



# Conveyancers' Guide to Digital KYC and AML Checks

Navigating Regulatory Compliance and Streamlining Client Onboarding



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## Introduction

**The UK boasts a thriving property market, but it is not without its challenges.**

In 2020, the [UK National Risk Assessment of Money Laundering and Terrorist Financing 2020](#) identified the property industry as highly susceptible to money laundering activities. As a result, solicitors in this field are expected to maintain a vigilant stance when it comes to money laundering risks in property transactions and diligently adhere to legal and regulatory obligations.

Traditionally, Know Your Customer (KYC) and Anti-Money Laundering (AML) checks have relied on manual procedures.

This often entails in-person meetings with clients, manual identity verification, and email exchanges to gather essential documents like bank statements and other information. This approach can impose a substantial administrative burden on conveyancers, leading to the loss of billable hours.

However, the legal landscape is evolving rapidly with the introduction of innovative digital technologies. These digital solutions not only enhance efficiency but also align with regulatory recommendations. Consequently, conveyancing firms are increasingly adopting a digital approach that surpasses the limitations of traditional methods in AML checks and compliance.

# Understanding your KYC/AML Obligations

In recent years, property market legislation has evolved to mitigate money laundering risks, with estate and letting agents being brought into the regulated sector under the Money Laundering, Terrorist Financing, and Transfer of Funds Regulations 2017 (MLR 2017).

Despite these changes, the property market remains attractive to domestic and foreign investors, posing a continued risk for money laundering and sanctions evasion.

The UK's AML framework mandates a thorough examination of clients to ensure they do not engage in illicit financial activities. Before undertaking a property transaction, you are expected to conduct proper due diligence on clients as part of AML compliance, which includes:

- Establishing the identity of your client - this involves confirming the identity of the individual you represent and ensuring you possess their essential details, including name, date of birth, and address.
- Verifying your client's identity - this necessitates taking measures to verify your client's identity. This might be by confirming the validity of identity documents or checking public records or company registries.
- Understanding how the transaction is being funded - this includes the source of the funds to be used in the transaction and the source of the client's wealth.

## AML Checks and Processes

In addition to Identity and Source of Funds checks, practices are required to conduct other checks and processes to mitigate the risks of money laundering, such as:

1. PEPs, Sanctions and Adverse Media
2. Ongoing Watchlist Monitoring
3. Companies Data and Ownership
4. Maintaining an audit trail
5. Client and Matter Risk Assessment
6. Firm-wide Risk Assessment



# KYC/AML Compliance Assessment

Regardless of whether you currently conduct these checks and processes manually or rely on digital tools for this purpose, assessing the most suitable approach for your practice requires careful consideration of the following questions:

1. Are you compliant with the latest AML legislation and guidance?
2. What is your process for keeping client data safe?
3. What types of checks do you need to conduct on your clients?
4. Do you conduct screening on your BOOMs (beneficial owner, officer, or manager) and frontline AML staff?
5. How much time and resources do you spend on conducting AML/KYC checks?
6. How do you shape the client experience during the onboarding process?
7. How do you maintain an audit trail?
8. How do you manage client and firm-wide risk assessments?

## Guidance on Use of Technology

Section 7 of the 2023 HM Treasury-approved [Legal Sector Affinity Group \(LSAG\) AML guidance](#) highlights the potential benefits of incorporating electronic identity and verification (EID&V) services in the legal sector. While manual verification remains valid, LSAG

underscores EID&V as a robust alternative to traditional methods, citing advancing security and sophistication. Recognising risks in cyber security, fraud, and privacy, practitioners are urged to grasp both the benefits and risks of adopting digital technology and prioritise trusted providers for secure and reliable implementation

Due to the significant demand in the conveyancing market for a simpler and more convenient identity verification solution, [HM Land Registry Practice Guide 81](#) has established digital identity standards. Conveyancers attain the 'Safe Harbour' status (applicable in England and Wales) when they meet these standards.

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**Despite the many benefits of digital ID verification, there is reluctance within the legal community which often stems from misconceptions around regulation and a lack of awareness around the technical capabilities now available.**

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**- Excerpt from the Regulatory Response Unit (RRU) Joint Statement, 2022**

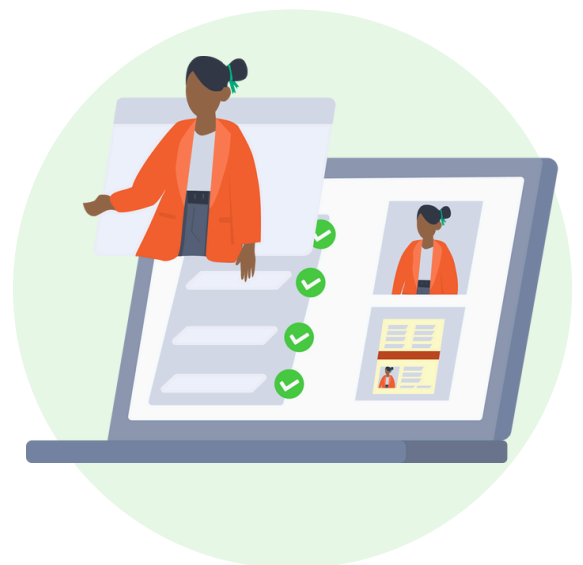
The legal services regulators participating in the Regulatory Reform Unit (RRU) convened by LawTech UK issued a [joint statement](#) in 2022 to emphasise their active encouragement of the use of digital ID verification tools by law firms.

## Deciding Which Approach to Take (Manual vs. Digital)

The traditional, manual approach to AML/KYC checks, though well-established, can be complex and time-consuming. Conveyancing firms must evaluate the compliance risks associated with this method. The consequences of non-compliance can result in heavy penalties and reputational damage.

### Comparison Between Manual vs Digital Identity checking

	Manual	Digital
<b>Collecting Documents</b>	Documents are collected via unsecured email, post or in-person and stored physically.	Documents are collected online via secure encrypted portal and stored in digital form
<b>Checking the authenticity of documents</b>	The identity document is reviewed through a visual examination and results may vary depending on training and tools available. The training requirements for this process would add time, cost, liability etc.	The identity document is verified against numerous online secure sources of data. Checking the authenticity of identity documents digitally is a robust process which involves checking for image quality, data integrity, consistency etc, and gives accurate results.
<b>Verification</b>	The process can take up to weeks. Solicitors may have to meet candidates face to face to verify their identity against their ID documents.	Advanced biometric comparison enables solicitors to remotely verify identity and onboard clients up to 4x faster than manual process.



## Benefits of Using a Digital Provider

A digital approach can provide a more efficient and effective solution for AML compliance, aligning with client expectations, enabling remote transactions, and seamlessly integrating with practice management software.

Here are some advantages of using a digital tool/provider for identity verification and KYC/AML checks:

### Compliance

Leveraging digital tools can help you with anti-money laundering (AML) regulatory compliance, but the responsibility for up-to-date compliance ultimately sits with the legal practice and practitioners so choosing a reliable digital provider you can work hand in hand with is key.

### Client Data Security

Digital providers often come with advanced security features, including encryption, secure data storage, and access controls which safeguard your client data from unauthorised access and data breaches.

### Range of Checks from a Single Platform

Digital solutions provide a centralised platform for conducting the full suite of KYC/AML checks. This streamlines the process and ensures that all necessary checks are performed consistently and efficiently.

### Integration

Many digital providers are designed to integrate seamlessly with your practice management software. This integration improves workflow efficiency, reduces data duplication, and simplifies record-keeping.

### Staff Screening

A digital provider can assist in conducting checks on both clients and your staff, including criminal record checks, credit checks, electronic identity verification etc.



## Time and Cost Saving

By automating AML checks and processes, your firm can allocate resources more efficiently. This not only saves time but also reduces operational costs associated with conducting AML checks manually.

## Better Client Experience

Same-day access to services has become the norm in other sectors, and clients are now seeking such convenience in legal services. A digital solution empowers clients to easily complete checks through a user-friendly platform.

## Managing Risk Assessment and Audits

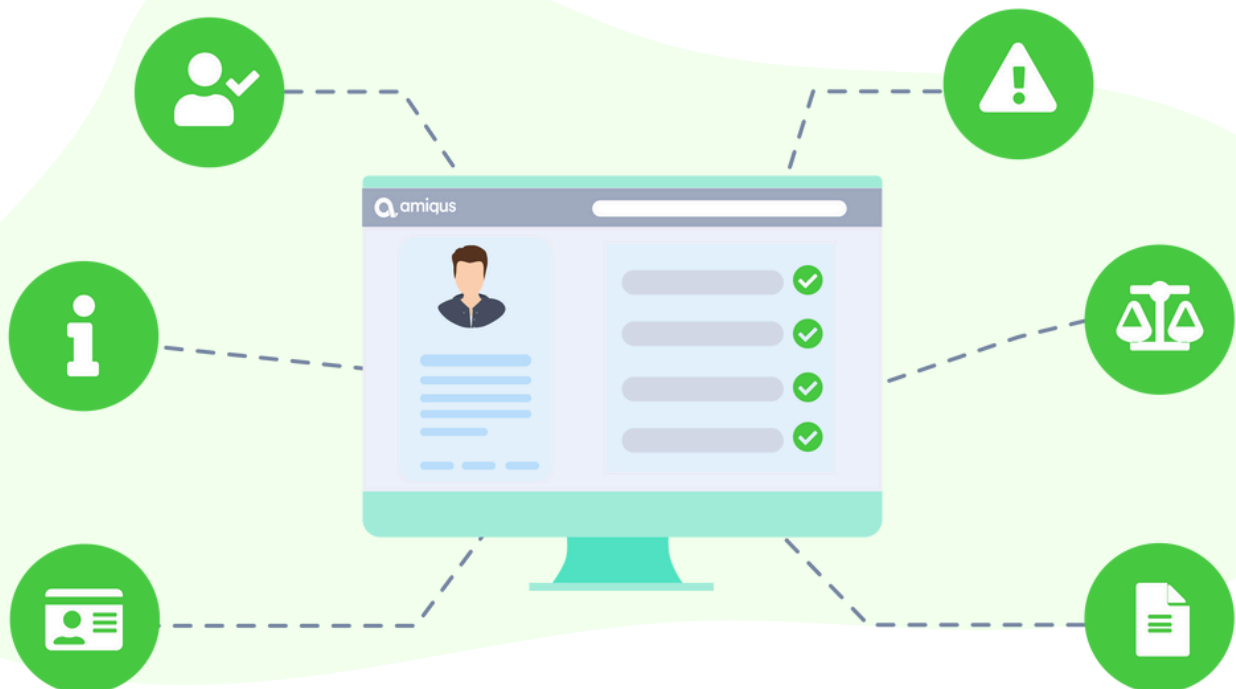
Digital providers enable you to seamlessly complete, track and store risk assessments. For audits, you can digitally record and monitor every stage of the AML process, creating an exhaustive audit trail of actions and decision-making.

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When Amiquis made it possible for our clients to provide ID digitally, and from the comfort of their own home, it massively sped up the process and also improved our client conversion times and rates.

”

-Thorntons Law LLP





## Choosing the Right Digital Provider

Selecting the right digital provider for AML/KYC checks is a critical decision. Consider the following key questions and vendor selection criteria:

**Usability:** Is the solution user-friendly for both your firm and clients, accessible through various devices, and easy to navigate?

**Accreditation:** Is the digital provider accredited under the UK Government Digital Trust Framework or similar standards, and to what level ie low, medium or high?

**Monitoring:** Does the provider offer ongoing monitoring for PEPs, sanctions, and adverse media?

**Efficiency:** Does the solution streamline the onboarding of new clients while ensuring compliance?

**Comprehensive Support:** Can the provider assist with all aspects of AML compliance, including checking relevant staff members and providing a risk assessment feature?

**Integrations:** How easy is it to integrate the provider into your practice management software?

**Security:** Is the provider ISO27001 accredited or meets Cyber Essentials Plus as a minimum requirement, ensuring data security?

**Accessibility:** Does the solution adhere to web accessibility standards, ensuring ease of use for clients?

**Safe Harbour:** Can the AML checks satisfy the Safe Harbour standard set by the HM Land Registry (applicable in England and Wales)?

[Download Checklist](#)



## Conclusion

AML compliance has evolved beyond mere identity verification; it now encompasses a comprehensive approach that involves understanding clients, assessing risks, and monitoring transactions.

By carefully evaluating digital solutions against strict criteria, conveyancers can enhance efficiency, security, and compliance while providing a top-notch client experience.

[Book a free demo](#)



## Amiquis: Your Trusted Partner

Amiquis, recognised as the 5th fastest-growing fintech in the UK by Deloitte in 2022 and honoured with the legal technology award by the Scottish Legal Awards in 2023, is a market-leading digital tool for compliance and onboarding solutions that simplifies how law firms verify and onboard clients and staff.

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