



South Lakeland District Council Anti-Money Laundering Policy

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1 Introduction

- 1.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force in June 2017 and, for any offences committed after 26 June 2017, replace the Money Laundering Regulations 2007. The 2017 Regulations impact on certain areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

2 Scope of the policy

- 2.1 This Policy applies to all officers (including agency staff) and elected members of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations. Within this policy the term employees refers to all employees and elected members.
- 2.2 Failure by an employee to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy.
- 2.3 Directors and managers must ensure that all employees are aware of this policy.

3 What is money laundering?

- 3.1 Money laundering is the process by which criminally obtained money or other assets are exchanged for clean money or assets with no obvious link to their criminal origins. It also covers money, however come by, which is used to fund terrorism.
- 3.2 Money laundering can take many forms such as:
- Concealing, disguising, converting, 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.
 - Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.

Although the term 'money laundering' is generally used to describe activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

- 3.3 Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved in it in some way and/or do nothing about it. Failure to report money laundering is an offence.



3.4 Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation.

4 Legislation

4.1 The main UK legislation covering anti-money laundering and terrorist financing is:

- Proceeds of Crime Act 2002 (as amended by the Serious Organised Crime and Police Act 2005)
- Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001)

5 Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) OVERVIEW OF OBLIGATIONS ON THE COUNCIL

5.1 The main requirements of the legislation are:

- To appoint a money laundering reporting officer
- Maintain client identification procedures in certain circumstances
- Implement a procedure to enable the reporting of suspicions of money laundering
- Maintain record keeping procedures

5.2 Providing the Council does not undertake activities regulated under the Financial Services and Markets Act 2000, the offences of failure to disclose and tipping off do not apply. However, the Council and its employees and Members remain subject to the remainder of the offences and the full provisions of the Terrorism Act 2000.

5.3 The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.

5.4 Potentially very heavy penalties (unlimited fines and imprisonment of up to fourteen years) can be handed down to those who are convicted of one of the offences above.

6 Nominated officer

6.1 The regulations require the Council to appoint a Nominated Officer, sometimes known as Money Laundering Reporting Officer (“MLRO”) who is responsible for:

- Receiving internal suspicious transaction reports (also known as disclosures) from within the Council.
- Deciding whether these should be reported to the National Crime Agency.
- If appropriate, making such reports to the National Crime Agency.

6.2 The Officer nominated as MLRO to receive disclosures about money laundering activity within the Council is the Section 151 Officer, the Assistant Director (Resources). She can be contacted at s.mcgregor@southlakeland.gov.uk 01539



793112. In the absence of the MLRO, the Financial Services Manager is the authorised deputy (contact details: h.smith@southlakeland.gov.uk or 01539 793147).

7 Possible signs of money laundering

- 7.1 It is not possible to give a definitive list of ways in which to spot money laundering but facts which tend to suggest that something “odd” is happening may be sufficient for a reasonable suspicion of money laundering to arise.
- 7.2 The following are the types of risk factors which may, either alone or cumulatively with other factors, suggest the possibility of money laundering activity:
- A new customer with no previous history with the Council;
 - A secretive customer: for example one who refuses to provide requested information without a reasonable explanation;
 - Concerns about the honesty, integrity or identity of a customer;
 - Illogical third party transactions: for example 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;
 - Payment of a substantial sum in cash;
 - Overpayments by a customer;
 - Absence of an obvious legitimate source of the funds;
 - Movement of funds to and from overseas, particularly to and from a higher risk country;
 - Where, without reasonable explanation, the size, nature and frequency of transactions or instructions is out of line with normal expectations;
 - Cancellation or reversal of an earlier transaction.

8 High value cash transactions

- 8.1 If the customer wishes to make cash payment, or a series of cash payments of £1,000 or more must consult with the Corporate Anti-Fraud Officer (01539 793249) and ask for, and inspect, identification before accepting payment It is best practice to insist on payment by cheque or electronically from a UK clearing bank.

9 Client identification procedures

- 9.1 The Council will put in place procedures to identify customers when Council land or property is being sold. The procedures will require the Council to:
- Identify customers and verify their identity on the basis of documents from a reliable and approved source.
 - Identify where applicable the beneficial owner (see below) and take adequate measures on a risk sensitive basis to verify their identity.
 - Maintain records of all checks.

“Beneficial owners” are the individuals who ultimately own or control have a legal interest in the asset or the person on whose behalf a transaction or activity is being conducted.



9.2 If satisfactory evidence of a customer's identity at the outset cannot be obtained, then the business transaction can NOT proceed any further.

9.3 All personal data collected must be kept in accordance with the Data Protection Act.

10 Suspicious activity reporting

10.1 The MLRO is required to make reports to the National Crime Agency where s/he knows or suspects or has reasonable grounds for knowing or suspecting that a person is engaged in money laundering or terrorist financing.

10.2 Any staff in the Council who know, suspect or have reasonable grounds for knowing or suspecting that a person is engaged in money laundering or terrorist financing must report such matters to the nominated officer (MLRO) as soon as possible. On receipt of a report, it is for the nominated officer to decide whether a suspicious activity report needs to be made to the National Crime Agency.

10.3 Suspicion has its ordinary meaning, and a report should be made if a member of staff/the MLRO thinks that there is a possibility, which is more than fanciful, that a person is or has been engaged in money laundering or terrorist financing.

10.4 The report to the MLRO should be within "hours" of the information/suspicion coming to your attention, not weeks or months later. Should you not do so then you may be liable to prosecution.

10.5 The report should give as much information as possible: e.g.

- Full details of the people involved (including yourself) i.e. name, date of birth, address, company names, direct partnerships, phone numbers etc.
- Full details of the type of transaction and the nature of their/your involvement.
- The date of the money-laundering activity, including whether the transactions have happened, are ongoing or are imminent.
- Where they took/taking place.
- How they were/are being undertaken.
- The (likely) amount of money/assets involved.
- Why you are suspicious.

10.6 Once you have reported the matter to the MLRO you must follow any directions he/she may give you. **You must not make any further enquiries into the matter yourself.**

10.7 At no time and under no circumstances should you voice any suspicion to the person(s) whom you suspect of money laundering otherwise you may commit a criminal offence of "tipping off" (section 333 of the 2002 Act), if knowing a disclosure has been made to the MLRO, you make a disclosure to someone else which is likely to prejudice any investigation which may be conducted. The offence of "tipping off" carries a possible sentence of imprisonment (maximum five years), a fine, or both. Do not, therefore, make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will 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.



11 Record keeping procedures

11.1 Each unit of the Council conducting relevant business must maintain records of:

- Client identification evidence obtained; and
- Details of all relevant business transactions carried out for clients for at least six years. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering and also to demonstrate the Council's compliance with the regulations.

11.2 The precise nature of the records is not prescribed by law. However, they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the business units of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

12 Conclusion

12.1 The Money Laundering legislation is complex. This policy has been written as a safeguard and to enable the Council to meet its legal obligations.

13 Review

13.1 This policy will be reviewed bi-annually.

Revised September 2017 Approved Council October 2017