account during the purchases (Taylor & Beizsley, 2022). The trust accounts of two New York firms, Shearman and Sterling and DLA Piper, were used to move $368 million dollars of stolen funds from a Swiss bank account into the US. Funds held in these trust accounts were used to buy a penthouse and a $200 million stake in the Park Lane Hotel in New York; to rent a private jet; and to pay multi-million-dollar gambling expenses at Las Vegas casinos (Ensign & Ng, 2016; Global Witness, 2018).

In 2010, UK solicitor, Bhadresh Gohil, was convicted for assisting James Ibori, governor of Delta state in Nigeria, launder part of nearly $77 million dollars defrauded from the people of Delta state. Amongst other services provided, Gohil was found to have allowed his firm's client account to be used for the transfer of illicit funds and for the purchase of a $20 million Challenger jet on behalf of Ibori (Benson, 2020a). The trust accounts of two Beverly Hills lawyers were used to enable Teodoro Obiang, son of the President of Equatorial Guinea, to transfer over $100 million into the US between 2004 and 2008 and thus avoid US banks' Politically Exposed Persons (PEPs) rules (Levi, 2022). On a smaller scale, the client account of a Scottish solicitors firm was used for transferring and legitimising the proceeds of multiple bank and property frauds in 2015-16, totalling £1.48 million (COPFS, 2023). Three solicitors, including a partner at the firm which held the client account, and two others were convicted of fraud and money laundering offences in 2023. Unlike the previous cases, two of the lawyers in this case were also involved in the predicate offending.

Levi (2022: 136) describes the misuse of client accounts as 'one "crime script" for lawyers' involvement in serious crimes for gain', but there has been limited academic research on the different forms this script could take. In a series of publications, Middleton and Levi (Middleton, 2004; Middleton & Levi, 2004; Middleton, 2008; Middleton & Levi, 2015) highlighted the role of client accounts in creating situational crime opportunities for frauds (e.g. investment and mortgage fraud) and money laundering, and making solicitors attractive targets for fraudsters and other offenders. They also identified theft or misappropriation of client money *from* client accounts as a risk (Middleton & Levi, 2004: 142; 2015: 662). Schneider (2004, 2005) analysed 149 proceeds of crime investigations in Canada, identifying cases where cash was deposited in the trust account by the offender or lawyer and then withdrawn, through cheques or transfers; funds were transferred between bank accounts or between multiple trust account files; and assets (including real estate and cars) were purchased on behalf of the client using funds deposited in the trust account. In Benson's (2020a) analysis of 20 cases of solicitors convicted for involvement in money laundering in the UK, client accounts were shown to be used as a conduit for criminal funds being transferred between company, personal and other law firm accounts – sometimes as one part of a complex network of accounts - and funds in client accounts being used to purchase cars, yachts or jets.

Over the last decade, awareness about the role client accounts can play in money laundering has grown, and Kebbell's (2021: 142) research with lawyers and compliance officers in 20 UK Top 50 law firms suggested that many of her participants 'were extremely alert to the money laundering risks posed by the operation of their firm's client account'. At the same time, professional codes of conduct and AML regulations for the legal profession in the UK have evolved to incorporate measures aimed at preventing the misuse of client accounts. Law firms and sole legal practitioners in the UK are subject to the Money Laundering Regulations, when providing legal or notarial services related to the buying and selling of real property or business entities; the opening or management of bank, savings or securities accounts; the creation, operation or management of companies, trusts, foundations or similar structures; and the managing of client money, securities or other assets.[4] The banks that hold law firm client accounts are also subject to the Money Laundering Regulations and, following amendments in the 2017 Regulations, are required to take a series of measures to ensure that the law firm and its use of the client account pose a low risk of money laundering (JMLSG, 2023). Legal professionals are also subject to professional rules and, in England and Wales, Accounts Rules for the profession stipulate that client accounts are not used 'to provide banking facilities to clients or third parties' and that payments into, and transfers or withdrawals from, a client account must be related to the delivery of regulated legal services (SRA, 2019a, s.3.3).

This article examines the misuse of law firm pooled client accounts for money laundering purposes through the lens of opportunity structures (Benson et al., 2009; Benson & Simpson, 2018). In the following section, we set out the theoretical framework, exploring how a combination of micro-, meso- and macro-level factors – including occupational and organisational contexts, social relations, and oversight – create opportunity structures for 'white-collar' crimes. Understanding the opportunity structure of particular forms of crime, misconduct or non-compliance helps us to understand the choices available to potential offenders and the determinants underpinning these choices, and can direct us towards measures for prevention or reduction. The aim of this article, therefore, is to explore how the nature of law firm pooled client accounts creates or shapes an opportunity structure for their misuse for money laundering purposes.

Section "Data and Methods" details the combination of data sources and integrated analytical approach we used in the empirical study on which this article is based, aimed at enhancing the explanatory account and incorporating multiple perspectives. We present our findings and discussion in the subsequent two sections. First, we demonstrate the varied role that client accounts can play in money laundering, through both purposeful exploitation (by the predicate offender, the lawyer/law firm, or both) of the client account or of other legitimate business processes in which the client account inevitably plays a role, and/or a failure to fulfil regulatory requirements. Then, we explore the particular characteristics of law firm pooled client accounts that contribute to their opportunity structure for money laundering. We conclude that this opportunity structure is shaped by various factors, both occupation- (i.e., legal sector) and organisation- (i.e., firm) specific. We argue that examining the opportunity structures created by client accounts is a more useful approach than simply categorising these accounts as inherently low, medium or high risk. Identifying the factors that create opportunities for money laundering through client accounts can direct

[4] The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, Regulation 12 https://www.legislation.gov.uk/uksi/2017/692/contents.

policymakers in all countries striving to prevent money laundering in the legal profession towards more targeted oversight mechanisms.

Opportunity Structures in 'White-Collar' Crimes

Law firm client accounts provide opportunities to commit various financial crimes, including money laundering. Opportunity has become a common means of explaining and analysing white-collar crimes, from environmental crimes to market manipulation (for example, McKendall & Wagner, 1997; Gibbs et al., 2013; Huisman & van Erp, 2013; Gibbs & Pugh, 2017; Jordanoska & Lord, 2020). The 'opportunity perspective' on white-collar crime argues that offending will take place in the presence of opportunities to offend, individuals (or groups) motivated to exploit these opportunities, and an absence of 'capable guardians' (Benson et al., 2009; Benson & Simpson, 2018).

Opportunities for white-collar crime, and the recognition of such opportunities by potential offenders, are shaped by a combination of proximal and distal factors (Lord and Levi, forthcoming). For example, within organisational or occupational contexts, opportunities will be created and shaped by legitimate business activities or processes, routine working practices, organisational or occupational cultures, and the social relations of those who interact with these contexts and processes (Lord and Levi, forthcoming). As well as *allowing* offending to take place in such environments, it is suggested that the presence of opportunities can also *cause* white-collar crime by 'provoking criminal behaviour' (Madensen, 2016: 382). It is important, therefore, to account for how opportunity arises in occupational and organisational contexts, and how the structures, processes and networks involved in business systems may be exploited for the purposes of criminal activity (Gibbs & Pugh, 2017; Chan & Gibbs, 2020).

At the micro-level, individual (e.g., cognitive, affective, or behavioural) characteristics of potential offenders, along with the dynamics of their relationships with others, will shape how opportunities for white-collar crime are perceived and the subsequent choices that are made (Lord and Levi, forthcoming). For instance, in the context of lawyers and (anti-)money laundering, the relationships between lawyer and client, predicate offender, colleagues and regulators are relevant (Benson, 2020a, b). At the macro-level, distal factors that shape the nature of white-collar crime opportunities include economic and (geo-)political contexts, the market environment, and the regulatory landscape (Benson, 2020a, b; Lord and Levi, forthcoming).

Unlike conventional or 'street' crimes, where the 'target' (Cohen & Felson, 1979; Felson, 1986) is usually an identifiable victim or physical target, in white-collar crime, the target is the legitimate business process or activity, which is exploited by a second, illegitimate process 'parasitical' to the first (Huisman & van Erp, 2013: 1184). Client accounts play a fundamental role in the structures, processes and transactions of the legal profession itself. They are 'used legitimately on a daily basis' (Kebbell, 2021: 11) and are therefore 'legitimately present at the scene' (Croall, 2001: 8). We can therefore consider the legitimate use of law firm client accounts as a process integral to the occupational context that can be exploited for illegitimate purposes, and examine the opportunities for money laundering that arise from this process.

The use and management of law firm client accounts will be shaped by the nature and characteristics of the firm. Different types of firm may conduct different types of transaction and provide different services, and so the client account will be used in different ways. Firms will differ in structure, culture and processes (Huisman, 2016, 2020) and so the management, oversight and compliance processes of client accounts will also differ. These 'particularities of organisations' can shape the availability and distribution of opportunities for misconduct (Huisman, 2016: 438), and the nature of the organisational setting can influence individuals' decisions to take such opportunities (Vaughan, 1992, 2002). Misconduct within organisations is more likely to take place at the 'edges' of commonly trodden 'paths' (Benson et al., 2009); that is, at the less regulated, less visible, or less transparent parts of the processes or transactions involved in an organisation's day-to-day business.

The lack of credible and effective oversight – whether external or internal - can increase the likelihood of white-collar crime occurring (Shover & Hochstetler, 2006; Shover & Grabosky, 2010). The 'credibility' of oversight refers to the prevailing beliefs that those within an organisation have about whether others within the organisation and external agencies responsible for oversight of their conduct are 'vigilant, capable of detecting infractions, and likely to sanction any violators caught out' (Shover & Grabosky, 2010: 431). External oversight by regulatory bodies may be credible but still unable to prevent misconduct where 'the circumstances are beyond the regulator's sphere of control' (Weisman, 2012: 6). Client account use in relation to money laundering is overseen externally by the professional and regulatory bodies responsible for AML supervision in the legal sector and by the banks which hold the accounts. These external actors cannot monitor every individual client account transaction, however, and so how extensively and effectively mechanisms of internal oversight are deployed is also important (Shover & Grabosky, 2010). Within UK law firms, a range of actors are involved in the internal oversight of client accounts, including the fee earner, compliance officers, cashiers, and, where present, accounts, AML, and risk/compliance teams (see "Autonomy Over How the Client Account is Used or Managed" and "Diffusion of Responsibility").

It is not simply the presence of opportunities that creates misconduct, therefore, but the existence of an 'opportunity structure' – the combination of 'conditions or elements that must be in place for the white-collar crime to take place' (Lord & van Wingerde, 2020: 250). Benson and Simpson (2018) argue that all white-collar crimes have a specific opportunity structure, which differs between different types of crime. Therefore, both explanatory accounts of different crimes and measures for reduction, prevention and intervention must take account of, and be directed towards, the opportunity structure of the particular crime (Huisman & van Erp, 2013; Lord & van Wingerde, 2020). This article explores how the nature of law firm pooled client accounts creates or shapes an opportunity structure for their misuse for money laundering purposes. This opportunity structure will be shaped by their particular characteristics, their occupational and organisational contexts, the characteristics and social relations of those that interact with them, and the extent and effectiveness of their (internal and external) oversight.

Data and Methods

The research combined multiple methods and data sources to address our research questions, provide as comprehensive an understanding as possible of the money laundering opportunities created by law firm client accounts and the mechanisms in place to inhibit these opportunities, and incorporate multiple perspectives in this understanding. Our aim in integrating various sources of data, therefore, was both to enhance the explanatory account and to 'triangulate' (looking for both convergences and divergences) the perspectives of different groups of actors, and the perspectives of these actors with the narratives of official documents and reports and with data from cases (Bryman, 2006: 98). As such, our research design had both an 'integrative logic' – as we combined data sources using an integrated analytical approach to ask questions about connected aspects of a social phenomenon and so provide a fuller explanation of this phenomenon – and a 'corroborative logic' – as we used different forms of data to corroborate, and identify differences in, each other (though not to triangulate or corroborate 'measurements') (Mason, 2006).

Data

As this research focuses on the UK context, rather than providing a comparative analysis with other countries, data collection and analysis uses data related specifically to the UK. The data we used in our analysis consisted of:

Dataset of Cases

We identified 50 cases where a law firm pooled client account had been used for money laundering purposes, was suspected of being used for money laundering purposes, was involved in a transaction that bore the hallmarks of money laundering, and/or in which regulatory rules in place to prevent the use of client accounts for money laundering purposes had been breached. Data on the use of client accounts in money laundering are not collected by criminal justice or regulatory bodies in a systematic way, so we searched for cases through the Solicitors Disciplinary Tribunal (SDT)[5] website and Westlaw UK legal database.

We searched 2040 SDT transcripts from January 2000 to October 2022, using the PDF word-search function to identify cases in which 'client account' AND 'money laundering' OR 'proceeds of crime' were found. The resulting 139 transcripts were read and relevant cases in which the allegations related to breaches of SRA Accounts Rule 14.5 or 3.3[6]*and/or* related to use of the client account to conduct 'transactions that bore the hallmarks of money laundering or fraudulent transactions' were included in the case dataset ($n=36$).

[5] The SDT adjudicates on alleged breaches of the rules and regulations applicable to solicitors and their firms in England and Wales https://www.solicitorstribunal.org.uk/about-us.

[6] The SRA Accounts Rules were created in 1988 and updated in 2011 and 2019. In 2011, a specific rule was introduced aimed at preventing client accounts being used for money laundering (SRA Accounts Rules, 2011; section 14.5). In 2019, the Accounts Rules were updated as part of the new SRA Standards and Regulations and the rule remained, though slightly reworded. Accounts Rule 3.3. states that 'You must not use a client account to provide banking facilities to clients or third parties. Payments into, and transfers or withdrawals from, a client account must be in respect of the delivery by you of regulated services' (SRA Accounts Rules, 2019; section 3.3).

We identified UK cases from the Westlaw legal database that contained the terms 'client account' AND 'solicitor' or 'client account' AND 'legal profession'. The case digest and summary or full judgment, where available, were read, and cases against law firms and/or legal professionals in which it was alleged that the client account was used for money laundering purposes *and* cases in which it was alleged that a third party (usually the client) had used or attempted to use a law firm client account for money laundering purposes were included in the case dataset ($n=14$).[7]

Official Reports, Policy Documents and Guidance

Official reports and policy and guidance documents on money laundering and its prevention in the legal sector, from international bodies, UK government, and legal sector professional and regulatory bodies, were searched for reference to client accounts. In total, 26 documents were included in the analysis (Table 1).

Table 1 Official reports, policy documents and guidance used in analysis

Financial Action Task Force	Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals, 2013
HM Treasury	Review of the UK's AML/CFT Regulatory and Supervisory Regime, 2022
HM Treasury / Home Office	UK National Risk Assessment of Money Laundering and Terrorist Financing 2017; 2020
International Bar Association	A Lawyer's Guide to Detecting and Preventing Money Laundering, 2014
Joint Money Laundering Steering Group	Consultation – Pooled Client Accounts, 2020 Prevention of Money Laundering/Combating Terrorist Financing – Guidance for the UK Financial Sector, 2022
Legal Sector Affinity Group	Anti-Money Laundering Guidance for the Legal Sector, 2021
Law Society of England and Wales	Client funds, 2020 Warning signs of money laundering, 2020 Should we quote our account number on bills, n.d. When can our practice accept client funds, n.d.
Law Society of Scotland	New guidance on client accounts for banks, 2020 AML/CTF Sectoral Risk Assessment, 2022
Solicitors Regulation Authority	News release: Law firms warned against using client account as banking facility, 2018 Accounts Rules, 2019 Case studies: Improper use of client account as banking facility, 2019; 2023 Warning notice: Improper use of client account as a banking facility, 2023 Guidance: Helping you keep accurate client accounting records, 2019 Guidance: Third party managed accounts, 2019 Anti-Money Laundering (AML) Visits 2019-20 Sectoral Risk Assessment – Anti-Money Laundering and Terrorist Financing, 2022 Our Anti-Money Laundering Work, 2021 Anti-Money Laundering Annual Report, 2021-22; 2022-23

[7] The difficulty in identifying relevant cases, and lack of a single comprehensive source, made the case identification process complex and time-consuming. None of these sources should be considered comprehensive or representative, and we do not claim to have identified all relevant cases.

Interviews

11 semi-structured interviews were carried out between April 2022 and February 2023, with members of legal sector professional and regulatory bodies in the UK ($n=4$; SUP1-4); law firm compliance officers or AML leads ($n=3$; COMP1-3); AML experts or consultants to the legal sector ($n=3$; AML1-3); and a compliance officer for a UK-based retail bank ($n=1$; BANK1). We stopped carrying out interviews in the first three groups when no novel insights were emerging, indicating that we had reached saturation (Glaser & Strauss, 1967). Access constraints hindered further interviews with the fourth group. Future research with this group to examine UK banks' evolving responses to the changes around pooled client account management since the 2017 Money Laundering Regulations would be valuable. The interviews were recorded and transcribed, removing all identifying information. The different groups of interviewees allowed us to consider the issue of client account misuse and regulation from multiple perspectives – from those within the legal profession, responsible for complying with regulations and preventing money laundering, or advising on the best way to do this; those responsible for assessing money laundering risks within the legal profession, enforcing anti-money laundering and professional regulations, and investigating potential breaches; and those within the financial institutions in which client accounts are held and which have been subject to changing rules and requirements on managing risks of client accounts.

Data Analysis

The data analysis was conducted in multiple stages, both simultaneously and subsequent to the data collection (Bryman, 2006: 98). Existing literature and theory shaped initial broad themes. In the first stage of the analysis, interview transcripts, official documents, reports and guidance were coded, first to these themes and then to new themes that emerged from the analysis within these broad themes, using NVivo software. Simultaneously, an Excel spreadsheet was created to organise the case data, containing pertinent information such as year(s) of activity, the involved lawyer or law firm, the issuing authority and case reference, and a summary of the details of the case. The cases were examined to identify, where possible, the nature of the client account misuse, the specific allegations and regulations or rules breached, whether money laundering activity was suspected or confirmed, who had exploited the client account, and details of the underlying criminality. The analysis of the interview transcripts and documents, alongside the literature review, was also used to identify a series of questions to ask of the case data, relating to client accounts' use, regulation and oversight, thus using the results of one analytical method to inform another (Greene et al., 1989).

The Role of Client Accounts in Money Laundering

This section considers the nature of client account involvement in money laundering.[8] It argues that the involvement of client accounts in money laundering can be due to both purposeful exploitation of a legitimate business process or structure *and/or* a failure to fulfil regulatory requirements, which can be more or less wilful. The legitimate business process or structure that is being exploited can be the client account itself *or* another legitimate, routine activity of the legal profession in which the client account inevitably plays a role. These processes, structures or activities can be exploited for money laundering purposes by the predicate offender (i.e., the individual in possession of criminal proceeds or other illicit funds), *or* the lawyer or firm of which the predicate offender is a client, *or* both. In some cases, the lawyer will also be the predicate offender. Where there is purposeful exploitation by the predicate offender, but not the lawyer/firm, the lawyer/firm may also have failed to fulfil their regulatory requirements.

Not Just Purposeful Exploitation

Opportunity perspectives on white-collar crime often focus on the exploitation of legitimate business processes (i.e., the 'target' (Cohen & Felson, 1979; Felson & Eckert, 2019)) by 'motivated offenders'. This notion of exploitation 'suggests a form of action, just as the word 'target' suggests a strategy for active target selection' (Huisman & van Erp, 2013: 1184). However, many forms of misconduct or rule transgression within organisational contexts are better conceived of as omissions – that is, failures to adhere to rules or fulfil regulatory obligations – rather than purposeful exploitation, although such omissions can in themselves be more or less wilful (Huisman & van Erp, 2013). The cases demonstrate both purposeful exploitation of legitimate business processes *and* failures to fulfil regulatory requirements. We observed cases where such requirements were *more purposefully* not adhered to and cases in which requirements were *less purposefully* or *unintentionally* not met.

Purposeful Exploitation

15 cases indicated lawyers or law firms intentionally facilitating transactions through the client account to launder criminal proceeds. 12 of these cases involved the client account receiving proceeds of fraudulent activities, including large-scale frauds, property fraud and VAT fraud. Other predicate crimes include theft, drug trafficking, and corruption.

[8] It is important to note that client accounts can be used for illicit purposes other than money laundering, and that the line between funds being transferred through client account for the purposes of committing various financial crimes and for the purposes of laundering the proceeds of such crimes is not always clear. For example, Middleton (2008) discusses the use of client accounts for the transfer of funds in relation to high-yield investment frauds and VAT fraud. The UK Solicitors Regulation Authority highlights the risk of client accounts being used for helping someone avoid their obligations in an insolvency situation, improperly hiding assets in a commercial or matrimonial dispute, or adding credibility to 'questionable investment schemes' (SRA, 2018a, 2019b). A solicitor in our cases was involved in a fraudulent investment scheme that involved purchasing land, subdividing it into smaller portions, and misrepresenting its true value to potential investors. His firm's client account received £4.3 million of fraudulently obtained investors' funds (SDT Case No. 11254 – 2014, Walker).

In the drug trafficking cases, funds were deposited in the client account either as cash (client gave solicitor £60,000 in cash, £50,000 of which was intended for investment in a proposed branch; the 'investment' collapsed and funds were repaid)[9] or as a remittance from overseas ($2.4 million in illicitly obtained funds remitted to the UK from Turkey and paid into firm's client account).[10] One other case involved cash deposits into the client account.[11] It is worth noting that the activity in all these cases occurred prior to the introduction of Accounts Rule 14.5 and the 2003 Money Laundering Regulations.

In other cases, the client account acted as a conduit for transferring illicit funds between two or more personal or business accounts. For example, Laurence Ford was convicted for facilitating money laundering linked to a fraud scheme that funnelled over £254 million through the client account of the firm at which he was a senior legal executive, subsequently disbursed to unknown recipients.[12] Andrew Young played a crucial role in a fraud scheme, receiving and disbursing funds obtained through the scheme through the client account.[13]

Improper use of client accounts is also apparent in cases of large-scale corruption and fraud. For instance, the well-known case of Meer Care & Desai,[14] the London law firm involved in channelling stolen Zambian funds through their client account; and the case of Louis Glatt,[15] in which Glatt's firm received substantial sums from a client involved in embezzlement, with funds transferred from the client account to various accounts for property purchases and the creation of offshore entities. €100 million proceeds of a complex financial fraud were funnelled into the client account of Francesco Meduri's law firm and subsequently disbursed.[16]

Failures to Fulfil Regulatory Requirements

35 cases involved either a failure to adhere to the SRA Accounts Rules or a breach of the Money Laundering Regulations.[17] 22 of these cases suggest a *less purposeful* or *unintentional* failure to comply. In most of these cases, the funds deposited into the client account are not connected to the provision of regulated legal services, and therefore constitute the use of the client account as a 'banking facility' in breach of the Accounts Rules. They involve the payment of expenditures or purchase of luxury cars on behalf of clients, or receipt and transmission (to the client or other parties) of funds. Other cases involved the transfer of funds between ledgers of different clients within the same client account without

[9] High Court of Justice [2004] EWHC 419 (Admin), 2004 WL 960954; SDT Case No. 8648 – 2002, Duff.

[10] High Court of Justice Chancery Division [2009] EWHC 344 (Ch), 2009 WL 506397; High Court of Justice Chancery Division [2009] EWHC 655 (Ch), 2009 WL 873786.

[11] Court of Appeal [2003] EWCA Crim 2053, 2003 WL 21729190.

[12] Court of Appeal [2008] EWCA Crim 966, 2008 WL 1968924.

[13] Court of Appeal [2005] EWCA Crim 1972, 2005 WL 1997761.

[14] Court of Appeal [2008] WL 2872529 (2008); High Court of Justice Chancery Division [2007] EWHC 952 (Ch), 2007 WL 1292617.

[15] Court of Appeal [2003] EWCA Crim 2053, 2003 WL 21729190.

[16] High Court of Justice Chancery Division [2017] EWHC 2466 (Ch), 2017 WL 04436155.

[17] As well as being subject to the Accounts Rules, the majority of client account transactions will be subject to the Money Laundering Regulations. This means that customer due diligence should be carried out in relation to funds coming into the client account and the clients or third parties that are the source of these funds, where the services being provided are in scope of the Regulations.

any legal justification.[18] In all of these cases, there is no evidence provided in the transcript that money laundering actually took place.

In 13 cases, we observe what can be considered a *more purposeful* failure to comply, characterised by 'wilful blindness'. In these cases, the lawyers conducted transactions through the client account, knowingly disregarding the suspicious aspects of these transactions. Most of these cases involve the client account being used as a conduit for the transfer of funds between two or more personal or business accounts.[19] In other cases, law firms acted as 'escrow agents', holding funds in the client account until certain contractual conditions were met,[20] or the client account was used in property transactions, with the sales proceeds sent to unidentified third parties without due diligence being carried out.[21] In one instance, a solicitor provided banking facilities through their client account for funds related to an investment programme.[22] In all of these cases, the Solicitors Disciplinary Tribunal found that the lawyers were aware of the suspicious nature of the transactions, and of the warning notices on suspicious transactions published by the SRA, but nevertheless proceeded with the transactions without making the necessary enquiries to ascertain their legitimacy.

Various 'Targets' for Exploitation

In cases where purposeful exploitation of legitimate processes does occur, the client account itself is not always the 'target'. Instead, other legitimate business processes may be used for the laundering, managing or straightforward spending of criminal proceeds, but the client account – as a central structural actor in these other business processes – inevitably plays a role. A primary example of this is the use of criminal proceeds to purchase property. It has been argued that the majority of money laundering cases involving the misuse of client accounts 'relate to abuse of the property market' (HM Treasury/Home Office, 2017: 51).

> 'At the end of the day, a client account's not an asset. It's a tool in the process […] It's the asset that underpins the transaction in property transactions that interests the money launderer. Not how they get the money into the asset.' (AML3).

Another example is commercial transactions where it is normal for funds to pass through the client account; for instance, company acquisitions which require funds to be held in and moved through a law firm client account to another party. For example, in the Glatt case, the client account was used for funds transfers related to property purchases and the creation of offshore entities.[23] In another case, the law firm's client purchased property with the proceeds of VAT fraud.[24]

[18] SDT Case No. 12091 – 2020, Bujakowski.

[19] SDT Case No. 9282 – 2005, Darke; SDT Case No. 10018 – 2008, Dhama; Court of Appeal [2005] EWCA Civ1122, 2005 WL 2273323, Bryant and Bench.

[20] SDT Case No. 8642 – 2002, Neale; SDT Case No. 11599 – 2017, Duffy, Gamblin and Purnell.

[21] SDT Case No. 11972 – 2019, York; SDT Case No. 11996 – 2019, Nsimba.

[22] SDT Case No. 11270 – 2014, Wood-Atkins.

[23] Court of Appeal [2003] EWCA Crim 2053 WL 21729190.

[24] Court of Appeal [2010] EWCA Crim 97, 2010 WL 308620.

Who is Exploiting the Target?

Client accounts (or other legitimate business processes that involve client accounts) can be exploited for money laundering purposes by the predicate offender(s) (i.e., the individual or group in possession of criminal proceeds or other illicit funds), or the lawyer or firm of whom the predicate offender is a client, or both. In some cases, the individual in possession of the illicit funds will also be the lawyer with access to the client account. For example, the solicitor who was actively engaged in fabricating and submitting fraudulent documents in a property sale, with the £2.4 million proceeds of the sale being passed through his client account.[25] Another solicitor funnelled £4.3 million received from investors in a complex fraud scheme through his firm's client account.[26]

Typically, however, those holding the illicit funds are clients of the firm. In these cases, the lawyer/law firm may be more or less complicit in the client account being used for money laundering purposes. In line with the opportunity perspective, if the lawyer/firm is complicit in this misuse, then the lawyer/firm *and* the client are taking advantage of the opportunities presented by the client account. Where the client exploits the client account without the lawyer/firm's knowledge, the client account could be seen as providing an 'opportunity structure' for the client but a 'vulnerability structure' for the lawyer/firm.

However, even when lawyer/firm does not purposefully exploit the client account (or other legitimate business processes that involve client accounts), they may still fail to meet regulatory requirements, inadvertently creating opportunities for clients or other third parties to misuse the account for money laundering purposes. For example, the solicitor who allowed substantial sums of money linked to fraudulent investment schemes to flow through his client account without conducting proper due diligence or verifying the legitimacy of the funds.[27]

Creating and Shaping Opportunity Structures for Money Laundering

Law firm pooled client accounts in the UK have particular characteristics that contribute to creating and shaping the opportunity structure for their misuse for money laundering purposes. Some of these characteristics are specific to client accounts *in the legal sector*. This includes their use in conveyancing processes and commercial transactions carried out by law firms (see "Necessary Role in Legal Services Provision") and the potential for legal professional privilege to apply to transactions that go through the client account (or the perception of such) (see "Transactions may have Legal Professional Privilege Attached"). However, *within* the legal sector, the primary use of client accounts will differ in different types of firm (for example, commercial and conveyancing firms) and the different sizes, cultures and management structures in different firms will mean that management, compliance and oversight processes for client accounts will differ (see "Autonomy Over How the Client Account is Used or Managed" and "Diffusion of Responsibility"). Therefore, the

[25] Court of Appeal [2010] EWCA Crim 665, 2010 WL 1368670.

[26] SDT Case No, 11254–2014, Walker.

[27] SDT Case No. 9282–2005, Darke.

opportunity structures for money laundering created by law firm client accounts have both an *occupational* and *organisational* context.

This section provides an overview of some of the characteristics of law firm client accounts in the UK that contribute to these opportunity structures, identified and illustrated through combined analysis of case data, interview data, official reports and policy documents. These characteristics may align with other European countries with systems similar to the UK, where client funds are managed by the law firm in client accounts. However, variations might exist in jurisdictions such as the Netherlands, where third-party funds are managed by foundations, or in France, where client funds are overseen by regional organisations (CARPAs). For example, lawyer autonomy over client account use and the nature of oversight will differ. Further research is needed to understand how these characteristics, and therefore the opportunity structure for money laundering through client accounts, differ across jurisdictions.

Necessary Role in Legal Services Provision

Client accounts play a necessary role in the normal, routine activities of legal services provision. For example, they are required for receiving fees and the payment of costs on account. Paying fees and costs into the client account, rather than into the firm's office account, protects them:

> 'If you pay client fees direct into the office account they are no longer protected; the whole point about the client account is it is protected money – you can't touch it, you can't use it. If you are asking someone to give you fees on account and that firm is in financial difficulties, that person's money is at risk. So, say you want to do a divorce – the divorce takes six months, it's a fixed fee of £3000. You give me £3000 now and I put it into the office account, I'm spending it on wages and stuff – its's not protected, and if I go under your £3000 has gone.' (AML1).

Client accounts also play a necessary role in property purchases and various commercial transactions. In a property purchase, purchase funds (whole amount or deposit) will be paid by the buyer into their lawyer's client account and then transferred to the seller's lawyer's client account on exchange of contracts. Various commercial transactions, such as company acquisitions, require funds to be held in and moved through a law firm client account to another party. The law firm acting for one of the parties in a commercial transaction will often hold the funds in the client account until completion, essentially providing an escrow service to 'bridge the trust gap between contracting parties' (Bray, 2021). In addition, solicitors' undertakings – in which a solicitor undertakes to another solicitor to perform a specified act, typically transmitting funds on satisfaction of the conditions precedent to a transaction – are a key feature of many commercial transactions and necessitate the use of a client account (Kebbell, 2021).

Hold and Move Funds from Multiple Sources in Their Routine, Legitimate Role

The routine, legitimate role of law firm client accounts means that funds from multiple sources are constantly moving through them. In certain firms, significant amounts of money

will pass through the client account on a daily basis, due to both a high volume of transactions and, in some cases, the large scale of individual transactions. For example, one law firm compliance officer interviewed estimated the amount of money that went through their medium-sized firm's client account as approximately £80 million in a year (COMP1).

The higher the transaction volume through any form of account, the more difficult oversight can be, as transactions 'can be buried in the avalanche' (Engdahl, 2022: 28). Transaction volume can increase on certain days and in certain economic circumstances, which can increase the potential for checks not to be carried out effectively, due to 'human error, strain, stress':

> Friday is completion day, exchange day … [so] you know that the [client] account is going to be busy … especially a Friday before a Bank Holiday Monday, when someone's just got so much going on, if the firm has overburdened themselves. Say this time last year when we were coming to the end of the stamp duty relief and firms were crammed.' (AML2).

Lack of Control Over Funds Moving Into Client Account and Their Source

Anybody who knows the details of a client account can deposit money into it, creating an opportunity for those in possession of illicit funds to exploit. This would require awareness of the nature of client accounts and the opportunities they present; the opportunity to commit crime 'is not realised until the conditions have been identified as possible options by an individual or a group' (Engdahl, 2022: 30). Client account details are often displayed freely on letterheads or firm websites and are provided to clients when onboarded or billed (LSAG, 2023: 46), though firms are advised to 'be careful and keep circulation of the details to a minimum, informing clients that payment into this account is only for previously agreed purposes' (LSEW, 2023). One law firm compliance officer admitted that their firm:

> 'include[s] our client account details in our engagement letter, so a person has them from virtually day one. It is a bit of a risk for us in that respect. […] I've always queried whether we should change what we do. […] The risk of making client account details available freely or early on in a relationship is that it creates the opportunity for somebody just to drop a load of money into your client account and then say 'oh, it's been done in error'. Or cancelling the transaction and saying 'can we have our money back?' […] It doesn't happen very often, but it does happen.' (COMP3).

Receiving unexpected deposits or overpayments into the client account creates challenges for firms, as the repayment of such funds is one way in which criminal proceeds can be laundered and, if they have suspicions of money laundering, firms may breach Money Laundering Regulations if they repay funds without submitting a Suspicious Activity Report (SAR). Legal professionals in the UK are warned in AML guidance that they 'may receive funds that are overpayments, or completely unasked for deposits' and that unsolicited or unexpected (over)payments 'may have been engineered for the purposes of money laundering' (LSAG, 2023: 46).

If firms receive an unexpected deposit, they must hold it and wait for confirmation on what they can do with it:

> And we've seen firms hold money for three years before it's been able to be released. […] It's a headache; it's a massive headache' (AML2).

If a deposit was expected but the client has overpaid, and there are money laundering 'red flags' present, the firm must hold the funds and gain permission from the National Crime Agency before returning the money (AML2). In the absence of red flags, firms must decide:

> 'what risk they're going to take – whether they send the whole money back and just ask for the money that they need; send the money back, minus the money they need; or estimate how much the bill is going to be, keep that money and hope there's not much surplus and then decide at the end of the matter.' (AML2).

Even if a firm receives the expected amount of funds in relation to a client matter, they have no control over who deposits it or from what account. The funds may have come from a different individual or account to the ones on which customer due diligence has been carried out:

> 'You get the money come in and the only reference you have got is the reference that the payer put on it. So, you've done due diligence on a client, received some bank statements – okay, I'm happy with those bank statements, now send me the money. You don't know if it is coming from the bank account you've looked at the statements for […] Until you close that loop, you can look at as many bank statements as you like, if the money comes from somewhere else and you don't know, you've had it. […] As long as they've got your client account details they can put the money in from wherever' (AML1).

We did not identify any cases in which funds were transferred into client account, or an overpayment was made, purportedly in error, and supervisors suggested that this was increasingly uncommon:

> 'We do see some cases where money has been paid into the client account where the client says, "I paid this by error, could you pay it back?" But that is pretty rare these days; I think most firms are pretty much alive to the fact that they are not to be doing that. And a lot of firms are a lot more sensible about not passing out their client account details to just anyone' (SUP2).

Transfers can be Made Between Ledgers

As pooled client accounts hold funds relating to multiple clients and/or matters, transfers can be made between the ledgers of different clients or companies. This means that the beneficial ownership of the funds can change without money having to move accounts. Examples of movement between ledgers has been evidenced by the SRA, though these

cases were not necessarily related to money laundering (SRA, 2019b). This practice was seen in two cases.[28]

Transactions may have Legal Professional Privilege Attached

Transactions going through law firm client accounts may have legal professional privilege attached. The issue of professional privilege in relation to lawyers' potential role in money laundering is a complex one, with exceptions that apply, differences between jurisdictions, and often misunderstandings or mis-claims about whether and to what extent privilege actually applies. A recent report on money laundering and its prevention in Canada raised the concern that '[A]s privileged information cannot be disclosed unless the client consents or an exception applies, the potential for transactions going through [client] accounts to elude law enforcement is considerable' (Cullen, 2022: 1136). It may also be more difficult 'for police to freeze funds in a law firm's bank account' (Schneider, 2005: 7).

The perception by offenders that funds within the client account are protected by legal professional privilege may make them 'attractive to those with an improper purpose' (SRA, 2019b), even if that perception is wrong. An offender in Schneider's (2004, 2005) study on proceeds of crime cases in Canada

> acknowledged that he purposely used [law firm client accounts] to help block access to information about the true ownership of the funds in the account. He boasted to police that [client accounts] are "safe havens" because the police, taxation officials, or the "bar association" could not readily access them.

The SRA suggests that '[a]ttempts by law enforcement […] to obtain information [about movement of money through client account] may be blocked by a claim to privilege, even though the claim to privilege may be unsustainable on proper analysis with access to the documents' (SRA, 2019b). Therefore, it may be the *perception* of privilege that creates the opportunity structure rather than the *reality* in many cases. In an early case, the solicitor attempted to use legal professional privilege to justify his failure to report his client's suspicious activities. He argued that 'in many transactions that he had been involved in, client confidentiality and/or privilege excused him from the obligation to report'. However, he subsequently accepted that this interpretation was erroneous.[29]

Autonomy Over How the Client Account is Used or Managed

A greater degree of autonomy over how the client account is used or managed in a firm, and the funds that pass through it, may increase opportunities for its misuse. Decision-making authority within an organisation can be 'central to the opportunity to commit crime' (Weisburd, Wheeler, Waring and Bode, 1991: 80 cited in Engdahl, 2022: 29). Such authority over client account use and management could be greater with small firms or sole practitioners: the vulnerability of client accounts 'is potentially greater when the legal professional is acting as a sole proprietor, as there will be no third-party

[28] SDT Case No. 10694–2011, Powell; SDT Case No. 12091–2020, Bujakowski.

[29] High Court of Justice [2004] EWHC 419 (Admin), 2004 WL 960954; SDT Case No. 8648–2002, Duff.

internal checks on compliance and proper use of the client account' (HM Treasury/Home Office, 2015: 44). While information on size of firm is limited in the case data, 9 of the 15 cases in which we observed purposeful exploitation of the client account involved sole practitioners or 2-partner firms.

Interviewees from within the legal profession provided examples of measures implemented within firms to reduce autonomy over the client account, for example by ensuring multiple layers of control over client account deposits:

> 'We've got a system so that any money coming in has to be authorised by the fee earner, and then by their supervisor, and if it's over £5,000 then it comes to risk and compliance. That way we can make sure there's a uniform approach across the practice' (COMP1).

In addition, prior to the receipt of funds from the client, the client should have been subject to 'all the initial customer due diligence processes carried out by the AML team' (COMP2) as well as the obligations of the lawyer (fee earner) whose client it is. It's worth noting that both of these interviewees were from firms with 20–35 partners, separate AML and compliance/risk functions, and large accounts teams. Such layers of oversight would not be possible in very small practices or sole practitioners, where the various required compliance and AML roles may be carried out by the same person.[30]

Diffusion of Responsibility

However, while multiple layers of oversight may reduce autonomy over client account use, 'diffusion of responsibility' in complex organisational structures can also create criminogenic or crime facilitative conditions (Chan & Gibbs, 2020: 194; Huisman, 2020: 145). Diffusion of responsibility may create ambiguity over correct behaviours and responses to opportunities for offending (van Erp, 2018); hierarchical complexity can be used to deny knowledge of or responsibility for illegal or unethical practices (Huisman, 2020); and oversight 'blind spots' or 'buck passing' may occur where overlapping oversight leads to ambiguity in task assignment or responsibility (Ni & Zeng, 2009, cited in Pontell et al., 2020: 354-5).

> I think the challenge in the big firms is that they do have a lot of resource, but it is sitting separately to the fee earners and it can become, like, identifying suspicion is a role for compliance, onboarding is a role for compliance, and it can mean that fee earners are a step removed from that sometimes (SUP2).

In a medium or large firm, accounts departments and compliance officers for finance administration (COFA) would be responsible for preventing breaches of the Accounts Rules (SUP2) and for matching money coming into the client account 'to the client, to the account, the client's matter and whether that's expected' (AML2). However, their role, and the Accounts Rules themselves, are not money laundering focused and it is the

[30] Firms are required under SRA rules to have a Compliance Officer for Finance Administration, Compliance Officer for Legal Practice, Money Laundering Compliance Officer, and a Money Laundering Reporting Officer.

money laundering compliance officer (MLCO) and money laundering reporting officer (MLRO) that are expected to have AML expertise. It was suggested that this could lead to a 'siloed' process, where Accounts Rules compliance is focused on ensuring the money is allocated to the right ledger at the right time, the right people know that the money is in the account, and the funds have cleared, whereas AML compliance is focused on who the client is and where the money came from, without 'a process that meets the two in the middle' (AML1).

Limits of Oversight

In the UK, AML oversight of client accounts falls to a mix of actors, both internal and external to law firms. The professional and regulatory bodies responsible for AML supervision in the legal sector monitor law firms' use and management of client accounts to identify potential money laundering, breaches of the Accounts Rules, or other regulatory failures, through various routine inspection processes, and may also be notified of potential problems by firm accountants or law enforcement (SUP1; SUP2; SUP4). Following a change to the Money Laundering Regulations 2017, banks which hold a pooled client account for a law firm are required to take a series of measures to satisfy itself that the firm and its use of the client account pose a low risk of money laundering or terrorist financing (JMLSG, 2023). If satisfied, the bank may apply simplified due diligence to the client account. This means that they are not required to carry out due diligence on each of the clients whose money is held in the account. Conducting due diligence on each client of a law firm 'would be neither commercially nor practically viable' for banks (HM Treasury, 2022: para 3.43) and requesting underlying client level data from law firms would have significant practical, data protection, and client confidentiality implications for both banks and law firms (COMP1; AML2; BANK1). Where banks cannot satisfy themselves that the firm and its client account pose a low risk, the bank is required to take measures to identify and verify the identity of the owners of the funds held in the client account or to decrease the risk until simplified due diligence measures can be applied (JMLSG, 2023).

External oversight of law firm client accounts will inevitably have limitations, as external actors cannot monitor every individual client account transaction. The French CARPA model offers an alternative approach, by moving the management of client monies away from law firms and giving CARPA employees oversight of transactions and responsibility for checking the transactions in real time, ascertaining origin of the funds, and ensuring regulatory compliance (CARPA, 2024). Thus, the CARPA is considered to play 'an essential role in the fight against money laundering and the financing of terrorism' (CARPA, 2024). Such a system has been considered and rejected in the UK, however, for a number of reasons. First, the French legal system has over 150 regional bars, many with fewer than 100 lawyers. Therefore, CARPAs are only responsible for client monies from a relatively small number of practices. In England and Wales, the regulator oversees over 200,000 solicitors (Goldsmith, 2009, 2015). In addition, the work of French *avocats* differs to that of UK solicitors, and the funds passing through UK law firm client accounts are likely to be of greater volume and complexity (Goldsmith, 2009, 2015). Therefore, the country-specific contexts of legal professions

must be taken into account when considering the appropriateness of regulatory oversight measures, and a balance found between effectiveness and practicability.

The inevitable limitations of external oversight (Weisman, 2012: 6) mean that how extensively and effectively mechanisms of internal oversight are deployed is also important (Shover & Grabosky, 2010). As highlighted in "Autonomy Over How the Client Account is Used or Managed" and "Diffusion of Responsibility", there are multiple actors *within* law firms that can play a role in client account oversight, including various compliance officers, cashiers and accounts teams, and specialist AML and risk/compliance teams (SUP2; AML1; AML2). In small firms and sole practices, some of these roles will not exist (e.g., discrete AML and risk/compliance teams) and others will be carried out by the same person. The vulnerability of client accounts is considered to be 'potentially greater when the legal professional is acting as a sole proprietor, as there will be no third-party internal checks on compliance and proper use of the client account' (HM Treasury/Home Office, 2015: 44). In medium and large firms, there will be multiple layers of oversight over client account transactions (COMP1; COMP2). However, this can create a 'siloed' process (AML1), and oversight 'blind spots' or 'buck passing' may occur where overlapping oversight leads to ambiguity in task assignment or responsibility (Ni & Zeng, 2009, cited in Pontell et al., 2020: 354-5).

Conclusion

Law firm pooled client accounts are legitimate, necessary structures that create opportunities (and vulnerabilities) for money laundering and other financial crimes. Drawing on an integrated analysis of cases, interview data, official documents and theoretical perspectives on opportunity in 'white-collar crime', we argue that the 'opportunity structure' for the misuse of client accounts for money laundering purposes is created and shaped by various factors, including:

- the necessary role client accounts play in legitimate legal services provision, which involves receiving, holding and transferring funds from multiple sources on a daily basis;
- client accounts' intrinsic role in processes or transactions that are used for the laundering, managing or spending of criminal proceeds, such as property purchases, purchase of other assets, trust and company service provision, and commercial transactions;
- the ability for individuals outside of a law firm to control what funds are moved into a client account and from what source;
- awareness of those in possession of criminal proceeds or other illicit funds of the existence and characteristics of law firm pooled client accounts and the opportunities they present for money laundering;
- the level of control over the use, management and oversight of a client account and its accounting ledgers by individuals within a law firm and the degree of coordination and responsibility between different individuals and different functions of a law firm;
- the comprehensiveness and effectiveness of internal rules, structures and processes for preventing the misuse of client accounts or the breach of Accounts Rules and anti-money laundering regulations;
- the effectiveness of broader customer due diligence, source of wealth and source of

funds processes that should take place within law firms before a client's funds gain access to the client account; and.
- the effectiveness and credibility of external regulation and oversight of client accounts.

These factors are shaped by the occupational (legal sector-specific) and organisational (firm-specific) contexts of client accounts. The list is not exhaustive; other proximal and distal factors, not examined in this article, may also contribute to the money laundering opportunity structure created by client accounts – such as the cognitive, affective or behavioural characteristics of potential offenders and the economic and political environment in which law firms operate (Lord and Levi, forthcoming).

Misconduct in relation to client accounts does not always involve purposeful exploitation of opportunities (by lawyer, client, or both). In many instances where a law firm or individual lawyer is sanctioned for breaches of rules related to use of the client account (either Accounts Rules or Money Laundering Regulations), there is no evidence documented of actual money laundering. In most of the cases identified, lawyers were sanctioned for omissions which result in failure to comply with regulatory requirements, rather than for their active involvement in money laundering. This does not inherently imply that money laundering facilitation did not occur; it could mean that evidence needed to substantiate this was missing.

Examining the opportunity structures created by law firm client accounts is a more useful approach than categorising these structures as low, medium or high risk, as is done in national and sectoral risk assessments of money laundering and terrorist financing and international reports on money laundering through the legal sector. Under what criteria could client accounts be classified as low, medium or high risk, in and of themselves? The number of cases of money laundering where client account misuse has played a role? The number of client account transactions where money laundering was involved? The impact or consequences of money laundering through client account rather than other means? Client account money laundering risk/vulnerability is not isolated or distinct; it is inherently linked to the individual whose funds are moving through the client account, the funds themselves, and/or the processes or transactions in which the client account is being used. This highlights the importance of the customer due diligence (including source of wealth and source of funds) processes that should be carried out on a client and their funds prior to a transaction involving the client account (when in scope of the Money Laundering Regulations, at least).

Identifying the factors that create opportunities for money laundering through client accounts can direct us towards more targeted, and hopefully effective, oversight mechanisms and preventive strategies. While this article focuses primarily on the UK, it holds lessons for policymakers across Europe – and globally. Client account money laundering risk is a concern across the world, as part of wider efforts to prevent money laundering through the legal profession (see for example, Ensign & Ng, 2016; Cullen, 2022; Australian Government, 2023). European countries in which law firms hold client accounts for managing client funds should consider the money laundering opportunity structures that are created by these accounts within their own legal, regulatory and professional contexts. These will reflect the UK experience in some ways, but there will also be differences – as mentioned at the beginning of the article, AML regimes for legal professionals and processes for managing client money vary across jurisdictions,

shaped by legal cultures and political priorities (Nougayrède, 2019; Benson, 2021). More broadly, this article has shown how legitimate structures can create opportunities for misuse or exploitation for money laundering or other financial crime purposes, and so can be applied to other such structures in various professional or business sectors.

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