

Indicators related to Lawyers Sector

Preface

Similar to other sectors, the Lawyers Sector includes gaps and weaknesses that can be exploited by ML/FT professionals. Understanding those gaps and limiting the risks by those concerned in this Sector leads in turn to raising efficiency level in combating illegal operations related to ML/FT.

The class of lawyers who provide the following services are obligated to report suspicious transactions when they are authorized to perform them, in a manner that does not conflict with their commitment to professional confidentiality in relation to the lawsuits entrusted thereto, which requires them to preserve their customers' information in case of disclosing the illegal activities carried out thereby:

- Real estate purchase and sale transactions.
- Customer's funds, securities or other assets management.
- Management of bank accounts, savings accounts or securities.
- Organizing contributions for the establishment, operation or management of companies.
- Establishing, operating or managing commercial entities or arrangements for the purchase and sale of commercial entities.

Indicators Related to Customer:

1. Customer avoids face-to-face meetings and gives intermittent instructions that are so elusive and hard to reach.
2. Customer is reluctant to provide all information or information provided thereby is insufficient or incorrect.
3. Customer submits forged documents, invoices and loans.
4. Customer occupies or had previously occupied a public position and is deemed on the politically exposed lists or has professional or family ties with a person who held a similar position.
5. Customer is associated with a person whose name is included in the terrorist lists or with activities related to financing of terrorism.
6. Customer has prior property convictions, is currently under investigation for a property crime or has ties to criminals.
7. Customer is very secretive or evasive about disclosing the actual beneficiary, the source of funds or the purpose of the transaction.

8. Customer shows extraordinary curiosity about routine procedures used to prepare his personal file, which includes identifying the customer, his ID documents or any other required data.
9. Customer does not have an address or unjustifiably has several addresses.
10. Customer appears to be acting pursuant to instructions of another person whose identity is concealed.
11. Unusual development for a customer who has funds that are not commensurate with his personal status or activities, such as (age, occupation, income, etc.), indicating that he lives beyond his financial capabilities.
12. Customer chooses a law firm with a specialization that is not commensurate with the activity of the commercial entity.
13. Customer changes the contract's settlement or implementation instructions without a clear economic reason.
14. Customer seeks tax-related advice with indications of tax evasion.
15. Customer employs a natural person acting in his capacity as a manager or representative of the commercial entity, who does not appear to be an appropriate representative.
16. Customer's history indicates a recurring pattern of establishing commercial entities, mostly retail markets, cash intensive markets.
17. Difficulty identifying the actual beneficiary, the property or nature of the commercial entity's transactions, such as:
 - Ownership and management structure of a commercial entity is unjustifiably complex.
 - A joint stock company which management of assets is divided through owned shares and is controlled by various states without a clear economic reason.
 - Appointing family members or partner's relatives as shareholders or nominee managers, so that they would receive instructions from the beneficial owner (the actual beneficiary).
18. Customer base of the commercial entity includes the following:
 - Sectors with greater opportunities for ML/FT, such as (retail markets and intensive cash markets).
 - Politically exposed persons and persons closely associated therewith.

19. Commercial entity that is considered cash intensive and subject to AML/CFT requirements, such as:
 - Money or value transfer services companies, such as (Currency exchange shops, exchange offices, agents and banknote dealers or other companies that provide money transfer services).
 - Dealers of precious metals and precious stones.
20. Commercial entity relies heavily on new technologies, such as (Internet trading platform), which increases the risk of being exploited by criminals, especially those that are not subject to AML/CFT regulations.
21. Commercial entity cannot be found on the Internet or uses a public email address (Hotmail, Gmail, Yahoo, etc.)

Indicators Related to Transaction:

1. Volume of transactions carried out by the customer is large compared to his profile.
2. Sudden, unjustifiable, activity from an inactive customer.
3. Customer carries out real estate transfer transactions or high-value assets, such as (jewelry, stones, precious commodities or artifacts), where it is not common or normal to the customer or his regular transactions.
4. Customer carries out transactions related to legacies and inheritances, in which the deceased is convicted of previous crimes and the funds/property owned are illegal proceeds of the crimes committed.
5. Transactions for settlement of judgments in absentia or alternative solutions to disputes carried out in an unusual way or with great ease, which may indicate the existence of financial proceeds obtained from crimes, entered by one of the conflicting parties to the (Implementation Department). The dispute is resolved with great ease through (arbitrators) related to the conflicting parties, thus receiving the money in a legitimate way.
6. Customer grants a power of attorney/authorization to the lawyer in unusual circumstances and for vague or illogical reasons.
7. Customer carries out transactions involving closely related persons, in which the customer and his financial advisors provide inconsistent explanations, indicating that they are unwilling to provide an appropriate and logical explanation for legal, commercial, economic or other inquiries.

8. Recurring appearance of the same parties in transactions within a short period of time, such as transactions of purchasing several properties in different areas by the same parties, within a short period of time.
9. The age of the parties who carry out the transaction is not normal in relation to the transaction, especially if they are under the legal age or incompetent, where there is no rational explanation for their participation.
10. The customer (the first party) deposits sums of money ***to the account of the legal practitioner's trusts** (as a trust) for the purpose of financing transactions that are supposed to be implemented by the (second party) and are not actually completed.

***Legal practitioner's trust account:** Mediating account between the parties to the transaction carried out by the legal practitioner by collecting sums of money from the (first party) and keeping them as a trust in the trust account for the purpose of handing them over to the (second party), with the aim of completing the transaction legally, until the end of the purpose of collecting them.

11. It is apparent from the customer's statement, during the legal advice, that there are instructions from another legal professional, so that the method of requesting transactions is well-organized and indicates the existence of legal interference by another party.
12. Customer purchases the assets for cash and then immediately uses them as collateral for a loan.
13. Customer obtains real estate loans in a recurrent manner, repaying them before the agreed upon maturity date, without a logical explanation.
14. Transactions involve amounts that are not commensurate with the social and economic status of the natural person or commercial entity.
15. Existence of huge financial transactions by a newly established commercial entity, without a clear economic justification.
16. Customer charitable organizations that engage in transactions contrary to their declared activity.
17. Acquisition transactions of companies under liquidation without a clear economic reason.
18. Capital and other contributions increased successively for the same commercial entity within a short period of time, without a clear economic reason, compared to similar entities.
19. Unusual terms and conditions exist in credit arrangements that do not reflect the commercial status between both parties, such as:
 - Unusual short/long periods of consumption.
 - Interest rates are above/below market rates.
 - Frequent and unjustified cancellations of mortgages or other guarantees prior to the agreed upon maturity date.
20. Excessive increase or decrease in securities' price of the commercial entity in a way that is not commensurate with the volume of its revenues and its commercial activity, especially upon knowledge of losses, dividends or the amount declared in other operations.

21. Commercial entity engages in fraudulent transactions, usually involving the following fraudulent methods, during the import/export of goods or services:
- *Over or Under Invoicing of goods/services'
 - *Multiple invoices for the same goods/services.
 - *Over or under shipments.
 - *Falsely described goods/services.

***Over or Under Invoicing of Goods/Services**

- Exporter in state (A) issues invoices for goods or services that are less than the (fair market price). These invoices are then transferred to the importer in state (B) (the money launderer), who, in turn, sells the goods or services in the open market and recovers their actual fair value, as a way to launder illegal money.
- Exporter in state (A) issues invoices for goods or services that are higher than the (fair market price). These invoices are then transferred to the importer (money launderer) in state (B) so that he, in turn, pays a higher value through illegal funds and then sells the goods or services and collects legitimate funds.

***Multiple Invoices for the Same Goods/Services**

- Exporter in state (A) issues multiple invoices for the same goods or services, so that the importer (money launderer) in state (B) uses different financial institutions to pay the same invoices for the goods or services.

***Over or Under Shipments**

- The quantity of shipments is manipulated by collusion between the exporter and the importer through tampering with customs documents. Shipments may be fictitious to be used only as a front for illegal money laundering process.

***Falsely Described Goods/Services**

- The quality and type of the (goods or services) are manipulated through collusion between the exporter and the importer, such as shipping low-quality goods, where supporting documents are distorted with high-quality descriptions, so that it could be a means of laundering illegal money.

Indicators related to Products, Services and Channels Used:

1. Customer requests the completion of commercial transactions or services in unusual circumstances or over a short time, without an apparent economic reason.
2. Customer uses multiple bank accounts or foreign accounts without a clear economic reason for the same.
3. Customer pays high levels of fees for services that would not normally involve such a level of fees.
4. Customer pays for legal services provided in cash and avoids completing them through financial institutions or uses unusual means of payment, such as (precious metals, precious stones, etc.)
5. Customer changes the means of payment unjustifiably, in the last moments, which may indicate the presence of a third party beneficiary of the transaction.
6. Customer requests a change in the previously agreed-upon payment methods, suggesting payment tools that are not commensurate with the procedure followed for the transaction to be completed, without a clear reason for that action.
7. Customer sets an unusually short repayment period without a logical explanation.
8. Payments for transactions are made in cash by unknown third parties.
9. Customer, or third parties, provides a large amount of cash as collateral with the legal professional, instead of using that money directly, for no obvious economic reason.

Indicators Related to Geographical Location:

1. Funds' source or destination is to a foreign state that has no clear connection with the customer.
2. The guarantee set for the transaction is in a high-risk state.
3. Transaction parties are citizens of a high-risk state.
4. Commercial entity manages a large part of its business or has subsidiaries in high-risk states.
5. Commercial entity's headquarters is transferred to another state, which raises suspicion that a front company with the purpose of obscuring the actual beneficiary or owner.
6. Commercial entity's capital increase is from a foreign state that has no clear connection with the commercial entity or from a high-risk state.