



Managing Client Affairs and Making Introductions: Case Study



International politically exposed person investing in Canada

Current to July 2021

The Facts



An individual approached your law firm to act for him in the purchase of a local sports franchise. You, a senior lawyer in the firm, were pleased because the firm's sports law work had been declining lately. The potential client was a wealthy individual who made his fortune in the mining industry in a high-risk country due to corruption. The law firm completed its client identification and verification checks and found out that the client was heavily involved in politics in his home country, serving as a member of the national legislature and, at one time, minister of natural resources. These positions made the client a foreign politically exposed person (PEP) as defined under Canadian anti-money laundering legislation.

You raised the issue of source of funds with the client, who responded that the acquisition would be funded out of the proceeds of the sale of one of his former mining businesses.

Your firm accepted the engagement. During the course of advising on the proposed investment, a junior lawyer at your firm brought to your attention a news article reporting that the client had been accused of bribery in obtaining the mining concessions on which his fortune was built. Further, during his time in politics, the client was implicated in an expenses scandal, although a parliamentary investigation found him not guilty of these accusations.

You raised the accusation of bribery with the client. The client explained that the charges were politically motivated and were made up by an opponent to discredit him. You accepted the client's explanation. A couple of years later, a foreign court convicted the client of bribery and corruption in connection with the mining rights and the parliamentary investigation and ordered the client's assets frozen.

NOTE: While the legal services described in this case study are outside of the paralegal scope of practice, the red flags and best practice recommendations apply, with appropriate modifications, to the provision of legal services by paralegals.

Red Flags



-  Client obtained his wealth from a high-risk country. These are countries that have been identified by competent authorities as posing a high risk for money laundering based on, among other things, prevalence of corruption and financial crime, and weakness of anti-money laundering laws and measures
-  Mining and natural resource extraction in a country with high corruption may pose a higher risk for money laundering
-  Client is a PEP. A PEP is an individual who has been entrusted with a prominent public function within domestic or foreign governments or international organizations as well as their family and business associations
-  Client is the subject of allegations of corruption

What Should You Have Done?



You should have:

- **Conducted a comprehensive risk assessment and due diligence review.** You should have engaged in more thorough risk assessment and conducted additional due diligence because you were aware that the client is a PEP and is from a high-risk country or region.
- **Made inquiries and investigated facts.** You should have undertaken independent research into the information provided instead of relying solely on the client's explanation.
- **Declined to act.** Unless you were satisfied on a reasonable basis that you would not be assisting the client in facilitating a criminal offence or other illegal activity, you should have declined to act or not continue acting for the client in these circumstances.

Supports and Resources



- **Guidance Documents:** For more information, consider consulting the Law Society's [Red Flags Quick Reference Guide](#).
- **Practice Management Helpline:** Lawyers or paralegals who have questions about their professional obligations relating to client identification and verification, fraud, money laundering, terrorist financing, or other illegal activity may wish to contact the [Practice Management Helpline](#).



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