

PECUNIA NON OLET: DIRTY MONEY AS LEGAL FEES

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ABSTRACT

It is axiomatic that lawyers have to be paid for their services. Regrettably, lawyers who represent money launderers may be offered dirty money, that is, proceeds of crime as fee payments by their clients. This essay explores the question of such tainted legal fees in South Africa through an analysis of its anti-money laundering (AML) legislation. It then compares the South African position to the approaches taken in the USA and Canada. South African AML legislation criminalises tainted fees. The USA amended its AML legislation to decriminalise tainted fees. And tainted fees never have been criminalised in Canada. The South African approach threatens both the right of accused persons to legal representation and the right of lawyers to practise their profession. It is recommended that the South African AML statutes be amended to decriminalise tainted legal fees.

1 INTRODUCTION

Money launderers regularly engage the services of legal practitioners, not only for criminal defence work, but also across a range of civil matters.¹ Of course, lawyers have to be paid for their services. Regrettably, those who represent money launderers may find themselves in the invidious position of being offered dirty

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1 See Itsikowitz A (2006) "Legal Professional Privilege/Intermediary Confidentiality: The Challenge for Anti-Money Laundering Measures" in Goredema C (ed) *Money Laundering Experiences* Pretoria: Institute for Security Studies at 78-79; Burdette (2010) *Is the Reporting Obligations of Attorneys in terms of Section 29 of the Financial Intelligence Centre Act 38 of 2001 a Myth or Reality?* Unpublished LLM thesis: University of Pretoria at 36.

money² in payment of their fees.³ Tainted fees invariably place the lawyer in an awkward position, both ethically and legally. The question is whether a lawyer who has a money launderer for a client may accept fees which the lawyer knows or suspects to be proceeds of crime?

It is to obviate this question and its implications that South Africa's anti-money laundering (AML) legislation criminalises not only the offer by a client but also the acceptance by an attorney of dirty money as legal fees. The focus of the ensuing discussion is on the culpability of lawyers who are paid with tainted funds. It goes to the questions of the right of lawyers to exercise their chosen profession and the right of an accused to legal representation. In South Africa, these matters are governed by the Prevention of Organised Crimes Act 121 of 1998 (POCA) and by the Financial Intelligence Centre Act 38 of 2001 (FICA).

2 PREVENTION OF ORGANISED CRIME ACT

Sections 2, 4, 5 and 6 of POCA include AML measures that make it possible for lawyers to be prosecuted for accepting tainted fees.⁴ These sections are considered *seriatim* below.

Section 2 of POCA criminalises, *inter alia*, the receipt, retention, use and investment of proceeds of racketeering by a person who was aware or reasonably ought to have been aware of their provenance. This offence is broad and encompasses any transaction involving the use or investment, directly or indirectly, of any part of the proceeds of racketeering in the establishment, operation or activities of any enterprise. The POCA definition of an enterprise includes:

any individual, partnership, corporation, association, or other juristic person or legal entity, and any union or group of individuals associated in fact, although not a juristic person or legal entity.

Patently, a lawyer, as either a solo practitioner or a member of a firm, falls within this definition. Needless to say, if he represents an accused charged with

2 Dirty money refers to money which constitutes proceeds of crime. Tainted fees refer to legal fees paid with dirty money.

3 Bell RE (2002) "The Prosecution of Lawyers for Money Laundering Offences" 6(1) *Journal of Money Laundering Control* 17-26 at 19; Bussenius A (2010) "Money Laundering by Defence Counsel: The Decision of the Federal Constitutional Court" 9 *German Law Journal* 1045-1055 at 1045; Schneider S (2006) "Testing the Limits of Solicitor-Client Privilege: Lawyers, Money Laundering and Suspicious Transaction Reporting" 9(1) *Journal of Money Laundering Control* 27-36 at 28; Irvine MR & King DR (1988) "The Money Laundering Control Act of 1986 and the Criminal Defence Lawyer" 19 *Pacific Law Journal* 171-192 at 185.

4 See Burdette (2010) at 11; Van Jaarsveld IL (2011) *Aspects of Money Laundering in South Africa* Unpublished LLD thesis: Unisa at 466.

racketeering, he can fall foul easily of section 2 by accepting tainted fees, since such fees invariably will be used or invested in the operations of his law enterprise.

Section 4 of POCA is the key provision for the criminalisation of money laundering. It reads:

Any person who knows or ought reasonably to have known that property is or forms part of the proceeds of unlawful activities and—

- (a) enters into any agreement or engages in any arrangement or transaction with anyone in connection with that property, whether such agreement, arrangement or transaction is legally enforceable or not; or
 - (b) performs any other act in connection with such property, whether it is performed independently or in concert with any person, which has or is likely to have the effect—
 - (i) of concealing or disguising the nature, source, location, disposition or movement of the said property or the ownership thereof or any interest which anyone may have in respect thereof; or
 - (ii) of enabling or assisting any person who has committed or commits an offence, whether in the Republic or elsewhere—
 - (aa) to avoid prosecution; or
 - (bb) to remove or diminish any property acquired directly, or indirectly, as a result of the commission of an offence
- shall be guilty of an offence.

Essentially, a person commits money laundering by way of any agreement, arrangement or transaction involving proceeds of unlawful activities.⁵ Alternatively, a person commits money laundering by performing any act in relation to such proceeds which is likely to hide any of their attributes, or which is likely to help an offender evade justice personally or keep the proceeds derived from his offence out of the hands of law enforcement authorities.⁶

The range of conduct which may constitute money laundering is extensive. It goes beyond transactions pertaining to criminal proceeds to encompass conduct relating to obstruction of justice as regards both a criminal and the proceeds of his crime. The POCA definition, it seems, seeks to include a comprehensive catalogue of conduct involving proceeds of unlawful activities. To this end it constructs a two-legged offence which traverses both core and cognate conduct associated with money laundering. The applicability of the designated categories of conduct to the attorney-client relationship needs no justification.

The conduct element of money laundering is accompanied by a mental element in the form of a knowledge requirement. Indeed, section 4 of POCA commences with this requirement, providing that money laundering is committed

5 Sec 4(a) of POCA, 1998.

6 Sec 4(b) of POCA, 1998.

by a person who knows or ought to have known that the property at issue is part of the proceeds of unlawful activities.⁷ Significantly, section 1(2) of POCA provides that:

For purposes of this Act a person has knowledge of a fact if—

- (a) the person has actual knowledge of that fact; or
- (b) the court is satisfied that—
 - (i) the person believes that there is a reasonable possibility of the existence of that fact; and
 - (ii) he or she fails to obtain information to confirm the existence of that fact.

Section 1(3) goes on to stipulate that:

For the purposes of this Act a person ought reasonably to have known or suspected a fact if the conclusions that he or she ought to have reached are those which would have been reached by a reasonably diligent and vigilant person having both—

- (a) the general knowledge, skill, training and experience that may reasonably be expected of a person in his or her position; and
- (b) the general knowledge, skill, training and experience that he or she in fact has.

The statutory definition of knowledge evidently covers both intention and negligence as a requirement for guilt. Section 1(2) is concerned with knowledge of unlawfulness as it relates to intention in the form of either *dolus directus*⁸ or *dolus eventualis*,⁹ with the latter being founded upon wilful blindness by the person in question. Section 1(3) makes provision for negligence or *culpa*, as assessed against the standard of the reasonable person. Essentially, a person ought to have had knowledge of unlawfulness of a transaction if a reasonable person in the same position and with the same attributes would have known that said transaction was unlawful. Negligence derives from the person's failure to meet the standard of the reasonable person.¹⁰

Clearly, a lawyer who knows that a transaction with a client includes proceeds of crime and goes ahead with the transaction will be in trouble with the law. A lawyer who suspects that a transaction is tainted thus may be in trouble also. If he does not take reasonable steps to obtain further information about his suspicion, he will be deemed to have known that the money was acquired by illegal

7 See De Koker L (2003) "Money Laundering in South Africa" in Goredema C (ed) *Profiling Money Laundering in Eastern and Southern Africa* Pretoria: ISS Monograph Series 83-121 at 84; Van Jaarsveld (2011) at 470.

8 Sec 1(2)(a) of POCA, 1998.

9 Sec 1(2)(b) of POCA, 1998.

10 This would apply also to racketeering dealt with in sec 2.

means.¹¹ The point is that the definition of knowledge in POCA implies that if the lawyer proceeds with a transaction involving tainted property, the court may find that he acted with criminal knowledge.¹² In a word, lawyers may be prosecuted simply because their fees were paid with dirty money.

Sections 5 and 6 of POCA apply to the conduct of a lawyer's clients and hence, by necessary implication, to the conduct of the lawyer himself.¹³ They subsume the attorney-client relationship if the lawyer knows or ought to have known that his client has obtained proceeds of unlawful activities. Section 5 reads:

Any person who knows or ought reasonably to have known that another person has obtained the proceeds of unlawful activities, and who enters into any agreement with anyone or engages in any arrangement or transaction whereby—

- (a) the retention or the control by or on behalf of the said other person of the proceeds of unlawful activities is facilitated; or
 - (b) the said proceeds of unlawful activities are used to make funds available to the said other person or to acquire property on his or her behalf or to benefit him or her in any other way,
- shall be guilty of an offence.

This section is concerned with persons who act as accomplices to money launderers. Conventionally, accomplice liability is incurred by a person who intentionally promotes or facilitates the commission of a crime by another. Accomplice liability in section 5 of POCA is simultaneously wider and narrower than the conventional form. It is wider in that it includes the possibility of accomplice liability based on *culpa*, by providing for criminal knowledge of the accused person to be assessed against the standard of the reasonable person. It is narrower in that it is applicable only to conduct by the accomplice which either allows the perpetrator to retain the criminal proceeds in question or which make them available for use by him.¹⁴ Certainly, the possibility of a lawyer being charged as an accomplice to a client in a money laundering prosecution bulks large in this section.

Section 6 of POCA similarly could implicate lawyers who receive from their clients the proceeds of unlawful activities. It provides that:

Any person who—

- (a) acquires;
- (b) uses; or
- (c) has possession of,

11 See Van Jaarsveld (2011) at 471.

12 See De Koker (2003) at 85. See also *Roestof v Cliffe Dekker Hofmeyr Inc* ZAGPPHC 219 (2012).

13 See Burdette (2010) at 13.

14 See Burchell J (2016) *Principles of Criminal Law* (5ed) Claremont: Juta at 917.

property and who knows or ought reasonably to have known that it is or forms part of the proceeds of unlawful activities of another person, shall be guilty of an offence.

As is apparent, section 6 is concerned to criminalise the receipt, possession and use by one person of proceeds generated by the crime of another person. As with section 5, the mental element of liability may be either *dolus* or *culpa*, with the former requiring real knowledge and the latter constructive knowledge of the criminal origins of the proceeds in question. In other words, one may contravene section 6 not only intentionally but also negligently. Negligence would arise if one fails to realise, as the reasonable person would have, that one was dealing with proceeds of crime. It follows that a lawyer whose fees are paid with dirty money could be committing a crime as soon as he receives the money from the client as well as when he holds it or uses it for whatever purpose. If he knew or suspected that the money was dirty, he contravenes section 6 with intention. Significantly, however, he may be guilty even if he did not harbour such knowledge or suspicion, but reasonably should have.

Sections 2, 4, 5 and 6 of POCA are not good news for South African lawyers who represent persons accused of economic crimes. Such lawyers face the real risk of criminal prosecution for accepting, as fees, money which they knew or suspected to be tainted or, even worse, money which they ought to have known or suspected to be tainted. The possibility of incurring criminal liability on the basis of negligence is especially harsh for lawyers who are seeking to practise their profession by providing services to which all are entitled constitutionally. What is more, punishment for conviction of an offence under section 2, 4, 5 or 6 of POCA is serious, running to a maximum fine of R100 million or a prison term not exceeding 30 years.¹⁵

3 FINANCIAL INTELLIGENCE CENTRE ACT

FICA also creates the possibility for a lawyer to be prosecuted as a money launderer for accepting tainted fees. Section 1(1) defines money laundering as:

an activity which has or is likely to have the effect of concealing or disguising the nature, source, location, disposition or movement of the proceeds of unlawful activities or any interest which anyone has in such proceeds, and includes any activity which constitutes an offence in terms of section 64 of this Act or section 4, 5 or 6 of the Prevention of Organised Crime Act.

15 Secs 3 & 8 of POCA, 1998.

This definition incorporates by express reference sections 4, 5 and 6 of POCA. This incorporation means that a lawyer who accepts dirty money as fees and who then is alleged to have contravened any of these sections of POCA may be charged also with money laundering under FICA. Furthermore, the receipt of tainted legal fees in itself may be regarded, in terms of section 1(1) of FICA, as an activity that has the effect of concealing or, at least, disguising the nature, provenance or distribution of proceeds of crime.¹⁶ Certainly, nowhere in FICA is there any indication that a lawyer will not be prosecuted for being paid with dirty money.

What is more, in terms of section 28 of FICA, an attorney is required to submit to the Financial Intelligence Centre (FIC) a cash transaction report (CTR) in respect of all cash transactions constituting payments to and receipts from a client or his agent in excess of R24 999-99.¹⁷ The duty to submit a CTR seems to be founded in the belief that this amount of cash well could be the proceeds of illegal activity. In other words, section 28 encapsulates a statutory suspicion that if a lawyer receives a cash fee payment of R25 000 or more from a client, then he has been paid with tainted funds.

The CTR clearly is meant to be an AML device. However, there is no certainty that legal practitioners who comply with section 28 will avoid money laundering charges for accepting tainted fees. Furthermore, nowadays R25 000 is hardly a huge sum and the duty to submit CTRs for such a low threshold may be perceived by many lawyers to be more trouble than it is worth. South African lawyers seem to be lodged between the proverbial rock and hard place when it comes to CTRs and tainted fees: they risk prosecution for money laundering if they accept dirty money as legal fees, whether they file a CTR or not.

Furthermore, the legislature amended FICA in 2008 to insert section 43A. This section empowers the FIC or a supervisory body to issue directives to any institution or person governed by FICA to provide information, reports or statistical returns and to surrender any document. For example, a Law Society, as a supervisory body, could issue such a directive to attorneys. The section also authorises a Law Society to require an attorney to “cease or refrain from engaging in any act, omission or conduct” which contravenes FICA. Certainly, section 43A

16 See *S v Rossouw*, unreported, case number B1679/09, SHD163/09, Wynberg Regional Court; *S v Wei & Others*, pending case before the Western Cape High Court.

17 Regulation 22B to FICA. See also Hamman AJ & Koen RA (2012) “*Cave Pecuniam: Lawyers as Launderers*” 15(5) *Potchefstroom Electronic Law Journal* 69-100 at 73; Henning JJ & Ebersohn GJ (2001) “*Insider Trading, Money Laundering and Computer Crime*” 33 *Transactions of the Centre for Business Law: Combating Economic Crime* 105-152 at 124.

bristles with punitive potential and well could be deployed against lawyers who represent money launderers.

Be that as it may, it is evident that, under both POCA and FICA, attorneys face indictment for being paid and accepting dirty money as legal fees. There is the real possibility that an attorney may be prosecuted for facilitating the cleaning of the money under sections 4, 5 and 6 of POCA and under sections 1 and 28 of FICA. This circumstance has repercussions for lawyers themselves as well as their clients.

4 A STATUTORY PARADOX

POCA and FICA place South African lawyers at risk of prosecution for accepting proceeds of crime as fees. Curiously, however, POCA allows for the payment of legal fees from assets which have been impounded for confiscation as proceeds of crime. In other words, a lawyer who renders services to a client facing prosecution for economic crimes may be paid with money allegedly amassed from said crimes, that is, with dirty money.

Sections 26 and 44 of POCA are relevant here.¹⁸ The former deals with restraint orders (ROs) against property subject to conviction based recovery proceedings, whereas the latter applies to property preservation orders (PPOs) against property subject to non-conviction based recovery proceedings. Both the RO and the PPO are intended to secure the property for eventual confiscation. The differences between them are procedural rather than substantive.

For ROs, section 26(1) of POCA provides that:

The National Director may by way of an *ex parte* application apply to a competent High Court for an order prohibiting any person, subject to such conditions and exceptions as may be specified in the order, from dealing in any manner with any property to which the order relates.

The possibility of legal expenses being paid from the restrained property is contained in section 26(6), which specifies that:

Without derogating from the generality of the powers conferred by subsection (1), a restraint order may make such provision as the High Court may think fit—

(a) for the reasonable living expenses of a person against whom the restraint order is being made and his or her family or household; and

18 See Freedman W (2012) "Constitutional Aspects" 16(1) *South African Journal of Criminal Justice* 445-466 at 445; Ndzengu NC & Von Bonde JC (2011) "Legal Expenses POCA Clauses: A Loophole to Make Crime Pay?" 24(3) *South African Journal of Criminal Justice* 309-332 at 312.

- (b) for the reasonable legal expenses of such person in connection with any proceedings instituted against him or her in terms of this Chapter or any criminal proceedings to which such proceedings may relate, if the court is satisfied that the person whose expenses must be provided for has disclosed under oath all his or her interests in property subject to a restraint order and that the person cannot meet the expenses concerned out of his or her unrestrained property.

The payment of legal expenses from property subject to a PPO is dealt with in section 44 of POCA, which reads:

- (1) A preservation of property order may make provision as the High Court deems fit for—
 - (a) reasonable living expenses of a person holding an interest in property subject to a preservation of property order and his or her family or household; and
 - (b) reasonable legal expenses of such a person in connection with any proceedings instituted against him or her in terms of this Act or any other related criminal proceedings.
- (2) A High Court shall not make provision for any expenses under subsection (1) unless it is satisfied that—
 - (a) the person cannot meet the expenses concerned out of his or her property which is not subject to the preservation of property order; and
 - (b) the person has disclosed under oath all his or her interests in the property and has submitted to that Court a sworn and full statement of all his or her assets and liabilities.

It is evident that sections 26(6) and 44 are near facsimiles of each other. Both require that the legal expenses be reasonable, and that the defendant be unable to pay them from his unrestrained or unpreserved property. The key difference is that whereas section 26(6) requires from the defendant full disclosure of all his interests in the restrained property, section 44 demands full disclosure of all his interests in the preserved property as well as full disclosure of all his assets and liabilities. This difference likely has its source in the nature of the proceedings at issue: presumably, the release of legal expenses in non-conviction based recovery proceedings, because such proceedings are *in rem* and not connected to any criminal prosecution, needs to be based upon a comprehensive proprietary profile of the defendant who is intervening in the proceedings. In any event, whether the proceedings are conviction based or not, the power to order payment of legal expenses from restrained or preserved property is within the bailiwick of the court seized of the proceedings.

The point is that sections 26(6) and 44 of POCA appear to confound the trend inscribed in sections 2, 4, 5 and 6 of POCA and section 1 of FICA regarding

dirty money as legal fees. On the one hand, lawyers representing clients accused of money laundering and other economic offences stand in peril of prosecution, conviction and punishment for accepting or receiving proceeds of crime as fees. On the other hand, the self-same lawyers may be paid, with the leave of the court, from the self-same proceeds of crime. This apparent statutory contradiction requires some comment.

The role of the court seems to be crucial. In both sections 26(6) and 44, the legislature expressly premises the release of legal expenses upon a court directive as an element of a RO or PPO. The property from which the legal expenses may be paid must be property subject to recovery proceedings, either *in personam* or *in rem*, before the court authorising the payment. The quantum of the fees must be reasonable in relation, presumably, to the nature of the proceedings. And the decision to allow the payment of reasonable legal expenses remains discretionary, even if the defendant meets the criteria stipulated in either section. Ultimately, it is the court which elects to release legal expenses from property alleged to be proceeds of crime.

It would appear, then, that the paradox of contemporaneous criminalisation and authorisation of dirty money as legal fees dissipates, and POCA remains coherent, if the latter is understood as an exception to the former. In other words, lawyers cannot accept dirty money as legal fees unless authorised to do so by the court dealing with recovery proceedings relating to the dirty money. This understanding implies that lawyers who receive or accept dirty money in circumstances which fall outside the ambit of section 26(6) or 44 continue to face prosecution and conviction under sections 2, 4, 5 and 6 of POCA and section 1 of FICA. Thus, the hazards facing lawyers who represent clients accused of economic crimes continue to bulk large, notwithstanding the concessions contained in sections 26(6) and 44 of POCA. These concessions are exceptions to the rule. The rule is that it is illegal for lawyers to be paid with dirty money, and lawyers who accept such money as fees commit an offence.¹⁹

5 TAINTED FEES IN COMPARATIVE PERSPECTIVE

The question of tainted fees is not a peculiarly South African issue. It matters to lawyers anywhere who represent money launderers. In a globalised world, a consideration of how other countries deal with the question will serve to bring the South African response into sharp relief. To this end, reference will be had below to the positions in the USA and Canada. Unlike South Africa, the AML legislation

¹⁹ See *National Director of Public Prosecutions v Elran* 2013 (4) BCLR 379 (CC).

pertaining to tainted fees in these countries has been tested vigorously in their courts, and with considerable success for the legal profession. The experience of the USA and Canada thus could constitute an invaluable resource for comprehending the rights and wrongs of the South African situation.²⁰

5.1 The US position

The question of dirty money as legal fees falls under the Money Laundering Control Act of 1986 (MLCA). The MLCA consists of two sections from Title 18 of the United States Code, namely, 18 USC §1956 and 18 USC §1957. The latter section applies here.

The MCLA contains an offence regarding monetary transactions involving property derived from unlawful activity. Specifically, §1957(a) provides that:

Whoever ... knowingly engages or attempts to engage in a monetary transaction in criminally derived property of a value greater than \$10,000 and is derived from specified unlawful activity, shall be punished as provided in subsection (b).

Originally, the key notion of a “monetary transaction” was defined in §1957(f)(1) as:

the deposit, withdrawal, transfer or exchange, in or affecting interstate or foreign commerce, of funds or a monetary instrument (as defined for the purposes of subchapter II of chapter 53 of title 31) by, through, or to a financial institution (as defined in §5312 of title 31).

This is a wide definition, encompassing all transactions that one can perform in or via banks or other financial institutions.²¹ It accords with the purpose of §1957 to keep dirty money out of financial institutions.²² The section criminalises the mere receipt or disbursement of more than \$10 000 in a monetary transaction involving proceeds of crime. Certainly, the deposit of legal fees into a lawyer’s bank account, by the client or the lawyer himself, could qualify as a monetary transaction, and if that deposit comprised criminal proceeds in excess of \$10 000, the lawyer was punishable under §1957.

It is required that the person engaging or attempting to engage in the proscribed monetary transaction know that the funds were generated from a

20 It bears noting that section 39(1) of the 1996 Constitution authorises national courts, when interpreting the Bill of Rights, to consider foreign law.

21 See Madinger J (2012) *Money Laundering: A Guide for Criminal Investigators* New York: CRC Press at 34; Jacobs A (1989) “Indirect Deprivation of the Effective Assistance of Counsel: The Prospective Prosecution of Criminal Defence Attorneys for Money Laundering” 34 *New York Law School Review* 304-348 at 311.

22 See Irvine & King (1988) at 183; Madinger (2012) at 34.

specific unlawful activity.²³ However, that is small comfort for lawyers who have money launderers for clients, given that they likely know that they will be paid with tainted funds. What is more, the state does not have to prove any criminal intention on the part of the lawyer.²⁴ It merely has to prove that the lawyer knew that the funds were tainted and paid by his client in a monetary transaction. Further, a prosecution under §1957 may take place only where the sum at issue exceeds \$10 000. By implication, the acceptance of an amount below \$10 000 is not punishable under §1957. However, this is a relatively modest threshold, which many lawyers representing money launderers are unlikely to meet.

All in all, §1957, in its original incarnation, put lawyers in jeopardy of criminal liability for accepting tainted fees. The maximum sentence for a violation of §1957 is a fine of \$250 000 or 10 years' imprisonment or both.²⁵ Instead of the prescribed fine, the court may impose a maximum fine of twice the amount of the criminal proceeds involved in the transaction.²⁶ The penalty provisions of §1957 were novel in 1986. It was the first time that heavy sanctions could be imposed on persons who knowingly provide services and goods in exchange for dirty money, without having the intention to promote the original criminal activity.²⁷

Lawyers in the US were alive to the risks posed to them by §1957. They understood that by practising their profession, they faced criminal conviction if the state could prove that they were implicated in some form of monetary transaction involving criminal proceeds in excess of \$10 000.²⁸ They were aware, too, that the original §1957 extended to criminal lawyers who deposit fees knowing that their clients have generated the money from crime.²⁹ The US legal fraternity was not prepared to accept this situation docilely and raised numerous objections to §1957, arguing primarily from the right to legal representation entrenched in the Sixth Amendment to the US Constitution.

23 See Madinger (2012) at 34; Gaetke E & Welling S (1992) "Money Laundering and Lawyers" 43 *Syracuse Law Review* 1165-1245 at 1168.

24 See Richards J (1999) *Transnational Criminal Organisations, Cybercrime and Money Laundering* Boca Raton: CRC Press at 140; Shams H (2004) *Legal Globalisation: Money Laundering Law and Other Cases* British Institute of International and Comparative Law at 31.

25 §1957(b)(1) of the MLCA, 1986.

26 §1957(b)(2) of the MLCA, 1986.

27 See Gaetke & Welling (1992) at 1170; Shams (2004) at 31.

28 See Irvine & King (1988) at 185; Brickey K (1988) "Tainted Assets and the Right to Counsel—the Money Laundering Conundrum" 66 *Washington University Law Quarterly* 47-66 at 48.

29 See Gaetke & Welling (1992) at 1168; Irvine & King (1988) at 185.

This criticism was potent enough to secure an amendment to the definition of a monetary transaction in 1988.³⁰ The amended §1957(f)(1) now says:

the term “monetary transaction” means the deposit, withdrawal, transfer, or exchange, in or affecting interstate or foreign commerce, of funds or a monetary instrument (as defined in §1956(c)(5) of this title) by, through, or to a financial institution (as defined in §1956 of this title), including any transaction that would be a financial transaction under §1956(c)(4)(B) of this title, *but such term does not include any transaction necessary to preserve a person’s right to representation as guaranteed by the sixth amendment to the Constitution.*³¹

This amendment means, basically, that any transaction involving legal fees attendant upon upholding the right to legal representation is not a monetary transaction, and hence is exempted from criminalisation. It represents a quite significant victory for the US legal profession, especially for the criminal bar. Lawyers no longer risk prosecution should they accept tainted fees,³² even if they become aware of the unlawful provenance of said fees in their dealings with or on behalf of their clients.³³

Obviously, criminals or lawyers should not be allowed to abuse this exemption by using the payment of unnecessarily high fees as a laundering technique.³⁴ In such cases, both lawyer and client deserve to be prosecuted to the full extent of the law.³⁵ However, in all cases of *bona fide* legal representation upholding the right to counsel, the 1988 amendment means that a US lawyer ought not to be prosecuted merely for being paid with tainted funds.

Regrettably, even the express exemption in §1957 is no guarantee against prosecution. That the sword of Damocles continues to hang over the heads of lawyers was illustrated amply in the case of *United States v Velez*,³⁶ which came

30 See Gaetke & Welling (1992) at 1168; Nelson M (2009) “Federal Forfeiture and Money Laundering: Undue Deference to Legal Fictions and the Canadian Crossroads” 41(1) *Miami Inter American Law Review* 43-104 at 51.

31 Emphasis added. See also Gaetke & Welling (1992) at 1168; Nelson (2009) at 51.

32 See Jacobs (1989) at 314.

33 See Gaetke & Welling (1992) at 1172; Nelson (2009) at 51.

34 See Nelson (2009) at 51; Weinstein AK (1998) “Prosecuting Attorneys for Money Laundering: a New and Questionable Weapon in the War on Crime” 51(1) *Law and Contemporary Problems* 369-386 at 374.

35 §1956 of the MLCA, 1986 allows for the prosecution of lawyers who receive a tarnished fee payment, knowing that it derives from a crime, and who conceal its criminal origin.

36 *United States v Velez* Case No 05-20770-Cr-Cook (2008) and *United States v Velez* F 3d 875 (11th Cir 2009).

before the US courts two decades after the 1988 amendment. It concerned the 2008 indictment of attorney Ben Kuehne on money laundering charges.³⁷

A former Medellin drug lord, Fabio Ochoa-Vasquez, had been extradited to the US in 2001 to stand trial for conspiring to smuggle to the US about thirty tons of cocaine per month between 1997 and 1999.³⁸ He was convicted in 2003. Kuehne was engaged in 2001 by Roy Black, Ochoa-Vasquez's American lawyer, to determine whether the money Black was receiving from his client as fees was clean.³⁹ Kuehne had two co-accused: Gloria Florez Velez, Ochoa-Vasquez's former accountant; and Oscar Saldarriaga Ochoa, his Colombian attorney. Together they drafted six opinions, each of which pronounced untainted the fee source to which it related.⁴⁰ Between January 2002 and April 2003, Ochoa-Vasquez's relatives deposited a total of \$5 289 762-67 into Kuehne's trust account. Kuehne disbursed all the funds (except some \$50 000 withheld as a retainer) to Ochoa-Vasquez's lawyers. He was paid \$197 300 for his work in vetting the fees.

Kuehne was charged, *inter alia*, with conspiracy to violate §1957 of the MLCA. It was alleged that Kuehne and his co-accused falsified documents and facilitated a series of wire transfers to the US via the Black Market Peso Exchange, whilst knowing that the funds were the proceeds of drug trafficking. They argued that they were protected by the Sixth Amendment exemption and applied for the charge under §1957 to be dismissed. District Judge Cooke granted Kuehne's motion of dismissal. The state appealed,⁴¹ arguing that the exemption in §1957(f)(1) had been nullified by a Supreme Court ruling⁴² that the Sixth Amendment does not protect the right to counsel where an accused used criminal proceeds for legal fees. Kuehne and his co-accused insisted that they were protected by this exemption and that the charge under §1957 could not stand. Kuehne argued further that he did not know that the funds in question were tainted.

The Court of Appeal ruled in favour of Kuehne and his co-accused,⁴³ agreeing with Judge Cooke that Kuehne could not be prosecuted because the funds were for legitimate legal services.⁴⁴ It held that the plain language of §1957(f)(1)

37 See Healy NM *et al* (2009) "US and International Anti-Money Laundering Developments" *The International Lawyer* 795-809 at 807; Slater D (20 November 2008) "Scales of Justice: The Right to Counsel vs the Need to Bar Tainted Legal Fees" *The Wall Street Journal* at 1.

38 See Healy *et al* (2009) at 807; Nelson (2009) at 56; Podgor ES (2010) "Regulating Lawyers: Same Theme, New Context" *Journal of the Professional Lawyer* 191-220 at 196.

39 See Nelson (2009) at 57; Healy *et al* (2009) at 807.

40 See Podgor (2010) at 195; Healy *et al* (2009) at 807.

41 *United States v Velez* F 3d 875 (11th Cir 2009) at 5.

42 *Caplin & Drysdale v United States* 491 US 617 (1989) at 617 & 626.

43 See Podgor (2010) at 196. See also *United States v Velez* F 3d 875 (11th Cir 2009) at 9.

44 *United States v Velez* F 3d 875 (11th Cir 2009) at 9.

exempts criminal proceeds used to secure Sixth Amendment legal representation.⁴⁵ The state then dismissed the case against Kuehne.⁴⁶

This was the first indictment under the federal AML statutes of an attorney for performing due diligence on another lawyer's legal fees. The indictment of Kuehne, a renowned lawyer respected by his colleagues, shocked the US legal community. Although cleared, Kuehne had been under indictment for two years and had to cope with the stresses and expense of defending himself. He had been charged even though Ochoa-Vasquez was not his client. He had been hired by Ochoa-Vasquez's lawyers only to ascertain whether they were being paid with dirty money, and he was indicted even though he had verified that the money was clean. He had been charged under §1957 even though it exempts attorneys from prosecution who are paid with tainted money when upholding a client's constitutional right to legal representation. The point is that, like Kuehne, all attorneys face a plurality of perils in exercising their professional responsibilities. They become ready targets of zealous prosecution if they allow a suspicion to arise that, in order to secure their fees, they are prepared to open the gate to the money laundering process.

5.2 The Canadian position

Canada criminalised money laundering in 1989 in section 462.31(1) of the Criminal Code. The provision stipulates that:

Everyone commits an offence who uses, transfers the possession of, sends or delivers to any person or place, transports, transmits, alters, disposes of or otherwise deals with, in any manner and by any means, any property or any proceeds of any property with intent to conceal or convert that property or those proceeds, knowing or believing that all or a part of that property or of those proceeds was obtained or derived directly or indirectly as a result of

- (a) the commission in Canada of a designated offence; or
- (b) an act or omission anywhere that, if it had occurred in Canada, would have constituted a designated offence.⁴⁷

45 *United States v Velez* F 3d 875 (11th Cir 2009) at 9.

46 See Government Motion to Dismiss Third Superseding Indictment with Prejudice, *United States v Kuehne and Ochoa* Case No 05-20770-Cr-Cook (2009).

47 See also Murphy D (2000) "Canada's Anti-Money Laundering Regime" 58 *Resource Material Series 117th International Seminar Visiting Experts' Papers* 286-302 at 286; Murphy D (2004) "Canada's Laws on Money Laundering Proceeds of Crime: The International Context" *Asper Review* 63-84 at 65; Kroeker R (1995) "The Legal and Ethical Propriety of Allowing Accused to Use the Proceeds of Crime to Retain Counsel" 53(6) *The Advocate* 865-878 at 865.

Money laundering is committed in respect of a “designated offence”, which is defined as:

- (a) any offence that may be prosecuted as an indictable offence under this or any other Act of Parliament, other than an indictable offence prescribed by regulation, or
- (b) a conspiracy or an attempt to commit, being an accessory after the fact in relation to, or any counselling in relation to, an offence referred to in paragraph a.⁴⁸

The definition of money laundering contained in the Criminal Code has been incorporated by express reference into the Proceeds of Crime (Money Laundering) and Terrorist Financing Act of 2000 (PCMLTFA). Thus, section 2 of the PCMLTFA provides that a “money laundering offence means an offence under subsection 462.31(1) of the Criminal Code”.

In Canada, then, a person commits money laundering by dealing with tainted property or its proceeds, in any way and by any means, with the intention of concealing or converting said property or proceeds, and in the knowledge or belief that it derives from an illegal source.⁴⁹ The maximum punishment for a person convicted of money laundering is imprisonment for ten years.⁵⁰

Theoretically, Canadian lawyers who accept dirty money as legal fees may fall foul of the Criminal Code or the PCMLTFA.⁵¹ They risk prosecution if they knowingly accept, use or otherwise transact with tainted fees, “with intent to conceal or convert” them, thereby to mask their criminal derivation. This last point is pivotal when it comes to tainted fees. Section 462.31(1) of the Criminal Code requires an intention to launder on the part of the person dealing with the property or proceeds in question. Thus, a lawyer not only should know or believe that his fees are being paid with dirty money, but also should accept the dirty money with the intention of laundering it by concealment or conversion. In other words, the acceptance by a Canadian lawyer of tainted fees likely will amount to a crime only if the lawyer is part of a joint criminal enterprise with the client to use the payment of legal fees as a means of washing the client’s dirty money. If the lawyer is not party to such a scheme, then his receiving dirty money as legal fees

48 Sec 462.3(1) of the Criminal Code, 1985.

49 See Brucker TM (1997) “Money Laundering and the client: How can I be retained without becoming a party to an offence?” 55(5) *The Advocate* 679-692 at 680; Wilbern C (2008) *Assessing the Opinion of Lawyers of Canadian Money Laundering legislation* Unpublished PhD thesis: North Central University at 18.

50 Sec 462.31(2)(a) of the Criminal Code, 1985. See also Wilbern (2008) at 18.

51 See Schneider (2006) at 65; Wilbern (2008) at 18 & 24-28.

and transacting with it does not contravene section 462.31(1) of the Criminal Code, even if he knew or suspected that the money was dirty.

Canadian AML law thus does not criminalise tainted fees, except when the lawyer is motivated by an intention to launder. Absent such intention, it appears that Canadian lawyers may accept tainted fees with impunity. Their knowing or believing that the fees are proceeds of crime does not render their dealings unlawful. What is more, it is apparent that section 462.31(1) of the Criminal Code cannot be contravened negligently. In a word, to be guilty of money laundering, the lawyer who is paid with dirty money must intend to camouflage its criminal origins in some way. To be sure, the lawyer who is party to a fee laundering scam is a money launderer and needs to be prosecuted as such. However, the lawyer who is paid with dirty money while providing *bona fide* legal services in the course of practising his profession is not a money launderer and thus beyond the reach of section 462.31(1) of the Criminal Code, even if he is certain that the money is dirty.

This understanding of the position in Canada may be extrapolated from the response of the organised legal profession to the enactment of the PCMLTFA in 2000 and its accompanying Regulations in November 2001.⁵² The profession was decidedly unhappy and launched litigation with a view to exempting lawyers from the force of the PCMLTFA and its Regulations.⁵³ Significantly, the court challenges did not mention the question of tainted fees as a crime. The primary issues were whether the AML legislation threatened the independence of the bar and attorney-client confidentiality, and whether it created a conflict between lawyers' duties to their clients and their obligation to report confidential information to the government.⁵⁴ The litigation offensive by the legal profession spanned 15 years and was eminently successful, but in none of the series of cases brought before the Canadian courts was the criminalisation of tainted fees in dispute.⁵⁵ It may be concluded that both the profession and the government understand and accept that in Canada it is not a crime for a lawyer to be paid with dirty money.

52 See Macdonald R (2010) "Money Laundering Regulation—What can be learned from the Canadian Experience?" *Journal of the Professional Lawyer* 143-150 at 144; Gallant M (2009) "Uncertainties Collide: Lawyers and Money Laundering, Terrorist Finance Regulations" 16(3) *Journal of Economic Crimes* 210-219 at 211.

53 See Terry LS (2010) "An Introduction to the Financial Action Task Force and its 2008 Lawyer Guidance" *Journal of the Professional Lawyer* 3-67 at 3 & 34.

54 See Gallant (2009) at 211; Macdonald (2010) at 144.

55 See *Law Society of British Columbia v Canada* 2001 BCSC 1593; *Federation of Law Societies of Canada v Canada* 2011 (BCSC) 1270; *Federation of Law Societies of Canada v Canada* 2013 (BCCA) 147; *Canada (Attorney General) v Federation of Law Societies of Canada* 2015 SCC 7.

Further, not only does Canadian AML law not criminalise tainted fees, but it also allows for the payment of reasonable legal expenses from property which allegedly is proceeds of crime. This is possible in terms of section 462.34(4)(c)(ii) of the Criminal Code, which empowers a judge, upon application, to return seized property or to release restrained property to the applicant for the purpose of meeting his reasonable legal expenses. The application under section 462.34(4)(c)(ii) entails a two-stage enquiry: firstly, is the accused entitled to the release of a portion of the seized or restrained property as legal fees; and, secondly, are said legal expenses reasonable?⁵⁶

If the enquiry establishes that the applicant qualifies for assistance and that the quantum being sought is reasonable, the court will order the return or release of property under seizure or restraint so that he is able to pay for legal counsel. The property in question well may be proceeds of crime. However, it would seem that the applicant's right to legal representation trumps any recovery proceedings to which the property may be subject. In Canada, then, lawyers may be paid freely with dirty money which is in the hands of their clients and they may be paid at the behest of the court with dirty money which is under seizure or restraint. In sum, the fact that money is dirty is no bar to its being used by a client to settle his lawyer's fee account.

At this juncture, reference to the case of *Gagnon* is apposite.⁵⁷ The accused was charged with trafficking in cocaine and possession of stolen property. The property in question was a log skidder, which Gagnon needed for a logging contract. He earned \$1 500 from the contract which he used to pay his bail on the possession charge. Later, he signed over the bail bond of \$1 500 as fees to his lawyer. Gagnon was convicted on both the trafficking and possession counts, for which he received prison sentences of five years and nine months respectively. He had agreed that assets worth \$130 000 be forfeited on the trafficking charge. The state then sought to seize the \$1 500 as proceeds of crime on the possession charge or for a fine of \$1 500 be imposed *in lieu* of forfeiture.⁵⁸

The Court denied the seizure motion, holding that the \$1 500 already had been assigned irrevocably to Gagnon's lawyer, and that even if the state had seized it before its assignment, Gagnon could have applied under section 462.34(4)(c)(ii) of the Criminal Code for its release as legal expenses. The court found that Gagnon could have been fined instead but decided not to do so, noting that he probably

56 See *R v Lortie* (1985) 21 CCC (3d) 436; *R v Clymore* (1992) 74 CCC (3d) 217 (BCSC); Brucker (1997) at 680-681.

57 *R v Gagnon* 10 (1993) 80 CCC (3d) 508.

58 This is possible under section 462.37(3) of the Criminal Code, 1985. See *R v Gagnon* para 8.

would have succeeded with a section 462.34(4)(c)(ii) application and that the fees of lawyers who act as defence counsel ought not to be at risk of forfeiture.⁵⁹

Gagnon drew conceptual connections between legal fees, the right to legal representation and the right of lawyers to practise their profession. Thus, the court characterised lawyers' fees as a "special type of expenditure linked to a constitutionally protected right".⁶⁰ Entrained in the right to counsel is counsel's right to be remunerated. The spectre of fee forfeiture prompted the court to ask:

What lawyer would undertake the defence of an accused person if fees paid by the accused could eventually be recovered by the state?⁶¹

However, the court noted also that reluctance or refusal by lawyers to represent accused who pay with dirty money, although understandable, jeopardises the right of such an accused to competent representation:

What accused would then have the benefit of the constitutional right to a full defence, given the dual problems of finding a lawyer who will act under those conditions and of serving time in addition to the sentence imposed for the substantive crime if the lawyers' fees are repaid to the state as proceeds of crime?⁶²

Clearly, the implementation of the right to legal representation is contingent upon lawyers being paid to practise their profession. This is an interdependent configuration which implodes if the lawyer is not paid for the work he performs in defending the accused. The court in *Gagnon* understood that the "constitutional right to a full defence" remains at risk unless and until legal fees are free from the risk of forfeiture for being dirty money.

All in all, Canada has no especial truck with dirty money being used by an accused to pay for *bona fide* and reasonable legal expenses. Canadian jurisprudence in this area is concerned primarily with securing and preserving the right to counsel. Hence, it is not a crime for a lawyer to accept tainted fees, unless the payment is part of a money laundering scheme between client and lawyer. What is more, provision has been made in the Criminal Code for legal expenses to be paid from dirty money which has been impounded. In Canada, the interests of the state and of society in prosecuting and punishing economic crime are superseded by the constitutional rights of the accused and his lawyer.

59 *R v Gagnon* para 19.

60 *R v Gagnon* para 19.

61 *R v Gagnon* para 22.

62 *R v Gagnon* para 22.

5.3 Comparative summation

South Africa, the US and Canada all introduced AML legislation as part of their international obligations. The key South African statutes, POCA and FICA, both criminalise tainted legal fees. A South African lawyer who knows or reasonably ought to have known that a client is paying him with dirty money stands to be prosecuted as a money launderer. The only relief lies in the POCA provisions empowering the High Court to order payment of reasonable legal expenses from property under restraint or preservation as proceeds of crime. South African AML legislation does not countenance lawyers being paid with dirty money in any other circumstances.

Initially, the US also criminalised tainted legal fees. The prohibition in the MLCA on monetary transactions involving proceeds of crime meant that lawyers whose fees exceeded \$10 000 would incur criminal liability if they were paid with dirty money. However, the US legal profession secured an amendment to the MLCA which excluded from the meaning of a monetary transaction all dealings necessary to uphold the right to legal representation. Effectively, the amendment decriminalised tainted fees. Thus, it is quite legal for US lawyers to be paid with dirty money in giving effect to a client's right to counsel.

Canada, it appears, never did criminalise tainted fees. An intention to launder is an element of the money laundering offence in the Criminal Code and the PCMLTFA. The lawyer who accepts dirty money as legal fees must do so, *inter alia*, with intent to conceal or convert the criminal provenance of said money. This requirement means that tainted fees are problematic only if they form part of a money laundering stratagem. Certainly, lawyers who entertain no such intent may accept tainted fees without fear of prosecution. As in South Africa, the Canadian Criminal Code allows for the payment of reasonable legal expenses from seized or restrained proceeds of crime.

Comparatively, South African lawyers are worst off. Unlike their US and Canadian counterparts, they run the real risk of being branded money launderers by representing clients who pay with dirty money. In South Africa, there is no exemption for legal fees as there is in the US. And the South African lawyer who is paid with tainted fees does not need an intention to launder, as in Canada. It is possible even for a South African lawyer to become a money launderer negligently!

The lot of South African lawyers is illustrated well by the case of *Wei*, concerning an abalone poaching syndicate.⁶³ It involves 30 accused and 590 charges. One of the accused is Anthony Broadway, a defence attorney, who had

63 *S v Wei & Others*, pending case, Western Cape High Court.

represented a number of his co-accused in the past. It is alleged that he received various sums of cash as fees from them, while being aware that they did not have legal income to pay his fees.⁶⁴ He is the first attorney in South Africa to be indicted for receiving tainted fees.

Bellville attorney Anthony Broadway ... who represented several syndicate members since 2001, was also a defendant in the restraint proceedings. His assets, listed on an annexure to the order, include properties in Kenridge and Bellville, a Mercedes-Benz, a Hyundai i20, a trailer, two motorcycles and the contents of nine bank accounts in his name. His wife, Helena, who lives in Kent in the UK, has been cited as a respondent, as was close corporation Royal Albatross Investments.⁶⁵

Broadway has been charged with contravening section 2 of POCA for receiving or retaining property which he knew to be derived from racketeering.⁶⁶ He has been charged also with money laundering and offences relating to proceeds of unlawful activity under sections 4, 5 and 6 of POCA, as well as with failing to comply with the provisions of FICA and to register with the FIC.⁶⁷ Other money laundering charges relate to the retrieval of money invested on behalf of one Frank Barends with a financial broker; R1 500 000 paid into Broadway's trust account for the benefit of Barends;⁶⁸ R425 058 paid from his trust account into the business account of Royal Albatross Investment 142 CC;⁶⁹ a cheque of R90 000 payable to and cashed by him;⁷⁰ and more than R600 000 paid directly into his personal savings account.⁷¹ It is not clear from the indictment, but all these amounts presumably are criminal proceeds which supposedly were laundered by Broadway.

He has been charged also with failure to submit STRs and CTRs to the FIC.⁷² One of the counts alleges that Barends lent more than R1 000 000 to one Johan Van der Berg and that Broadway, after he had requested the money via a letter of demand, facilitated the sale of a house, owned by Van der Berg's wife, to Barends at a reduced price.⁷³ This allegedly was a property scam to launder the R1 000 000.

64 *S v Wei* Summary of facts Para E 27.

65 Schroeder F (2103) "Abalone syndicate set to lose millions", available at <http://www.iol.co.za> (visited 27 April 2017).

66 *S v Wei* Para F3.

67 *S v Wei* Summary of Facts Para G 51, Count 566.

68 *S v Wei* Para G 52, Count 567.

69 *S v Wei* Counts 519 & 425.

70 *S v Wei* Para G 53, Count 573.

71 *S v Wei* Para G 53, Count 574.

72 *S v Wei* Para G 54 and G 58.

73 *S v Wei* Para G 55.

The facts of *Wei* are messy and the issues are difficult to disentangle. And there does not appear to have been any real progress in the case since Broadway was indicted in 2013. However, the case removes all doubt about the criminalisation of tainted fees under POCA and FICA. It stands as an exemplar of the precarious position of South African lawyers representing clients who profit from criminal conduct. Like Broadway, they hazard being thrust onto the wrong side of the law if they are paid with dirty money. Of course, any offensive against dirty money ought to be welcomed. However, given the constitution of South African AML legislation, there is the real possibility that a crackdown on dirty money could result in a crackdown also on lawyers who represent the purveyors of dirty money.⁷⁴ Anthony Broadway could be the first of many defence attorneys who find themselves in the dock, accused of laundering money for accepting tainted fees.

6 TAINTED FEES AND THE RIGHT TO LEGAL REPRESENTATION

Like all accused, the person charged with money laundering is entitled to be defended by a lawyer. The right to legal representation is guaranteed universally, more or less. In South Africa, it is entrenched in section 35(3)(f) of the Constitution, as part of the fair trial rights of every accused person.

The question of tainted legal fees is linked intimately to the right to legal representation. In the US, §1957 of the MLCA was amended to secure this right, leading to the decriminalisation of tainted fees. Indeed, the case against Ben Kuehne collapsed because of this amendment. In Canada, tainted fees never have been criminalised and hence never have obstructed the right to counsel. In *Gagnon*, the court expressly linked legal fees to the protection of the “constitutional right to a full defence”. Certainly, Canadian lawyers do not face the peril of prosecution if they are paid with dirty money for effectuating a client’s right to legal representation.

By contrast, South African defence lawyers are saddled with an intractable situation. They have an ethical and constitutional duty to represent accused persons, including those charged with money laundering. Yet, if they are paid with money which they know or suspect to be dirty, they themselves face the prospect of being charged with money laundering. And the prospect is not a theoretical one, as the prosecution of Anthony Broadway attests.

74 Hawkey K (2011) “FICA and jurisdiction over acting judges on the agenda at FSLs AGM” *De Rebus* at 9.

Lawyers are essential to ensuring that the fair trial rights of an accused person are respected by the police, the prosecution and the courts. By criminalising tainted fees, South Africa's AML statutes have endangered the constitutional right to legal representation. Preventing lawyers from accepting tainted fees could prompt them to refuse to defend persons indicted for money laundering, thereby violating the right to counsel.⁷⁵ What is more, even if a lawyer declines a brief for fear of being paid with dirty money, he is required to report the matter to the FIU.⁷⁶

Defence attorneys are in the singular, if not unique, position of securing a crucial constitutional right simply by practising their chosen profession. Thus, South Africa's criminalisation of tainted fees well may be decried as unconstitutional for being an unreasonable and unjustifiable limitation upon the fundamental right to legal representation.⁷⁷ Be that as it may, such unconstitutionality is unquestionably immanent in the offending sections of POCA and FICA. The menace of their nullifying the right to legal representation by menacing defence attorneys with prosecution is serious. Furthermore, it is arguable that the right of South African criminal lawyers to practise their profession has been compromised by the AML legislation. Relative to their US and Canadian colleagues, then, South African lawyers are in a no-win position as regards tainted fees.

A key consideration here is the response of the organised profession to the AML legislation. The US and Canadian legal professions reacted vigorously, by voicing their opposition to the repugnant aspects. This campaign of discontent ensured that US and Canadian attorneys would not risk prosecution for representing clients who paid their fees with contaminated funds. Regrettably, South Africa's legal profession did not register any serious or sustained concern about the sections of POCA and FICA which exposed its members to prosecution for accepting tainted fees. Certainly, the Law Societies of South Africa (LSSA) did not spearhead a campaign to lobby for appropriate amendments to the AML legislation. In particular, no efforts were made by the organised profession to challenge the objectionable provisions in court.

The apparent lassitude of the LSSA notwithstanding, it is evident that the South African legislature hardly spared a thought for the issue of tainted fees when it enacted the AML statutes. Whilst legislative attempts to curb economic crime are necessary, FICA and POCA entail potentially ruinous consequences for lawyers by

75 See Bussenius (2004) at 30.

76 Sec 29(2) of FICA, 2001.

77 A full discussion of this possibility is beyond the scope of this essay.

their criminalisation of tainted fees. The current asymmetry between the statutory AML imperatives and the constitutional right to legal representation victimises lawyers whose fees are paid with dirty money. This is a situation which the organised profession ought not to tolerate indefinitely. Indeed, it cries out to be righted. In a word, South African AML law needs to be amended in order to balance the state's interest in combating money laundering, including the lawyer-facilitated version, with the lawyer's right to practise his profession and the accused's right to legal representation.

Of course, if lawyers assist their clients in money laundering schemes, they must be prosecuted. However, it should not be a crime for a lawyer merely to accept tainted fees, if the payment is to give effect to an accused person's right to legal representation. In such a case, an exemption from prosecution ought to be granted. The point is that combating crime ought not to infringe fundamental rights. And in unthinkingly criminalising tainted fees, the South African legislature showed but little regard for the basic right to legal representation and the right of legal professionals to practise law.

7 CONCLUSION

It is submitted that tainted fees ought to be decriminalised in South Africa and that POCA and FICA ought to be amended accordingly. An exemption similar to that contained in §1957 of the MLCA should be incorporated into the South African AML legislation. If no such exemption is allowed, lawyers could begin treating certain accused persons as untouchables, thereby violating their fundamental right to legal representation. Why the South African organised legal profession failed to defend its members against the assault implicit in the culpable provisions of POCA and FICA remains a mystery. However, now is the time for the LSSA to become activist and campaign for the decriminalisation of tainted fees. Certainly, there is no policy or moral justification for the *status quo* and it ought to be reversed sooner rather than later.

Regrettably, lawyers cannot rely upon the perspicacity or goodwill of the legislature to look after their interests. They need to take responsibility for their own professional well-being and lobby for amendment of the AML statutes. Perhaps the LSSA ought to test the constitutionality of the legislation in court. Perhaps it should consider intervening in the *Wei* case to stop the prosecution of Anthony Broadway on the charge(s) related to tainted fees. Criminal lawyers in the US and Canada are not as assailable as their South African counterparts precisely because their professional organisations responded robustly to the threats inscribed in their AML legislation. The South African profession needs to follow suit.

If nothing is done, the surreal situation could arise where a South African lawyer who provided legal representation to money launderers finds himself in the dock on money laundering charges without legal representation!