



Managing Client Affairs and Making Introductions: Case Study



Multiple high-risk factors relating to an international transaction

Current to July 2021

The Facts










An individual attended at your law firm without a scheduled appointment seeking legal advice on setting up a business. The individual told you he was an international businessman from a country in Europe and was in the process of moving to Canada. He said that he had secured \$700,000 in funding for the Canadian business from a company located in a high-risk country. When asked for identification, he told you that he had misplaced his passport during his relocation and had applied to replace it. He produced a photocopy of some temporary travel papers and promised to bring in his new passport as soon as it was issued. He also produced the investment agreement with the company from the high-risk jurisdiction.

The agreement was very basic and did not appear to have been drafted by a lawyer. The individual said the funds would be wired by the company from a bank account in a country known for banking secrecy. You performed an Internet search on the individual, his other businesses, and the investing company. The search showed that the individual had a very common name in his jurisdiction making it difficult to verify information on him. A Facebook page was found for one of his international companies, but the site had only the company's name, a low-resolution logo, and a street address with no phone number or email. You did not find any information on the investing company.

***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 shows up at your office without an appointment or prior phone or email contact despite the relatively large investment at stake
-  Client and investing company are both located in high-risk countries. 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
-  Client's connection to the jurisdiction is unclear beyond desire to start a business there
-  Client is not able to present valid identification
-  There is little to no information available on the client, his business or investing company
-  The purported investment agreement documentation is uncharacteristically simple for the nature of the transaction
-  Funding is arriving from a jurisdiction known for banking secrecy

What Should You Do?



You should:

- **Conduct a comprehensive risk assessment and due diligence review.** Given the lack of information on the client, his business, and the investing company, you should conduct a risk assessment on the client and the other parties to the transaction to find out who they are and determine the source of funds.
- **Comply with client identification and verification requirements.** Unless an exemption applies, lawyers are required to identify their clients whenever they are retained to provide legal services and verify the identity of such clients where the legal services provided involve a financial transaction. In this case, you were required to identify your client using the data, information, and documents identified in s. 23 of [By-Law 7.1](#). Because the identification documents provided by the client do not comply with requirements set out in the by-law, you should not proceed further until you have obtained the required information and retained a record of same.
- **Decline to act.** You should decline to act given the multiple high-risk factors in this case (i.e., lack of connection with jurisdiction, funds from jurisdiction known for banking secrecy, lack of information about the client and his business dealings).

Supports and Resources



- **Guidance Documents:** For more information, consider consulting the Law Society's [Client Identification and Verification](#) page and [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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