Law Society
of British Columbia

LAW FIRM WIDE ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING ("AML/CTF") RISK ASSESSMENT

I. Introduction

The purpose of this law firm wide risk assessment is to assist law firms to identify money laundering and terrorist financing ("ML/TF") risks their firm may be exposed to and to implement policies, procedures and controls to mitigate the risks.

The risk assessment is a living document. The firm should review and update its assessment at least on an annual basis to incorporate any new risks or material changes, including in the firm's clients and areas of practice.

In preparing this risk assessment, the firm did the following:

[set out methodology used such as review of Law Society of British Columbia publications, review of Risk Assessment and Compliance (Federation of Law Societies of Canada, December 2023), discussions with practice section heads, review of Canada's National Risk Assessment reports, Financial Action Task Force ("FATF") publications including its Mutual Evaluation Report of Canada (September 2026), the Commission of Inquiry into Money Laundering in British Columbia Final Report (June 2022) and changes in relevant legislation].

Assess the risks in respect to: (a) firm practice areas; (b) firm clients; and (c) transaction risks. Describe the **mitigation measures** taken (see page 11).

Categorize the firm's risks as high, medium or low, as described in the following table:

Risk Rating	Description
High	**The risk suggests a high vulnerability of legal services potentially being used to further ML/TF**
Medium	**The risk suggests a moderate vulnerability of legal services potentially being used to further ML/TF**
Low	**The risk suggests a low vulnerability of legal services potentially being used to further ML/TF**

II. Risk Assessment

A. Firm Practice Areas

Practice Area Risk	ML/TF Risks	Measures to Mitigate Risks	Inherent Risk Rating (or risk rating after mitigation measures)
Real estate	Federation Risk Advisories (2019) Federation AML Case Studies (2020) 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Private lending	Discipline Advisory - Private Lending, April 2019 Federation Risk Advisories (2019) Federation AML Case Studies (2020) 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Creation or management of private corporations, trusts, non-profits or charities, including purchase or sale of shares/assets	Federation Risk Advisories (2019) Federation AML Case Studies (2020) 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report Forming companies and other structures – managing the risk, Spring 2021 *Benchers' Bulletin*, (p. 8)		
Securities law (excluding defending clients in actions brought by securities regulators)	Discipline Advisory-Micro-cap Stocks (June 2020) 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Tax mitigation strategies	2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		

Practice Area Risk	**ML/TF Risks**	**Measures to Mitigate Risks**	**Inherent Risk Rating** **(or risk rating after mitigation measures)**
Debt collection litigation including builders' liens and foreclosures by private lenders	Federation Risk Advisories (2019) Federation AML Case Studies (2020)		
Other practice areas			

B. Firm Clients

Client Risk	ML/TF Risks	Measures to Mitigate Risks	Inherent Risk Rating (or risk rating after mitigation measures)
Describe the firm's client base (e.g., individuals, private corporations (Canadian or foreign), trusts, non-profits, charities, reporting issuers, financial institutions, public bodies), whether repeat or one-time clients, and the source of client referrals.	Private corporations pose a high risk as they are not subject to stringent regulatory scrutiny like reporting issuers and may be used to conceal beneficial ownership and obscure illicit transactions. Trusts, particularly express trusts, discretionary trusts and asset protection trusts, pose a high risk of ML/TF. In addition to obscuring beneficial ownership, trusts may control assets in other jurisdictions, including high risk jurisdictions. Non-profits and charities may be exploited to further TF schemes including funds raised for legitimate purposes being redirected to support illegal activities. Forming companies and other structures – managing the risk, Spring 2021 *Benchers' Bulletin*, (p. 8) Assessing and reducing terrorist risks to charities 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Does the firm act for clients (including corporations or trusts) situated outside Canada, in high-risk jurisdictions, including countries grey or blacklisted by the FATF, or otherwise subject to sanctions or economic measures?	Discipline Advisory - Country/Geographic Risk (February 10, 2021) Federation -Sanctions Implications for Legal Profession Special Bulletin Use of legal profession in ML and sanctions evasion (FINTRAC, October 2024) Special Bulletin on financial activity associated with evasion of counter proliferation sanctions (FINTRAC, July 2025) The Consolidated Canadian Autonomous Sanctions List (includes individuals and entities subject to specific sanctions	*Does the firm have measures to identify transactions/clients involving high-risk jurisdictions, including those subject to sanctions or economic measures?*	

Client Risk	ML/TF Risks	Measures to Mitigate Risks	Inherent Risk Rating (or risk rating after mitigation measures)
	regulations made under the *Special Economic Measures Act* and the *Justice for Victims of Corrupt Foreign Officials Act)* The United Nations Security Council Consolidated List of individuals and entities subject to measures imposed by the Security Councill under the *United Nations Act*		
Are any of the firm's clients Politically Exposed Persons ("PEPs") or Heads of International Organizations ("HIOs")?	Federation Guidance on PEPs & HIOs 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report	*Does the firm have measures to identify PEPS and HIOs?*	
Does the firm act for clients alleged to have engaged in, or convicted of, money laundering, terrorist financing, fraud including securities fraud, drug trafficking or other serious offences (other than defending securities offences or criminal defence retainers)?	Potential criminal or quasi-criminal behavior on the part of a client is red flag. *Law Society of BC* v. *Pelletier*. 2023 LSBC 47	Does the firm review BC Court Services Online, adverse media or refer to other sources to determine if there is adverse information about individuals/entities?	
Does the firm act for clients who have been denied banking services (i.e., de-risked) by a financial institution in Canada?	A client being denied banking services is a red flag as the basis for the denial could relate to involvement or suspected involvement in criminality or high-risk behaviours.		
Does the firm act for corporate clients that have unusually complex ownership structures and/or nominee or straw directors or shareholders?	Sanctioned individuals and criminals may use complex corporate structures to conceal their identity and beneficial ownership of funds/property. 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Do the firm's clients engage in a cash-intensive businesses or in high-risk businesses like online casinos or money	Certain businesses pose a higher risk of ML/TF. 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		

Client Risk	ML/TF Risks	Measures to Mitigate Risks	Inherent Risk Rating (or risk rating after mitigation measures)
service businesses (e.g., cheque cashing)?	Discipline Advisory – Know your obligations before accepting cash (September 3, 2026)		
Do the firm's clients engage in a business or transactions that receives funds from a crowdfunding platform or through the use of new technologies such as those associated with crypto assets?	Crowdfunding platforms pose a high risk as they allow for raising funds from a number of donors, including from high-risk jurisdictions, with a potential for anonymity for donors. Crowdfunding platforms may be used for money laundering and terrorist financing purposes. Crypto assets are vulnerable to being used for ML/TF. 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Does the firm act for clients who attempt to conceal their true identity or otherwise do not cooperate with requests to provide client identification and verification information, including source of funds information?	A client's behavior in attempting to conceal their identity, providing incomplete or inconsistent identification information or being unable to answer basic questions about their background is a red flag. Red Flags Quick Reference Guide		
Other client risks			

C. Transaction Risks

Transaction Risk	ML/TF Risks	Measures to Mitigate Risks	Inherent Risk Rating (or risk rating after mitigation measures)
If the firm operates a trust account, describe the nature of the trust funds handled by the firm (e.g., retainers, settlement funds, proceeds of sale of real property or shares, estate funds) and describe volume of trust transactions.	Trust accounts are attractive to criminals to give transactions the appearance of legitimacy and may be used to obscure the beneficial owner or source of funds from authorities. Federation AML Case Studies Discipline Advisory – Lawyers are Gatekeepers (April 10, 2018) Discipline Advisory – A bright line rule: Rule 3-58.1 – Trust account only for legal services (March 20, 2025) Discipline Advisory – Know your obligations before accepting cash (September 3, 2026) Anti-money laundering: settlement agreements 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
If the firm operates a trust account, describe the types of deposit instruments received into the trust account (e.g., cheques from Canadian financial institutions, bank drafts, electronic transfers from financial institutions inside/outside of Canada).	A deposit instrument that does not identify the payor, and funds received from foreign banks, including foreign wire transfers pose a higher risk. 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		

Transaction Risk	ML/TF Risks	Measures to Mitigate Risks	Inherent Risk Rating (or risk rating after mitigation measures)
Describe whether the firm receives cash for payment of legal fees, retainers or otherwise.	Criminal activity such as drug trafficking generates large amounts of cash. Receipt of cash retainers over $7,500 on a client matter in the aggregate pose a high risk. Discipline Advisory – Know your obligations before accepting cash (September 3, 2026) 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Describe whether the trust account receives funds from or sends funds to high-risk jurisdictions, including countries grey or blacklisted by the FATF or otherwise subject to sanctions or economic measures.	Funds received into trust or paid out of trust to a high-risk jurisdiction (directly or indirectly) pose a higher risk given concerns about the adequacy of ML/TF controls in those jurisdictions, with the greater potential for abuse of financial institutions by criminals seeking to launder funds[1] or evade sanctions. 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		

[1] See 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report, which states in part: "FINTRAC has highlighted other jurisdictions and locations of concern. Chinese professional money launderers have been observed to exploit underground banking schemes that enable circumvention of Chinese government currency controls. The United Arab Emirates has been highlighted as an observed intermediary jurisdiction used for illicit financial flows from China, Hong Kong, and Iran. FINTRAC has also observed Türkiye and countries of the Commonwealth of Independent States as intermediary jurisdictions for Russia-linked money laundering and sanctions evasion schemes."

Transaction Risk	ML/TF Risks	Measures to Mitigate Risks	Inherent Risk Rating (or risk rating after mitigation measures)
Consider the geographic areas in which the firm offers legal services.	There may be higher ML/TF risks associated with particular geographic areas. Discipline Advisory - Country/Geographic Risk (February 10, 2021) 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Describe whether the trust account receives funds from third parties whose connection to the client matters are unknown or suspicious.	The use of third-party intermediaries poses a high risk. Criminals use intermediaries to move funds and obscure true beneficial ownership. Intermediaries may also be used to evade sanctions. 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Does the firm act for clients in non-face to face transactions where the client matters involve a financial transaction[2]?	Non-face to face transactions may also pose a higher risk. Discipline Advisory – Client ID and Verification (August 6, 2024) Guidance for virtual verification of your client's identity using government-issued photo ID and technology 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		

[2] Financial transaction is defined in Rule 98(1) of the Law Society Rules 2015 to mean "the receipt, payment or transfer of money on behalf of a client or giving instructions on behalf of a client in respect of the receipt, payment or transfer of money".

Transaction Risk	ML/TF Risks	Measures to Mitigate Risks	Inherent Risk Rating (or risk rating after mitigation measures)
Does the firm act for clients in financial transactions (with or without use of the trust account) where there is a connection to high-risk jurisdictions, including countries grey or blacklisted by the FATF or otherwise subject to sanctions or economic measures?	Discipline Advisory - Country/Geographic Risk (February 10, 2021) United National Security Council Consolidated List of individuals and entities subject to measures imposed by the Security Council under the United Nations Act The Consolidated Canadian Autonomous Sanctions List (includes individuals and entities subject to specific sanctions regulations made under the Special Economic Measures Act and the Justice for Victims of Corrupt Foreign Officials Act) 2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Does the firm act in transactions that are outside the scope of the usual legal services provided?	Discipline Advisory – A bright line rule: Rule 3-58.1 – Trust account only for legal services (March 20, 2025)		
Does the firm act in complex transactions or transactions that facilitate anonymity?	2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Does the firm deal with financial transactions that involve payment of cryptocurrency, other crypto assets, or new technologies?	2025 Assessment of Money Laundering and Terrorist Financing Risks in Canada report		
Other transaction risks			

III. MT/TF Mitigation Measures

The firm must meet the following AML/CTF related obligations, as required by the Law Society Rules and the *Code of Professional Conduct for British Columbia* (the "BC Code") including:

a. The client identification and verification rules[3], which include source of funds inquiries, monitoring of the client matter and record-keeping obligations;

b. The cash transaction rule[4];

c. Not permitting funds to be deposited to or withdrawn from a trust account unless the funds are directly related to the legal services being provided and taking reasonable steps to obtain appropriate instructions and pay out funds held in trust as soon as practicable on completion of the legal services related to the funds[5]; and

d. Not engaging in any activity that any lawyer knows or ought to know assists in or encourages any dishonesty, crime or fraud, including ML/TF, being on guard against becoming the tool or dupe of an unscrupulous client, and making reasonable inquiries in the face of suspicious circumstances to objectively satisfy themselves of the legitimacy of the client matter/transaction[6].

The firm must also comply with the trust accounting obligations set out in Part 3, Division 7 of the Law Society Rules and have appropriate policies and procedures in place to supervise and train staff.

The firm has implemented the following additional mitigation measures:

a. The firm has appointed _____ as the AML/CTF compliance officer, responsible for establishing and implementing the AML/CTF policies, procedures and controls;

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[3] Part 3, Division 11 of the Law Society Rules 2015.

[4] Rule 3-59 of the Law Society Rules 2015.

[5] Rule 3-58.1 of the Law Society Rules 2015.

[6] rule 3.2-7 of the BC Code and its commentaries.

b. The firm performs [or engages an external counsel to perform] regular reviews to assess the effectiveness of the internal controls, and the policies and procedures implemented to mitigate ML/TF risks;

c. The firm requires each lawyer to conduct a ML/TF risk assessment on their practice as a whole [or as a part of their practice group] and on each client matter for which they are the responsible lawyer;

d. The members of the firm have taken appropriate AML/CTF training; and

e. [other measures]

This firm wide risk assessment is approved this ____ day of _____, [and updates the previous risk assessment approved on_____.]

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[name of managing partner /
AML/CTF compliance officer]