Source of funds – Insights from the SRA Thematic Review

Alexandra Jones, Director of AML

What are source of funds checks?

- Source of funds
- Source of wealth
- Typical documentation
- Less transparent sources
- ‘Reasonable understanding’

Why source of funds matters

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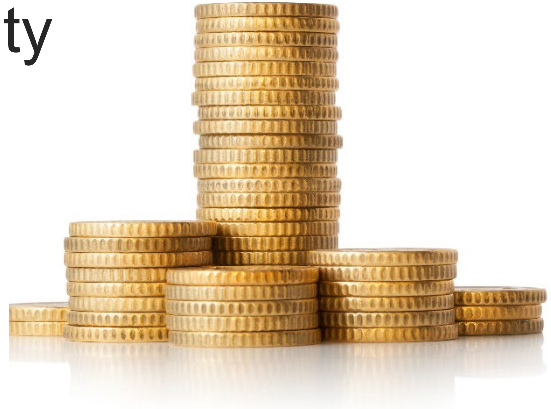
- Key AML requirement under Money Laundering Regulations 2017
- Core to AML risk management
- Prevents legitimisation of criminal assets
- Protects firms from exploitation and liability



Thematic Review

Solicitors Regulation Authority

- Engaged with 19 firms of varying sizes
- Consulted other AML supervisors and representative bodies
- Analysed data from inspections and desk-based reviews
- Reviewed more than 10,000 files across 1,500+ firms (2022–2025)

Proactive findings

2022

30% of firms received feedback

16% referred to investigations

2023–2024

25% of files lacked evidence

13% of firms referred

2024–2025

11% of files had no checks

18% lacked scrutiny

8% showed ledger mismatches

6% of firms referred

Enforcement case studies

Solicitors Regulation Authority

October 2024

SDT Case

- Small London firm fined £25,000
- Failed to scrutinise bank statements showing £84,474 in fragmented payments from China
- No evidence of income or rationale for funds

January 2025

SRA Adjudicators Case

- Firm fined £16,260
- Four conveyancing files lacked proper checks
- Assumptions made based on client relationships and UK bank origin

Enforcement case studies

Key failures identified:

- No scrutiny of documents
- No enquiries into unexplained or third-party funds
- Late-stage checks
- Poor or missing documentation

What good looks like

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- Understand origin of funds
- Match documents to client profile
- Document rationale and decisions
- Investigate unusual patterns

Challenges – what firms told us

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- Checks are routinely conducted
- Some firms apply source of wealth checks regardless of risk
- Interpretation of “where necessary”
- Time/resource constraints
- Client reluctance and cultural sensitivities
- Fee earner discomfort with questions

Our response – supporting firms

Solicitors Regulation Authority

- Published guidance and case studies
- FAQs and client-facing literature
- Internal and client forms for documentation
- Clarified cost recovery in terms and conditions

What should firms do next?

Read	Read our thematic report and guidance
Review	Review your training material
Integrate	Integrate AML into strategic decision-making
Strengthen	Strengthen collaboration and intelligence sharing
Audit and Test	Audit and test your controls
Embed	Embed robust procedures and stay updated with AML guidance

Final reflections

- Compliance improving, but scrutiny needs focus
- Enforcement shows real consequences
- Use our tools and guidance

Upcoming events

Solicitors Regulation Authority

Webinar series: sra.org.uk/events

2026 Thematic Review: sra.org.uk/publications

Simpson Thacher

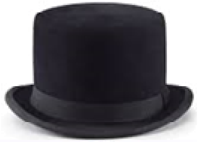
October 2025

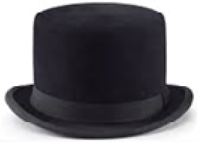
Source of Funds

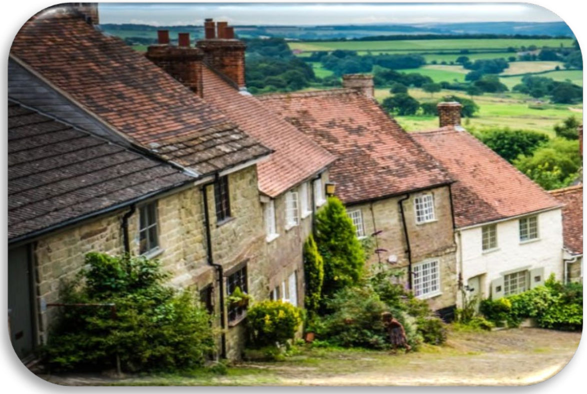
View from the profession

Emma Williams
Global Head of AML, MLRO

Law Society Economic Crime Taskforce








WHO
WHA
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WHY
WHERE
WHEN
HOW

Source of Wealth and Source of Funds

Source of Funds

The funds being used to fund the specific transaction

Source of Wealth

Client's entire body of wealth - total assets

Companies

Consistent with what you know about the company

Myths around source of funds

"The money has come from a UK bank account so it must be ok."

"This is admin – not for the fee earners working on the matter to get involved with."

"Source of Funds checks are only required if we hold money in our client account."

"3 months of bank statements on the file will keep the SRA happy."

"I need to verify the source of the funds paying our bills."

"I am not responsible for source of funds checks for third party funders."

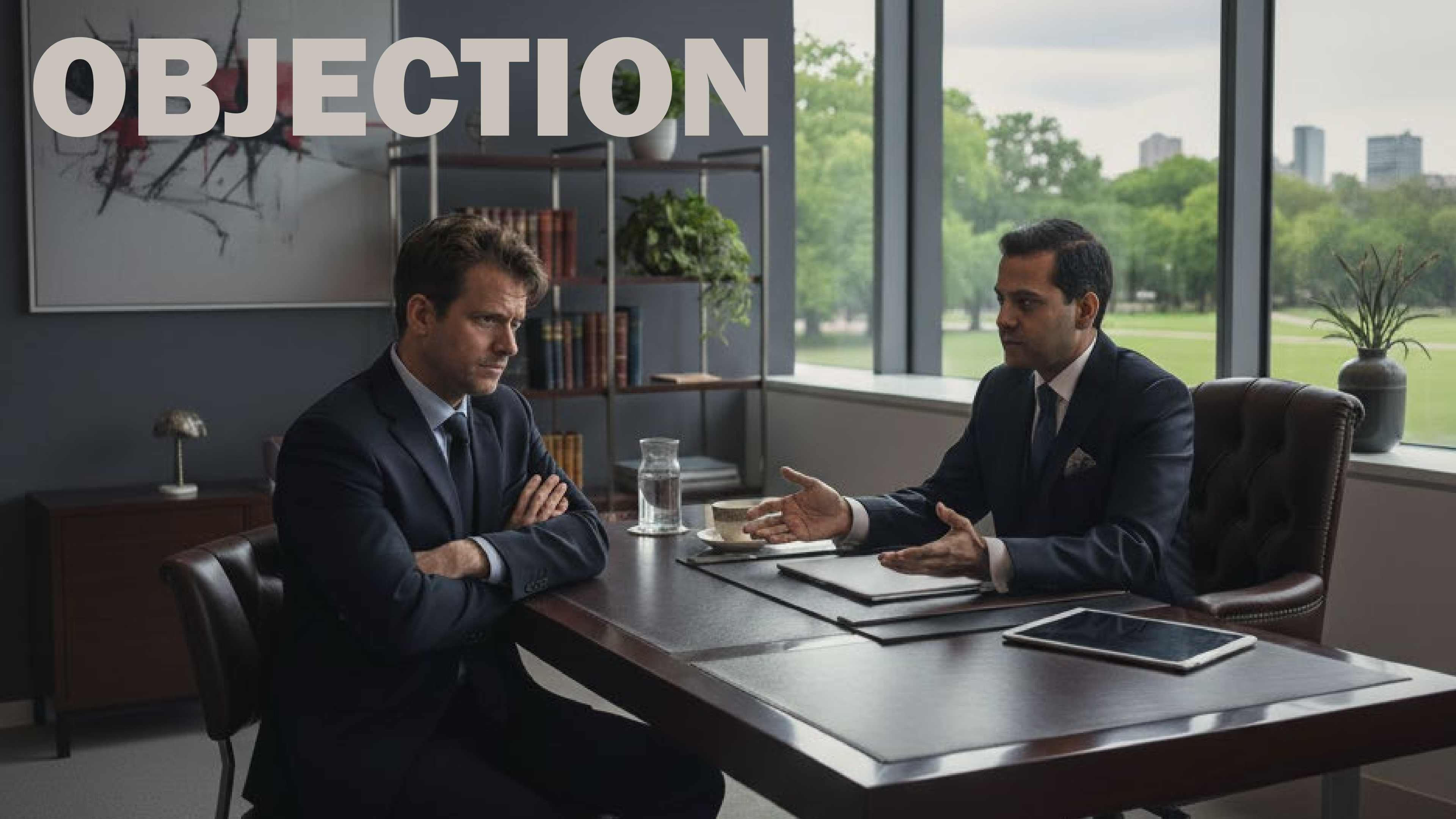
Key takeaways and practical tips

Key Contacts


JON'S
STORY


"MS GREEN TO SEE YOU"


GLOBAL BANK
EARLIER
TODAY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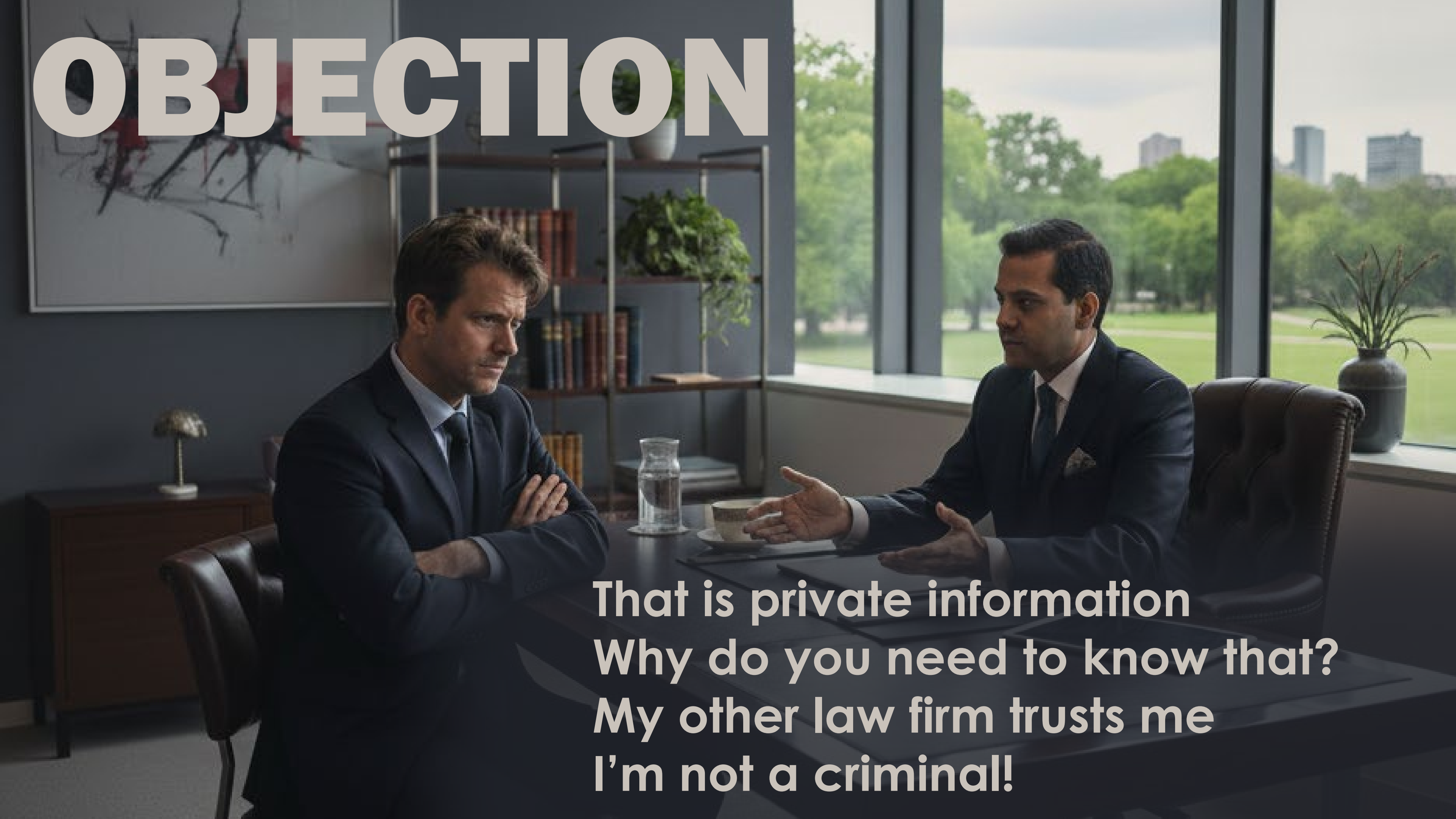
OBJECTION
That is private information
Why do you need to know that?
My other law firm trusts me
I’m not a criminal!