

# APPENDIX B



## ANTI MONEY-LAUNDERING POLICY

January 2019

**ANTI-MONEY LAUNDERING POLICY**

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## **1. Introduction**

- 1.1 The purpose of this document is to provide Members and staff with an understanding of “Money Laundering”, to provide them with guidance on identifying money laundering and to set out the procedures they must follow to ensure the Council complies with its legal obligations.
- 1.2 Historically, legislation to tackle the laundering of the proceeds of crime was aimed at the financial and investment sector. However, it was subsequently recognised that those involved in criminal conduct and terrorism were able to ‘clean’ criminal proceeds through a wider range of businesses and professional activities. Criminals are becoming increasingly sophisticated in the techniques they employ and local authorities could be seen as softer targets.

## **2. What is Money Laundering?**

- 2.1 Money Laundering is any process where funds derived from criminal activity including terrorist financing are given the appearance of being legitimate by being exchanged for ‘clean’ money or property. Examples of money laundering offences include tax evasion, theft, bribery, smuggling – including drug trafficking – and illegal arms sales. There are two types of offences which may be committed:

- Money laundering offences (see section 5.1).
- Failure to report money laundering offences (see section 8).

- 2.2 The main legislation covering anti-money laundering is:

- Sanctions and Anti-Money Laundering Act 2018  
This provides the basis for the detection, investigation and prevention of money laundering and terrorist financing and enable sanctions to be imposed to support this.
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017  
These regulations set out the detailed requirements for organisations and individuals engaged in regulated activities.
- Proceeds of Crime Act 2002  
This defines the money laundering offences and gives law enforcement agencies far reaching powers to deal with them.
- Terrorism Act 2000  
This defines the primary offences related to terrorism funding and requires regulated businesses to report knowledge or suspicion of offences.

Other legislation includes:

- Criminal Finances Act 2017
- Terrorist Asset-Freezing etc. Act 2010
- Counter- Terrorism Act 2008
- Anti- terrorism, Crime and Security Act 2001

2.4 Money laundering can take many forms such as:

- Concealing, disguising, converting or transferring criminal property or removing it from the UK.
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
- Acquiring, using or possessing criminal property.
- Investing the proceeds of crime into other financial products or the acquisition of property/assets.
- Generating money from a transaction if you have reasonable ground to believe the money will fund terrorism.

2.5 The channelling of the money often involves the following three stages:

- **Placement**  
This is the movement of cash from its source - following a crime the monies are paid into a bank account or used to purchase an asset.
- **Layering**  
Using a number of complex transactions to hide the proceeds of crime.
- **Intergration**  
Return of the illicit funds back into the accounts to make them appear lawful.

### **3. The Obligations of the Council**

3.1 The law requires those organisations in the regulated sector and conducting relevant business to:

- Appoint a Money Laundering Reporting Officer ('MLRO') to receive disclosures from employees of suspected money laundering activity.
- Implement risk sensitive policies and procedures relating to customer due diligence, reporting, record keeping, internal control, risk assessment and management, the monitoring and management of compliance and the internal communication of such policies and procedures.

3.2 Not all the Council's business is 'relevant' for these purposes. It is mainly those carried out by Customer Services, Procurement, Finance and certain company and property transactions carried out by Legal Services. However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council. Therefore, all Members and employees are required to comply with the Council's Anti-Money Laundering Policy in terms of reporting concerns about possible money laundering.

3.3 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Sanctions and Anti-Money Laundering Act 2018 require appropriate systems of internal control to prevent money laundering. These controls are required to help identify possible attempts to launder money or fund terrorism, so that appropriate action to prevent or report it can be taken.

- 3.4 Systems of internal control should help identify unusual or suspicious transactions or customer activity. These include:
- Identification of relevant risks and responsibilities under this Policy;
  - Provision of information to relevant persons on suspected money laundering risks;
  - Training of relevant employees on the legal and regulatory responsibilities for money laundering and control measures;
  - Measures to ensure that money laundering risks are taken into account in the day to day operations of the organisation.
- 3.5 Where money laundering is suspected the MLRO must report the matter to the National Crime Agency.

#### **4. The Money Laundering Reporting Officer**

- 4.1 The officer nominated to receive disclosures about money laundering activity within the Council is the Section 151 Officer who can be contacted as follows:

Section 151 Officer, Bridgend County Borough Council, Civic Offices, Angel Street, Bridgend, CF31 4WB

In the absence of the Section 151 Officer, the employee should contact either the Group Manager – Chief Accountant or the Group Manager – Financial Planning and Budget Management, Bridgend County Borough Council, Raven's Court, Brewery Lane, Bridgend, CF31 4AP.

#### **5. Identification of potential money laundering situations**

- 5.1 It is not possible to give a definitive list of ways in which to identify money laundering or how to decide whether to make a report to the MLRO. The following are types of risk factors which may, either alone or cumulatively, suggest possible money laundering activity:
- Payment of a substantial sum in cash – anything which is £5,000 or more
  - Payment of lower cash sums where cash is not the normal means of payment
  - A new customer or use of new/shell companies
  - A secretive customer, e.g. refuses to provide proof of identity or other requested information without a reasonable explanation
  - Concerns about the honesty, integrity, identity or location of a customer
  - Illogical third party transaction such as unnecessary routing or receipt of funds from third parties or through third party accounts
  - Involvement of an unconnected third party without logical reason or explanation
  - Overpayments by a customer or payments of deposits subsequently requested back without a reasonable explanation
  - Absence of an obvious legitimate source of funds
  - Movement of funds overseas, particularly to a higher risk country or tax haven
  - Receipt of monies from countries outside the EU who do not have effective systems to counter money laundering or terrorist financing
  - Unusual transactions or ways of conducting business, without reasonable explanation
  - A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational

- Transactions with PEP (Politically Exposed Persons) or their family. These include Members of Parliament, Senior Government officials, Diplomats and high ranking officers in the Armed Forces
- The cancellation or reversal of an earlier transaction
- Requests for release of customer account details other than in the normal course of business
- Transactions at substantially above or below fair market values
- Poor business records or internal accounting controls
- A previous transaction for the same customer which has been, or should have been, reported to the MLRO
- Lack of 'traceability' of persons involved
- Individuals and companies that are insolvent yet have funds

These are just examples where money laundering can take place. If you suspect money laundering in another area you should consult with the Money Laundering Officer for advice.

## **6. Staff Responsibilities**

- 6.1 All Members and employees are required to adhere to this policy but certain financial and legal services staff are more likely to have to comply with the customer identification procedure, '**due diligence**' and the record keeping procedures.
- 6.2 There are two levels of '**due diligence**'. The 2017 Regulations require due diligence to be carried out on a risk sensitive basis, these are:

'**Simplified due diligence**' - required where there is a low risk of money laundering. For example:

- company is listed on the stock exchange a company search and evidence of the listing would suffice. (Note, for example, a company search is often undertaken / may already have been undertaken for BCBC by the Procurement Section in conjunction with the Finance Department – so further enquiry may not need to be undertaken)
- Government bodies and organisations who are regulated by a professional body.
- European Union (EU) (Currently this applies to organisations in the EU but this is subject to change following the withdrawal of the UK from the EU.)

'**Enhanced due diligence**' should be applied for those customers with a high-risk status. For example:

- Remote transactions where the customer is not physically present.
- Organisations or individuals identified as high risk of money laundering or terrorism finance.
- Organisations which Her Majesty's Revenues and Customs (HMRC) or other law enforcement authorities have identified as high risk.
- Organisations from countries identified as high risk.
- Where false or stolen documents have been provided as evidence.

- Customer is a Politically Exposed Person (defined as persons entrusted with prominent public functions either in the UK or abroad)<sup>1</sup> or an immediate family or associate of that person.
  - A transaction is complex, unusually large, or with an unusual pattern.
- 6.3 Due diligence will not have to be considered for organisations regulated by the Financial Services Authority (FSA) or supervised by a listed professional regulator e.g. the Solicitors Regulation Authority.
- 6.4 Where due diligence investigations are undertaken, evidence of the customer identification (paragraph 6.7) and the record of the relationship / transaction should be retained for at least five years from the end of the business relationship of transaction(s). If there is a criminal prosecution they must be retained until the legal proceedings are concluded.

The records that must be kept are:

- Copies of the evidence obtained to satisfy the due diligence obligations and details of customer transactions for five years after the end of the business relationship
  - The supporting evidence and records in respect of the business relationships and occasional transactions which are the subject of customer due diligence measures or ongoing monitoring
  - A copy of the identification documents accepted and verification evidence obtained
  - References to the evidence of identity, including those of the 'beneficial owner', the individual that ultimately owns or controls the organisation on whose behalf a transaction or activity is being conducted
  - Transaction and business relationship records should be maintained in a form from which a satisfactory audit trail may be compiled, and which may establish a financial profile of any suspect account or customer
  - A written account of the risk assessment
- 6.5 If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.
- 6.6 The customer identification procedure (paragraph 6.7) must be carried out when the Council is carrying out 'relevant business' and:
- Forms a business partnership with a customer,
  - Undertakes a one-off transaction (including a property transaction or payment of a debt) involving payment by or to a customer of €15,000 (approximately £12,500) or more,
  - Undertakes a series of linked one-off transactions involving total payment by or to the customer(s) of €15,000 (approximately £12,500) or more,
  - It is known or suspected that a one-off transaction, or a series of them, involves money laundering. The **customer identification procedure** must be completed before any business is undertaken for that customer in relation to accountancy, procurement, audit and legal services with a financial or real estate transaction.
- 6.7 **Customer Identification Procedure.** Employees must:
- Identify the person seeking to form the business relationship or conduct the transaction (an individual or company / organisation),
  - Verify their identity using reliable, independent sources of information,

<sup>1</sup> Examples include: Government Ministers, Members of Parliament, Members of political party Governing Bodies, high ranking officers in the armed forces. This is not exhaustive and if unsure please contact Finance for more information

- Identify who benefits from the transaction,
  - Monitor transactions to make sure they are consistent with what you understand about that person or country,
  - Understand the source of their funds,
  - Ensure there is a logical reason why they would want to do business with the Council.
- 6.8 This applies to existing customers, as well as new ones but evidence for transactions more than 10 years old need not be retained unless any related investigation has not concluded. In these instances they must be retained until the National Crime Agency (NCA) has given permission to destroy the data.
- 6.9 The law does not prescribe the precise form in which the records are to be retained. However, they must be admissible as evidence in any trial. In practice, most courts will accept electronic scanned documents but there maybe certain circumstances where this is not permissible.
- 6.10 Some of the information retained may constitute personal information in accordance with the Data Protection Act 2018 and the General Data Protection Regulation 2016 (GDPR). The legislation provides exemptions to permit the sharing of personal data in pursuance of anti money laundering requirements.

## **7. Reporting Procedure**

- 7.1 The MLRO is responsible for investigating the suspicion and reporting any suspected Money Laundering activity to the National Crime Agency.
- 7.2 If you know or suspect that money laundering activity is taking place, has taken place, or that your involvement in a matter may amount to a prohibited act under the legislation, this must be disclosed immediately to the MLRO. This disclosure should be done within hours of the information coming to your attention, not weeks or months later. **If you do not disclose information immediately, then you may be liable to criminal prosecution.**
- 7.3 Your disclosure should be made using the report form attached at Appendix 2. The disclosure report must contain as much detail as possible, for example:
- Full details of the people involved (including yourself if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc
  - Full details of the nature of your and their involvement
  - The types of money laundering activity suspected
  - The dates of such activities, including whether the transactions have happened, are ongoing or are imminent
  - Where they took place
  - How they were undertaken
  - The (likely) amount of money/assets involved
  - Why, exactly, you are suspicious of.
- 7.4 You should also supply any other available information to help the MLRO to make a sound judgement as to the next steps to be taken and you should enclose copies of any relevant supporting documentation.
- 7.5 If you are a legal adviser and consider that legal professional privilege may apply to the information, you should explain fully in the report form the reasons why you



contend the information is privileged. The MLRO, in consultation with the Monitoring Officer (Head of Legal and Regulatory Services), will then decide whether the information is exempt from the requirement to report suspected money laundering to the National Crime Agency (NCA).

- 7.6 Once you have reported the matter to the MLRO you must follow any directions given. You must NOT make any further enquiries into the matter yourself. Any necessary investigation will be undertaken by the NCA. All employees will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 7.7 At no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering or to any other individual without the specific consent of the MLRO. If you do so, you may commit the offence of 'tipping off'.
- 7.8 Do not make any reference on records held to the fact that you have made a report to the MLRO. If a customer exercises their right to see their record, any such note would obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.
- 7.9 In all cases no further action must be taken in relation to the transaction(s) in question until either the MLRO or the NCA (if applicable) has specifically given their written consent to proceed.

## **8. Failure to report money laundering offences or suspicions**

- 8.1 In addition to the money laundering offences, there are other offences of failure to report suspicions of money laundering. These are committed where, in the course of conducting relevant business, you know or suspect, or have reasonable grounds to do so (even if you did not know or suspect), that another person is engaged in money laundering and you do not disclose this as soon as is practicable to the MLRO.
- 8.2 Failure to report money laundering offences means that potentially any employee could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about their suspicions.
- 8.3 Whilst the risk of contravening the legislation is low, it is extremely important that all employees understand their legal responsibilities, as serious criminal sanctions may be imposed for breaches of the legislation. However, an offence is not committed if the suspected money laundering activity is reported to the MLRO and appropriate consent obtained to continue with the transaction.
- 8.4 If you report suspected money laundering to the MLRO, you should not discuss it with anyone else: you may commit a further offence of 'tipping off' if, knowing a disclosure to the MLRO has been made, you make a disclosure to someone else which is likely to prejudice any investigation which might be conducted.
- 8.5 Even if you have not reported the matter to the MLRO, if you know or suspect that such a disclosure has been made and you mention it to someone else, this could amount to a tipping off offence. Be very careful what you say and to whom, in these

circumstances. Any person found guilty of tipping off or prejudicing an investigation is liable to imprisonment (maximum five years), an unlimited fine, or both.

## **9. Consideration of disclosure report by the MLRO**

9.1 On receipt of a disclosure report, the MLRO will record the date of receipt on the report, acknowledge receipt of it and indicate when they expect to respond.

9.2 The MLRO will consider the report and any other available internal information they may consider relevant. This may include:

- Reviewing other transactions, patterns and volumes,
- The length of any business relationship involved,
- The number of any one-off transactions and linked one-off transactions,
- Any identification evidence.

9.3 The MLRO will undertake any other inquiries deemed appropriate and will ensure that all available information has been obtained. In doing so, the MLRO will avoid any action which could tip off those involved, or which could give the appearance of tipping them off. Where appropriate, Internal Audit will investigate on behalf of the MLRO.

9.4 The MLRO may also need to discuss the report with the employee who reported the case.

9.5 The MLRO will then consider all aspects of the case and decide whether a report to NCA is required. He/she must make a timely determination as to:

- Whether there is actual or suspected money laundering taking place,
- Whether there are reasonable grounds to know or suspect that money laundering is taking place,
- Whether he needs to seek consent from the NCA for a particular transaction to proceed.

9.6 Where the MLRO concludes one or more of the above, he/she will record his/her conclusion (Appendix 3) and disclose the matter as soon as possible to NCA [online](#). The link to the website for reporting can be found in Appendix 4.

9.7 Once the MLRO has made a disclosure to NCA, their consent will be needed before you can take any further part in the transaction. Consent will be received in the following way:

- Specific consent,
- Deemed consent if no notice of refusal is received from NCA during the notice period (i.e. 7 working days starting with the first working day after the MLRO makes the disclosure),
- Deemed consent if refusal of consent is given during the notice period but the moratorium period has elapsed (31 days starting with the day on which the MLRO receives notice of refusal of consent) without any further refusal of consent.

9.8 The MLRO should make clear in the report to NCA if such consent is required, and if there are any deadlines for giving such consent, e.g. completion date or court deadline.

- 9.9 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering this will be recorded appropriately and they will give consent for any ongoing or imminent transaction(s) to proceed.
- 9.10 All disclosure reports referred to the MLRO and subsequent reports made to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 9.11 The MLRO commits a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as possible to the NCA.

## **10. Training**

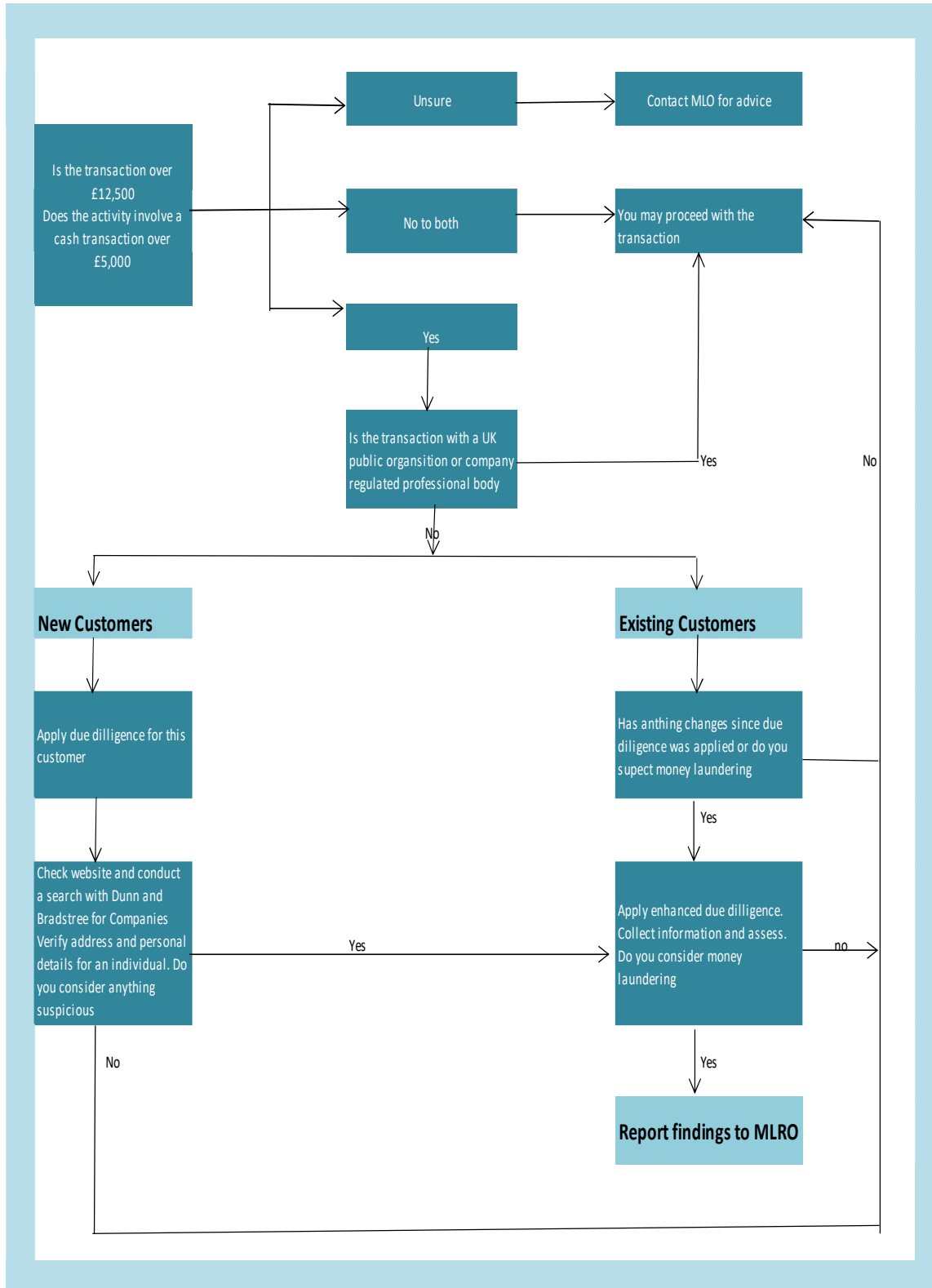
- 10.1 The Council will take appropriate measures to ensure that employees are made aware of the law relating to money laundering and will arrange targeted, ongoing, training to key individuals most likely to be affected by the legislation.
- 10.2 As part of this training staff will be directed to this document which will be updated regularly to reflect any legislative changes.

## **11. Conclusion**

- 11.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This document has been written to enable the Council to meet the legal requirements in a way that is proportionate to the low risk to the Council of contravening the legislation. Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO.
- 11.2 The policy will be reviewed as and when required e.g. following any legislative changes and reported to Audit Committee, Cabinet and Council as appropriate.

**APPENDIX 1**

**MONEY LAUNDERING CHECKLIST**



## APPENDIX 2

**Disclosure Report to Money Laundering Reporting Officer - Re suspected money laundering activity**

CONFIDENTIAL	
<b>Report to Money Laundering Reporting Officer</b>	
Name of Reporter	
Job Title/ Department	
Phone No	
e-mail	
<b>Details of Suspected Offence</b>	
Name of Person Suspected	
Reason for Suspicion	
Have investigations been undertaken (Please detail)	
Have you discussed your suspicions with someone else. If yes please detail	
Have you consulted your suspicions with any Supervisory body e.g. Law Society	
Do you have any reason why this matter should not be reported to NCA?	
Is the transaction prohibited under the Section 18 Terrorism Act 2000 or Sections 327-329 Proceeds of Crime Act but has received Consent from the NCA.	
Please provide any additional information you consider necessary to support your submission.	
Signed:	Dated:
<b>TIPPING OFF:</b> it is a criminal offence to inform the suspect or anybody other than your line manager that you are making this report. Please speak to the MLRO if you need any guidance on what to say to any third parties who are chasing you in respect of a transaction.	

**APPENDIX 3****Money Laundering Reporting Officer Report**

<b>CONFIDENTIAL</b>	
<b>For Completion by MLRO</b>	
Date report received	
Date acknowledged	
Are there any reasonable grounds for suspecting money laundering (please detail)	
Are there any reasons you do not intend reporting the matter to NCR (please detail)	
Date of report to NCA	
Please provide any additional information you consider necessary to support your submission.	
<b>Reply from NCA</b>	
Notice Period	
Moratorium Period	
Date Consent received from NCA	
Date consent given to employee to proceed	
Please provide any additional information you consider relevant	
Signed:	Dated:

**THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS**

## **APPENDIX 4**

Reporting of incidents need to be made on- line to the National Crime Agency. These must ONLY be reported by the Money Laundering Reporting Officer as appropriate.

### **Guidance notes are available at :**

Guidance on assessing for money laundering.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/686152/Money\\_Service\\_Businesses\\_Guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/686152/Money_Service_Businesses_Guidance.pdf)

Guidance on the submission of a form to NCA

<http://www.nationalcrimeagency.gov.uk/publications/suspicious-activity-reports-sars/916-sar-online-user-guidance/file>

### **Submitting the form:**

[https://www.ukciu.gov.uk/\(yiv1weyo05dqfpmn23r2rfrd\)/saronline.aspx](https://www.ukciu.gov.uk/(yiv1weyo05dqfpmn23r2rfrd)/saronline.aspx) .