



## Policy and Resources Committee 2 September 2019

### Anti-Money Laundering Policy

#### **Purpose of report**

To present to Members for consideration and approval an updated Anti-Money Laundering Policy

#### **Attachment(s)**

Appendix 1: Anti-Money Laundering Policy v2.0

#### **1. Background**

- 1.1. The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 'Money Laundering Regulations (MLR) 2017', replaced the Money Laundering Regulations 2007 and Transfer of Funds (Information on the Payer) Regulations 2007) in June 2017.
- 1.2. Whilst local authorities do not have a statutory duty to comply with the requirements of the MLR 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance that it is prudent and responsible practice for public service organisations, including those outside the regulations, to put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to enable them to detect and avoid involvement in the crimes described in the legislation and regulations. The council is committed to following best practise and to establishing internal procedures to prevent money laundering in all of its dealings and relationships.

#### **2. Anti-Money Laundering Policy**

- 2.1 The council's Anti-Money Laundering Policy was first issued in July 2015. The policy has now been reviewed and updated to reflect the new relevant legislation, The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. There are no changes to the council's obligations arising from the new legislation.

#### **3. Conclusion**

- 3.1 The updated Anti-Money Laundering Policy enables the council to meet its legal obligations in a proportionate manner that recognises that there is only a low risk of the council contravening the legislation. It serves to protect council employees by making them aware of their personal obligations and provides them with a mechanism to raise any concerns.

#### **4. Equality and Diversity Implications**

- 4.1. There are no equality and diversity implications arising from the recommendations in this report.

#### **5. Privacy Impact Implications**

- 5.1. There are no privacy implications arising from the recommendations in this report.

## **6. Legal Implications**

6.1. There are no additional legal implications arising from the recommendations in this report.

## **7. Risk Management**

7.1. The risk of contravening money laundering regulations and subsequent financial loss to the council is reduced as a result of the implementation of this policy.

## **8. Resource and Financial Implications**

8.1. There are no direct resources or financial implications arising from the recommendations in this report.

## **9. Constitutional Implications**

9.1. There are no constitutional implications arising directly from this report.

## **10. Implications for our Customers**

10.1. There are no implications for our customers arising directly from this report.

## **11. Corporate Outcomes**

11.1. This report links to the following Corporate Outcomes:




- **Effective Management**  
*Seeking to strengthen anti-money laundering arrangements across the organisation, which contributes to the effective management of the council.*
- **Employees and Members with the Right Knowledge, Skills and Behaviours**  
*Employees and Members will be aware of updated guidance regarding Anti-Money Laundering procedures.*

## **12. Recommendation**

12.1. The Policy and Resources Committee is recommended to:

- 1) Approve the adoption of the Anti-Money Laundering Policy v2.0 (Appendix 1).

*(Reason: To ensure the council is following best practise to prevent money laundering in all of its dealings and relationships).*

<b>Legal</b>	<b>Power:</b> Proceeds of Crime Act 2002 as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2015, The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, The Terrorism Act 2000 as amended by the Anti-Terrorism, Crime and Security Act 2001, the Terrorism Act 2006 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007						
	<b>Other considerations:</b> CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014						
<b>Background Papers:</b>							
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<b>Date: 19/08/2019</b>							
<b>CFO</b> 20/08/19			<b>MO</b> 20/08/19			<b>CX</b> 20/08/19	



East  
Northamptonshire  
Council

# Anti-Money Laundering Policy



Definition, prevention, disclosure of money  
laundering and employee guidance

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## Change History

Issue	Date	Comments
0.1	May 2015	New Policy following Internal Audit recommendation
0.2	May 2015	Front page
0.3	May 2015	Amendments to staff guidance
1.0	July 2015	Final version approved by Policy & Resources Committee
2.0	June 2019	Changes required by new legislation The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

*NB: Draft versions 0.1 - final published versions 1.0*

## Consultees

Internal	External
All staff and managers	Members

## Distribution List

Internal	External
All staff and managers	Agency staff/ Volunteers/ Agents/ Members/ Suppliers/ Partners/ Contractors

## Links to other documents

Document	Link

## Additional Comments to note

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# 1 Introduction / foreword

- 1.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 'MLR 2017', (which replace the Money Laundering Regulations 2007 and Transfer of Funds (Information on the Payer) Regulations 2007) and the Proceeds of Crime Act 2002, as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2015, broadened the definition of money laundering and increased the range of activities covered by the statutory framework. The risks to the Council of contravening money laundering legislation remain relatively low and some aspects of the legal and regulatory requirements do not apply to public authorities. However, the Council is committed to following best practice and will therefore establish internal procedures to prevent money laundering in all of its dealings and relationships.
- 1.2 The legislation in respect of money laundering is set out in the following:
- Proceeds of Crime Act 2002 as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2015;
  - The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;
  - The Terrorism Act 2000 as amended by the Anti-Terrorism, Crime and Security Act 2001, the Terrorism Act 2006 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007
- 1.3 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This policy has been written to enable the Council to meet its legal requirements in a proportionate manner that recognises that there is only a low risk of the Council contravening the legislation.
- 1.4 The Council expects staff, suppliers and contractors to lead by example in combating money laundering. Where money laundering is suspected it will be dealt with seriously. Failure to comply with the procedures set out in the policy and guidance may lead to disciplinary action.
- 1.5 This policy serves to protect Council employees by making them aware of their personal obligations and to provide them with a mechanism to raise any concerns.
- 1.6 This policy should be read in conjunction with the supporting Anti-Money Laundering - Employee Guidance (Appendix A).

## 2 Scope

- 2.1 This policy covers all Council activities and applies to all Council employees, Members, temporary and agency staff, volunteers, contractors, agents, consultants and partners acting on the Council's behalf, all of whom could potentially contravene the money laundering regulations.

## 3 Policy outcomes

- 3.1 The outcomes to be delivered by this policy are:



Policy outcomes	Links to corporate outcomes (delete as appropriate)
<ul style="list-style-type: none"> <li>• Appropriate action is taken to prevent, reduce and report crime in relation to money laundering activities</li> <li>• Staff, managers and other affected parties are made aware of the Council's obligations and understand their responsibilities in respect of money laundering</li> </ul>	<ul style="list-style-type: none"> <li>• Effective partnership working</li> <li>• Effective management</li> <li>• Councillors and staff with the right knowledge, skills and behaviours</li> </ul>

## 4 Definition

- 4.1 Money laundering is generally used when describing the activities of organised crime or terrorism where the intention is to 'legitimise' income by creating a plausible explanation for its source. However, for most people who come across it or are affected by it, it will involve a suspicion that someone you know, or know of, is benefitting from dishonest activities. Money laundering activities may range from a single act, for example being in possession of the proceeds of a crime, to complex and sophisticated schemes involving multiple parties and multiple methods of handling and transferring criminal property, as well as concealing it and entering into arrangements to assist others to do so.
- 4.2 Legally, money laundering is defined as:
- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Proceeds of Crime Act 2002);
  - 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 (section 328 of the Proceeds of Crime Act 2002);
  - acquiring, using or possessing criminal property (section 329 of the Proceeds of Crime Act 2002);
  - becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (section 18 of the Terrorism Act 2000).
- 4.3 Potentially any individual could contravene the money laundering provisions if they know of, or suspect money laundering, and either become involved with it in some way and/or do not report it. In addition, an offence of "Tipping off" could be committed should an individual make a disclosure that is likely to prejudice a current or potential investigation into any potential money laundering (section 342 of the Proceeds of Crime Act 2002).
- 4.4 Whilst the risk to the Council of contravening the legislation is low because it does not deal in cash transactions, **it is important that all employees are familiar with their legal responsibilities**, as serious criminal sanctions may be imposed for breaches of the legislation with potentially heavy penalties, including imprisonment, for those who are convicted of breaking the law.
- 4.5 The Council's Monitoring Officer has overall responsibility for this policy and is the Council's Money Laundering Reporting Officer. This role includes carrying out regular

reviews of the Council's operational experience under this policy to ensure that all Council activities and any organisational changes still comply with best practice or changes in legal requirements. In the absence of the Monitoring Officer, the Finance Manager is authorised to deputise.

- 4.7 The Council's Chief Finance Officer will also have a role to assist the Monitoring Officer as required and ensure the integrity of any proceedings under this policy, including decisions on the procedure to be followed in case of doubt, is maintained.

## 5 The Council's obligations

- 5.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 'MLR 2017' provide numerous and prescriptive requirements with regard to risk assessments, policies and procedures and customer due diligence checks, all of which are designed to minimise the risk of businesses inadvertently or otherwise becoming involved in money laundering or terrorist funding.
- 5.2 Whilst local authorities are not bound by the requirements of the MLR 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance that it is prudent and responsible practice for public service organisations, including those outside the regulations, to put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to enable them to detect and avoid involvement in the crimes described in the legislation and regulations.
- 5.3 To comply with its statutory obligations the Council has:
- Ensured it has a Money Laundering Reporting Officer, who is the Monitoring Officer
  - Implemented a procedure for the reporting of money laundering suspicions. This has been communicated to its employees through this policy in the Anti-Money Laundering Employee Guidance section of this policy.

## 6 Prevention

- 6.1 The Council is committed to working and co-operating with other organisations to prevent money laundering. Wherever possible, subject to data protection obligations, the Council will help, and exchange information with, other councils and public bodies to deal with money laundering. Where the Council suspects that money laundering has occurred it will consult directly with those external agencies as appropriate.
- 6.2 The Council will do all it can to prevent, wherever possible, the Council and its staff being exposed to money laundering, to identify potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases. It is impossible to provide a complete list of activities that may be subject to money laundering but some high risk areas are listed at Appendix C.
- 6.3 The Council does not accept cash payments and offers alternative payment methods. Payees are asked to pay any sums owed to the Council by cheque or other financial instrument such as debit/credit card or direct debit. These provide an evidence trail so are much lower risk, especially if payments in and out are made via the same method.
- 6.4 Where the Council is entering into a relationship with a new customer/client .e.g. setting up a new creditor or new council tax account, steps should be taken by staff to confirm

the identity of that customer. Written instructions at the outset of the matter on either the organisation's official letterhead, or an email from the organisation, are regarded as being appropriate evidence of identity.

## 7 Responsibilities

- 7.1 The prevention, detection and reporting of money laundering and other forms of corruption are the responsibility of all employees working for the Council. Employees are expected to be aware of the possibility that money laundering may exist in the workplace and to share any concerns with their manager.
- 7.2 Employees should make sure that they are aware of their personal responsibilities in relation to money laundering by reading and understanding and complying with this policy (including the Anti-Money Laundering – Employee Guidance in Appendix A). In addition, they must adhere to the standards of personal conduct and behaviour outlined in Council's Officer Code of Conduct (The Council's Constitution Part 5.2)
- 7.3 It is the responsibility of the individual starting a relationship or transaction with the council to obtain satisfactory evidence of identity before any financial transactions take place. Written instructions at the outset of the matter on either the organisation's official letterhead, or an email from the organisation, are appropriate evidence of identity. If the identity cannot be confirmed in this way the matter should be reported to the Monitoring Officer before taking any further action.
- 7.4 The Monitoring Officer is responsible for ensuring that this policy is brought to the attention of new staff and that they understand their responsibilities under it at induction. This policy will be made available on the Hub and the public website.
- 7.5 Managers must carry out the following:
- ensure that awareness training is provided where appropriate, especially in services where staff are at greater risk of being exposed to money laundering activities
  - ensure that any reports or suspicions of money laundering are reported to the Monitoring Officer without delay
  - take appropriate action to ensure staff are protected from any form of victimisation, bullying or harassment.
- 7.6 The Monitoring Officer will, where there is evidence of money laundering, disclose the matter as soon as practicable to the National Crime Agency (NCA). In reaching the decision whether to report to the NCA, the Monitoring Officer may undertake further enquiries to ensure that all available information is taken into account, such as:
- reviewing other transaction patterns and volumes; and
  - consider the length of any business relationship involved.
- All enquiries will be made in such a way as to avoid tipping off those involved.
- 7.7 Where the Monitoring Officer concludes that there are no reasonable grounds to suspect money laundering then he/she shall mark the report accordingly and give consent for any ongoing or imminent transaction(s) to proceed.
- 7.8 All disclosure reports referred to the Monitoring Officer, and reports made by them to the NCA, will be retained by the Monitoring Officer in a confidential file kept for that purpose, for a minimum of five years.

## 9 Conclusion

- 9.1 Given the nature of what the Council does and who it can provide services for, instances of suspected money laundering are unlikely to arise.
- 9.2 **However please take prompt and proper action if you have any suspicions** and feel free to consult the Monitoring Officer at any time should you be concerned with any issues relating to money laundering.

## Anti-Money Laundering - Employee Guidance

### 1 Introduction

- 1.1 This guidance note supports the Council's Anti-Money Laundering Policy. All employees should read this policy and understand their responsibilities in respect of money laundering. You should be aware that under the legislation it is a criminal offence to:
- assist a money launderer
  - "tip off" a person suspected to be involved in money laundering that they are suspected or that they are the subject of police investigations
  - fail to report a suspicion of money laundering and
  - acquire, use or possess criminal property

### 2 When might money laundering occur?

- 2.1 It is impossible to give a definitive list of ways in which to spot money laundering. At all times staff should:
- be wary of unusually large cash transactions
  - be wary of the absence of an obvious legitimate source of funds
  - be alert to the possibility of money laundering by a client or a prospective client
- 2.2 To take a recent example, another council reported a suspected case of money laundering to the police. In this case, a council tax payer had set up a direct debit to pay an annual council tax bill by instalments. A lump sum overpayment was then made by credit card. The customer subsequently requested a refund to be paid into the account from which the direct debit had been set up. After further investigation, it was established that the credit card used to make the original payment had, in fact, been reported as stolen.

***Please be alert and report any suspicions you have as soon as possible, via the attached disclosure form (Appendix B) to the Monitoring Officer.***

### 3 What should I do if I suspect Money Laundering?

- 3.1 Where you know or suspect that money laundering activity is taking/has taken place, you must disclose this as soon as practicable to the Monitoring Officer, using the attached disclosure form, who will advise you on what action needs to be taken.
- 3.2 Once the individual has reported the matter to the Monitoring Officer they must not make any further enquiries into the matter.
- 3.3 Under no circumstances should an individual voice any suspicions to the person(s) suspected of money laundering.
- 3.4 Employees should not make any reference on a client file to a report having been made to the Monitoring Officer.

<b>MONEY LAUNDERING DISCLOSURE FORM</b>	
<b>Please complete all possible sections</b>	
<b>Date of Disclosure</b>	
<b>Name and Job Title of Officer making disclosure</b>	
<b>Officer Contact Details</b>	
<b>Subject Details</b>	
<b>Title</b>	
<b>Surname</b>	
<b>Forename</b>	
<b>Date of Birth</b>	
<b>In case of a legal entity (company)</b>	
<b>Name</b>	
<b>Address</b>	
<b>Company Number (if known)</b>	
<b>Reason for Disclosure</b>	
<i>Please explain why you are suspicious. Outline the details of the activities and who was involved (what, when, where, how). Please provide as much information as you can, including copies of any relevant supporting documentation. Continue on a separate sheet, if necessary.</i>	
<b>Please pass this form as quickly as possible to the Monitoring Officer.</b>	

## High risk areas for Money Laundering

The following are types of risk factors which may, either alone or cumulatively, suggest the possibility of money laundering activity:

### Universal risk factors

- A secretive customer/client: e.g. refuses to provide requested information without a reasonable explanation;
- Concerns about the honesty, integrity, identity or location of a customer/client;
- Illogical third party transactions, such as the unnecessary routing or receipt of funds from third parties or through third party accounts;
- Significant overpayments by a client and subsequent requests for refunds;
- Involvement of an unconnected third party without logical reason or explanation;
- Absence of an obvious legitimate source of the funds;
- Movement of funds overseas, particularly to a higher risk country or tax haven;
- Where, without reasonable explanation, the size, nature and frequency of transactions or instructions (or the size, location or type of a client) is out of line with normal expectations;
- Refunds following the cancellation or reversal of an earlier transaction;
- Poor business records or internal accounting controls;
- Extensive use of corporate structures and trusts in circumstances where the customer/client's needs are inconsistent with the use of such structures;
- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational;
- Instructions to receive and pay out money where there is no linked substantive property transaction involved (surrogate banking).
- A request is made for the refund to be paid via a different method to which it was paid (e.g. originally paid by credit card and request to refund amount to a bank account).

### Property transaction risk factors

- Unusual property investment transactions if there is no apparent investment purpose or rationale;
- Funds received for deposits or prior to completion, in respect of a property transaction, from an unexpected source or where instructions are given for settlement funds to be paid to an unexpected destination.