

To: Barbara Buchanan, QC [redacted]; Jeanette McPhee [redacted]; Gurprit Bains [redacted]
Cc: Michael Lucas [redacted]; Alison Luke [redacted]; Eva Milz [redacted]
From: Karen Mok [redacted]
Sent: Tue 1/29/2019 5:06:29 PM (UTC)
Subject: RE: Law firm regulation AML issues

I've just been trying to familiarize myself with the LFRTF matters and it's good to know we can add onto the self-assessment at its next cycle, if it gets there. The questions the SRA poses in its self-assessment are very clear and concise and I think would be very useful to look at in reference to LFR. Looking forward to meeting to discuss this.

Karen Mok | Manager, Intake and Early Resolution
Law Society of British Columbia
845 Cambie Street, Vancouver, BC V6B 4Z9
[redacted]

Complaint process is confidential

Rule 3-3(1) of the Law Society Rules 2015 prohibits disclosure of this email and any information or records that form part of the investigation of this complaint. As well, this email and other documents relating to this complaint are not admissible as evidence in any proceedings without the consent of the author of the material or the Executive Director pursuant to section 87 of the *Legal Profession Act*.

From: Barbara Buchanan, QC
Sent: Monday, January 28, 2019 5:05 PM
To: Jeanette McPhee [redacted]; Gurprit Bains [redacted]
Cc: Michael Lucas [redacted]; Karen Mok [redacted]; Alison Luke [redacted]; Eva Milz [redacted]
Subject: RE: Law firm regulation AML issues

Yes!

Barbara Buchanan QC | Practice Advisor, Conduct & Ethics
The Law Society of British Columbia
845 Cambie Street
Vancouver, BC V6B 4Z9
[redacted]

From: Jeanette McPhee
Sent: Monday, January 28, 2019 5:03 PM
To: Gurprit Bains [redacted]
Cc: Barbara Buchanan, QC [redacted]; Michael Lucas [redacted]; Karen Mok [redacted]; Alison Luke [redacted]; Eva Milz [redacted]
Subject: RE: Law firm regulation AML issues

Yes I agree, lets meet!

Jeanette McPhee, CPA, CA, BBA, CAMS, CRMS
Chief Financial Officer and Director of Trust Regulation
The Law Society of British Columbia
[redacted]

From: Gurprit Bains
Sent: Monday, January 28, 2019 3:37 PM
To: Jeanette McPhee [redacted]
Cc: Barbara Buchanan, QC [redacted]; Michael Lucas [redacted]; Karen Mok [redacted]; Alison Luke [redacted]

Subject: Re: Law firm regulation AML issues

Very good points Jeanette. So much to discuss/consider to make sure we have the most robust approach to regulating AML issues. There are several moving parts here.

I'm happy to schedule a meeting for everyone to discuss in Feb.

Gurprit Bains | Acting Chief Legal Officer
Law Society of British Columbia
845 Cambie Street, Vancouver, B.C. V6B 4Z9

On Jan 28, 2019, at 3:25 PM, Jeanette McPhee wrote:

Hi all,

I agree with the idea of a compliance officer, and mandatory trust accounting training (and certainly for AML training), although I think this should expand to all lawyers who have trust accounts.

Also of note, during our participation on the Federation AML Working Group, we pushed the WG to recommend "compliance officers" for all law societies, but it did not stick. Eva and I feel strongly about this, especially in light of the fact that the other reporting entities under the Federal regulations, who are similar to us, ie: notaries, accountants, real estate, are required to have a compliance officer and AML systems in place, and related training.

As far as using LFR, I have some concern with this being driven initially through the law firm regulation route. I am not sure where this process is at. I would be concerned that this may slow down the process of getting the AML knowledge out there, and having lawyers take responsibility for AML, especially with the model rules coming into place very soon. Should we just do this in conjunction with the implementation of the AML model rules, and have mandatory AML training for all lawyers as part of that.

As part of our small AML planning group that we have formed (Gurprit, Barb, Eva and I), we have that an AML training module on our list. Barb/Tina are planning to take the AML section of the Trust course, and then will broaden it to include general AML knowledge, training, red flags, etc, along with our specific trust rules. So this can be used when we roll out the AML model rules, along with other materials.

Another way to approach the idea of a "compliance officer" is to have a "Responsible Lawyer" model (as they call it in Alta and Manitoba). This person is the contact for trust accounts and must take Trust Accounting training. This will help us as then we have just one person to correspond with for a particular location, and they have responsibility on trust issues.

Also, there has been recent talk about 'licensing trust accounts', but our view (Eva and I) is that the above (responsible lawyer and mandatory training) may be a more manageable way to implement the AML strategy. The other thing we need to do is to have stronger fines/penalties/suspension on the discipline/hearing side for serious trust accounting issues, as currently, they are very minimal, compared to the amount of time we spend internally on these files in all areas of the LSBC.

Thoughts?

Jeanette McPhee, CPA, CA, BBA, CAMS, CRMS
Chief Financial Officer and Director of Trust Regulation
The Law Society of British Columbia

From: Gurprit Bains
Sent: Monday, January 28, 2019 1:30 PM
To: Barbara Buchanan, QC [REDACTED]
Cc: Michael Lucas [REDACTED]; Karen Mok [REDACTED]; Alison Luke [REDACTED]; Jeanette McPhee [REDACTED]; Eva Milz [REDACTED]
Subject: Re: Law firm regulation AML issues

That's a great start Barbara. I'd be in favour of doing more re AML compliance in the self assessment tool.

How about we meet in the coming weeks to discuss?

Michael re SRA stuff-I agree we should be cautious about what any other jurisdiction does. But I think their AML approach is good (at least what I've read about it. Don't know what it's like in practice). Kurt and I both spent a fair amount of time reviewing their materials and are impressed.

Gurprit Bains | Acting Chief Legal Officer
Law Society of British Columbia
845 Cambie Street, Vancouver, B.C. V6B 4Z9
[REDACTED]

On Jan 28, 2019, at 12:43 PM, Barbara Buchanan, QC [REDACTED] wrote:

Just noticed my bad typo for our Element 7 objective: compliance not complain.

Establish mechanisms to minimize the risk of fraud and procedures that ensure compliance with Law Society accounting rules.

From: Michael Lucas
Sent: Monday, January 28, 2019 12:36 PM
To: Barbara Buchanan, QC [REDACTED]; Gurprit Bains [REDACTED]; Karen Mok [REDACTED]; Alison Luke [REDACTED]; Jeanette McPhee [REDACTED]; Eva Milz [REDACTED]
Cc: Alison Luke [REDACTED]
Subject: RE: Law firm regulation AML issues

It's something to think about, in conjunction with the LFRTE, so I've copied Alison in. I'd be a little cautious with anything the SRA has done – their approach to issues is decidedly mixed, but I haven't read this so maybe they got this right.

Michael

Confidential transmission: This email and any attachments are confidential and may be privileged; they are for the use of the named recipient(s) only. If you have received this transmission in error, please notify the sender immediately; please do not copy or disclose the contents to any person or body, and delete them from your computer systems.

From: Barbara Buchanan, QC
Sent: January-28-19 12:29 PM
To: Gurprit Bains [REDACTED]; Michael Lucas [REDACTED]; Karen Mok [REDACTED]; Alison Luke [REDACTED]; Jeanette McPhee [REDACTED]; Eva Milz [REDACTED]
Subject: RE: Law firm regulation AML issues

We included cash restrictions, CIV and fraud in the Self-Assessment Pilot and links to resources but we could probably do more. I don't have a copy of the final version handy.

For example, in the Self-Assessment Workbook, we included CIV, use of trust accounts and receipt of cash and provided links to resources on the first page (under Indicator 1).

The objective of Element 7 (Ensuring Responsible Financial Management) was: **Establish mechanisms to minimize the risk of fraud and procedures that ensure complain with Law Society accounting rules.**

My recollection is that we included information on CIV in Element 5 (Maintaining Appropriate File and Records Management) and Trust accounts in Element 6 (Charging Appropriate Fees and Disbursements).

This isn't a detailed assessment.

Barbara

Barbara Buchanan QC | Practice Advisor, Conduct & Ethics
The Law Society of British Columbia
845 Cambie Street
Vancouver, BC V6B 4Z9

From: Gurprit Bains

Sent: Monday, January 28, 2019 11:47 AM

To: Michael Lucas [REDACTED] Karen Mok [REDACTED] Alison Luke [REDACTED]
Jeanette McPhee [REDACTED] Barbara Buchanan, QC [REDACTED] Eva Milz [REDACTED]

Subject: Law firm regulation AML issues

Hi all,

I was speaking with Don last week about the role of law firms in AML and the SRA's approach. He asked why we don't do the same. I agree. I don't think we've built an AML component into LFR yet but this is something we need to look at. The SRA requires the AML compliance officers to attend training. They did an audit of AML firm processes and compliance recently:

<https://www.sra.org.uk/sra/how-we-work/reports/preventing-money-laundering-financing-terrorism.page>

I really like the SRA risk based approach and the clear materials and guidance they provide on their website.

Thoughts on this? Is it something for the task force to consider if we want to add it to the self assessment? We'd likely want to wait for the Federation AML materials to be finalized first and then supplement those with additional resources but we could get started on this now.

Gurprit Bains | Acting Chief Legal Officer
Law Society of British Columbia
845 Cambie Street, Vancouver, B.C. V6B 4Z9