

Compliance with economic sanctions

Costs Lawyer risk chart

Current at: October 2022

	Activities potentially carried out on behalf of a sanctioned entity (a client)	Risk profile
1	Receiving costs from a paying party on behalf of a client	Costs Lawyers are prohibited from handling client money under Principle 3.6 of the Code of Conduct. A project carried out in 2021, taking a deeper look at risks around Costs Lawyers handling client money, found no evidence of non-compliance with this regulatory requirement and encouraged the use of third party managed accounts (TPMAs) to allow Costs Lawyers to more readily facilitate client transactions. TPMA providers are regulated by the Financial Conduct Authority (FCA) and institute full KYC checks.
2	Passing funds from a client who is a paying party to the receiving party	
3	Taking money on account of fees and disbursements	
4	Advising or advocating for a client on costs matters, upon instruction from another professional (solicitor, legal executive etc)	Findings from our recent innovation project show that the vast majority of Costs Lawyers' instructions are received through a professional intermediary. While the CLSB does not regulate entities (firms), in such cases the solicitors' firm acting as the intermediary will be subject to the Solicitors Regulation Authority's (SRA's) Code of Conduct for Firms, anti-money laundering regime and any sanction enforcement interventions. Note that foreign legal professionals might themselves be subject to sanctions. Costs Lawyers should proceed as set out in the box below when dealing with foreign lawyers.
5	Advising a client on sanctions issues, upon instruction from another professional (solicitor, legal executive etc)	
6	Advising or advocating for a client on costs matters, upon direct instruction from the client	While the volume of such instructions is low, we identified this as the highest risk area for non-compliance with sanctions due to the lack of entity oversight (e.g. by the FCA or SRA). We therefore contacted each individual Costs Lawyer working in an organisation that is not regulated by the SRA to: (i) provide information and resources about sanctions, (ii) seek assurance that they were familiar with their sanction obligations, and (iii) check whether they had any clients with a Russian nexus and/or had applied for a licence. We received the requisite assurance and no new risks or areas for intervention were identified through this process.
7	Advising a client on sanctions issues, upon direct instruction from the client	
8	Advising a sanctioned employer as an in-house lawyer	Our data confirms that no Costs Lawyers work in-house in entities that have any nexus to Russia or sanctioned entities. Employers include the UK government, global insurance conglomerates and so on.