

Advisory Notice

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27 October 2026

LPC COMMENTS ON THE DRAFT SECTOR RISK ASSESSMENT – ASSESSMENT OF THE INHERENT MONEY LAUNDERING AND TERRORIST FINANCING RISKS: LEGAL PRACTITIONERS (JULY 2026)

The Legal Practice Council (“LPC”) issues this Advisory Notice to inform legal practitioners that it has submitted formal comments to the Financial Intelligence Centre (“FIC”) on the FIC’s report titled “Assessment of the Inherent Money Laundering and Terrorist Financing Risks: Legal Practitioners”, dated July 2026 (“the Report” or “the Sector Risk Assessment”).

1) Background

FIC, as the anti-money laundering and combating the financing of terrorism (“AML/CFT”) supervisor for legal practitioners, published the Report as an update to its 2024 follow-up report. The Report assesses the inherent money laundering (“ML”) and terrorist financing (“TF”) risks presented by the legal profession and classifies the sector’s inherent ML risk as high. LPC, as the statutory body responsible for the professional regulation of legal practitioners, reviewed the Report and identified a number of concerns regarding its methodology, evidentiary basis, and certain factual matters.

2) Purpose of this Notice

This Notice is issued to keep practitioners informed of the LPC’s engagement with the FIC on a matter that bears directly on the compliance obligations and supervisory expectations applicable to the profession. The LPC’s comments were submitted to the FIC under cover of a letter dated 1 October 2026 (Ref: LPC/FIC/01102026).

3) Summary of the LPC’s Comments

The LPC’s submission raised the following principal concerns:

- The Report’s description of the respective roles of the LPC and the FIC requires correction. Since 19 December 2022, FIC and not the LPC is the AML/CFT supervisor for legal practitioners. LPC is the Regulatory Body for legal practitioners.
- The Report’s opening characterisation of the legal profession as “potentially highly vulnerable” to ML/TF is not reconciled with its own conclusion that the sector’s inherent TF risk is low, and risks conflating international sectoral vulnerability with a jurisdiction-specific risk finding.
- The founding survey underpinning the Report pre-dates the inclusion of trust account advocates as accountable institutions (19 December 2022). Trust account advocates, who may not perform conveyancing work, were accordingly never surveyed, and their distinct risk profile has not been independently assessed.
- The Report does not identify the open-source materials relied upon, nor the standard of verification applied to that information before it informed the sector’s risk classification.
- The sector-wide “high” ML risk classification is difficult to reconcile with the FIC’s own Risk and Compliance Return (“RCR”) data, which shows that approximately 94% of reporting institutions self-assessed into the low-risk category.

- The Report does not weight higher-risk activities (such as conveyancing, and trust and company formation) against their actual volume or value relative to the sector's total transactional activity, nor does it distinguish these from ordinary representational, advisory and rights-based legal work, which falls outside the FATF's specified activities for legal professionals.
- The characterisation of conveyancing as uniformly high risk does not account for the significant variation in risk by geography, transaction value and client profile acknowledged elsewhere in the Report.
- The characterisation of cash usage as "prevalent" in the sector, based on 1,007 Section 28 reports filed in the 2024/2025 financial year, is not properly contextualised against the sector's registered population of accountable institutions or estimated annual revenue (R43 billion).
- The attribution of low reporting volumes to a "lack of compliance awareness" is presented as a finding rather than a hypothesis, without a disclosed evidentiary basis such as section 45B inspection findings.
- The due diligence obligations described for practitioners acting as trustees or directors do not adequately distinguish between appointments held in a private capacity and those held through an accountable institution.

4) LPC's Request to the FIC

The LPC has requested that these concerns be addressed, and the above distinctions clarified or corrected, before the Report's conclusions are relied upon for supervisory or policy purposes. The LPC has also requested that FIC expressly clarify that a sector-level "high" classification does not mean that every practitioner, legal service or client relationship is inherently high risk, and has invited FIC to engage further on the matters raised.

5) Relevance to Legal Practitioners

Practitioners should be aware that the Report, pending the FIC's response to the LPC's comments, may continue to inform the FIC's supervisory approach and compliance expectations for the legal profession, including in relation to risk and compliance return assessments and inspections. The LPC will issue further communication to the profession once the FIC has responded to the issues raised.

6) Relevant Resources

A copy of the LPC's comments letter to FIC is enclosed

Issued by the Legal Practice Council