

Anti-Money Laundering Policy

Reviewed 2022

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This policy applies to all staff (including external appointments, such as consultants) and elected councillors of the council.

1.0 Introduction

- 1.1 The Money Laundering and Terrorist Financing Regulations 2019 (MLR 2019) came into force on 10 January 2020. The regulations widen the regulated sector from that set out in the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) which came into force on 26 June 2017.
- 1.2 MLR 2017 implemented the EU's Directive on Money Laundering and replaced the Money Laundering Regulations 2007 (MLR 2007) and the Transfer of Funds (Information on the Payer) Regulations 2007.
- 1.3 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This policy has been written so as to enable West

Suffolk Council ('the council') to meet the legal requirements in a way which is proportionate to the risk of the council contravening the legislation.

1.4 Money laundering is the term used for a number of offences involving the proceeds of crime or terrorism funding and 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.

1.5 There are three steps involved:

- **placement** – cash introduced into the financial system by some means
- **layering** – a financial transaction to camouflage the illegal source
- **integration** – acquisition of financial wealth from the transaction of the illicit funds.

1.6 There are three principal money laundering offences:

- **concealing** – where someone knows or suspects a case of money laundering but conceals or disguises it
- **arranging** – where someone is involved in arranging money laundering
- **acquisition** – where someone seeks to benefit from money laundering by acquiring, using or possessing the property concerned.

1.7 In addition to the above, there are two secondary offences:

- **failure to disclose** the principal offences
- **tipping off** a person or people who are, or are suspected of being involved in money laundering in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

1.8 The relevant legislation provides a broad definition of money laundering and the range of activities described by the statutory framework. The obligations now impact on some areas of local authority business and require local authorities to establish internal procedures to prevent the use of services for money laundering including:

- appointing a Money Laundering Reporting Officer (MLRO) to receive disclosures of money laundering activity
- implementing a procedure to enable reporting of suspicion of money laundering
- maintaining client identification procedures in certain circumstances

- maintaining record keeping procedures
- conducting money laundering and terrorist funding risk assessment and adopt appropriate internal controls.

2.0 Scope of the policy

- 2.1 Local authorities are not directly covered by the requirements of the money laundering regulations, but guidance from the finance and legal professions, including the Chartered Institute of Public Finance and Accountancy (CIPFA), indicates that public service organisations should comply with the spirit of the legislation and regulations and have appropriate and proportionate anti-money laundering safeguards and reporting arrangements.
- 2.2 The regulations apply to 'relevant persons' acting in the course of business carried on by them in the UK. Not all the council's business is 'relevant' for the purposes of the legislation. It is mainly accountancy and financial, company and property transactions. However, the safest way to ensure compliance with the law is to apply the regulations to all areas of work undertaken by the council. Therefore, all staff are required to comply with the reporting procedure set out in this policy.
- 2.3 This policy aims to maintain and improve upon the high standards of conduct which currently exist within the council to ensure that third parties are not able to use the council for the purposes of money laundering.
- 2.4 This policy sets out the procedures which must be followed to enable the council to comply with its legal obligations. The risk of the council contravening the legislation is low compared to many other institutions but it is still important that all councillors and staff are familiar with their legal responsibilities, as serious criminal sanctions can be imposed for breaches of the legislation. The key requirement on all councillors and staff is to promptly report any suspected money laundering activity to the MLRO.
- 2.5 This policy applies to all staff (including external appointments, such as consultants) and elected councillors of the council, although it is accepted that councillors are far less exposed to the risks of money laundering.
- 2.6 Failure by councillors or staff 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 procedures.
- 2.7 This policy is to be read in conjunction with the council's Whistleblowing Policy and the Anti-Fraud and Anti-Corruption Policy.

3.0 Purpose

- 3.1 The purpose of this policy is to make all councillors and staff aware of the legislative framework, their responsibilities regarding this framework, and the consequences of non-compliance.
- 3.2 Potentially, any councillor or member of staff could be subject to money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. This policy sets out how any concerns should be raised.
- 3.3 The money laundering regulations require organisations to put in place certain controls to prevent abuse from money laundering. These include:
- appointing a money laundering reporting officer
 - assessing the risk of our organisations being used by criminals to launder money
 - checking the identity of our customers
 - checking the identity of 'beneficial owners' of corporate bodies and partnerships. A beneficial owner is any individual who holds more than 25 per cent of the shares, voting rights or interest in a company, partnership or trust
 - monitoring our customers' business activities and reporting anything suspicious to the National Crime Agency through the designated Money Laundering Reporting Officer
 - making sure we have the necessary management control systems in place
 - keeping all documents that relate to financial transactions, the identity of our customers, risk assessment and management procedures and processes
 - making sure that all councillors and staff are aware of the regulations and have received any necessary training
 - implement a procedure to enable the reporting of suspicions of money laundering.
- 3.4 Our response to meeting these requirements is covered in the following sections.

4.0 The Money Laundering Reporting Officer (MLRO)

- 4.1 Any councillor or member of staff knowing or suspecting money laundering, fraud or use of the proceeds of crime must report this to the Money Laundering Reporting Officer (MLRO) on the disclosure form.
- 4.2 The officer within the council nominated to receive any information regarding possible money laundering activities (the designated MLRO), is the Service Manager (Internal Audit). The role of Deputy MLRO is filled by the Senior Auditor. Communication with the MLRO can be through emailing internalaudit@westsuffolk.gov.uk
- 4.3 The MLRO is responsible for deciding whether information received regarding possible money laundering activities should be reported to the National Crime Agency (NCA) and, if appropriate, make such reports to the NCA in the form of a Suspicious Activity Report (SAR).
- 4.4 The MLRO will report any suspected money laundering activity in the annual fraud report presented to the Performance and Audit Scrutiny Committee, unless earlier reporting is considered necessary.
- 4.5 Internal Audit is also available to give advice as required.

5.0 Cash payment and potential money laundering activity

- 5.1 Money laundering often occurs in three steps: first, cash is introduced into the financial system by some means ('placement'), the second involves a financial transaction in order to camouflage the illegal source ('layering'), and the final step entails acquiring wealth generated from the transactions of the illicit funds ('integration'). An example is where illicit cash is used (placed) to pay for the annual non-domestic rates on a commercial premises (possibly also a large overpayment) and then, within a very short time, the property is vacated (layering). A refund is made to the individual from the council, 'integrating' the source of the money.

5.2 Cash payments

- 5.2.1 No payment to the council should automatically be accepted in cash (including notes, coins or travellers' cheques in any currency) if it exceeds £2,000. See [Disclosure procedure](#) for further details.
- 5.2.2 Staff who collect cash payments are asked to provide the details of any cash transaction of more than £2,000 to the MLRO so that precautionary checks can be performed (see procedure below).

- 5.2.3 The council, in the normal operation of services, accepts payments from individuals and organisations. If an employee has no reason to suspect or know that money laundering activity is taking or has taken place, and if the money offered is less than £2,000 in cash as payment or part payment for goods or services offered by the authority, then there is no need to seek guidance from the MLRO.
- 5.2.4 If a member of staff has reasonable grounds to suspect money laundering activities or proceeds of crime, or is simply suspicious, the matter should still be reported to the MLRO.
- 5.2.5 If the money offered is £2,000 or more in cash, then payment must not be accepted until guidance has been received from the MLRO, even if this means the person has to be asked to wait.
- 5.2.6 Any officer involved in a transaction of this kind should ensure that the person provides satisfactory evidence of their identity personally, through passport or photo driving licence plus one other document providing evidence of current address in the form of a bank statement, credit card statement, mortgage or insurance details or a utility bill. Where the other party is a company, this can be done through company formation documents, Companies House registration or business rates bill.
- 5.2.7 Where identification evidence is obtained, it must be kept for five years starting from the date that the business relationship ends.

5.3 Potential money laundering activity

- 5.3.1 The following are examples of where extra vigilance should be applied or concerns should be discussed with the MLRO:
- any transaction involving an unusually large amount of cash (relative to normal transactions) should cause questions to be asked about the source. This will particularly be the case where cash paid exceeds the amount necessary to settle a transaction and the person(s) concerned request a non-cash return of the excess. This will include double payments
 - the use of trusts or offshore funds for handling the proceeds or settlement of a transaction
 - a third party intermediary becomes involved in a transaction without logical reason or explanation
 - the identity of a party is difficult to establish or is undisclosed
 - a vehicle company is used by a third party and the ultimate ownership is concealed or difficult to establish

- a party is evasive as to the source or destiny of funds
- a transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational
- absence of an obvious legitimate source of the funds
- the cancellation or reversal of an earlier transaction
- requests for release of client account details other than in the normal course of business.

5.3.2 Councillors and staff are reminded that the suspected person must not be tipped off and that this in itself is a serious offence. At no time and under no circumstances should an officer voice any suspicions to the person suspected of money laundering, even if the National Crime Agency (NCA) has given consent to a particular transaction proceeding and, therefore, no reference should be made on a client file to a report having been made to the MLRO.

5.3.3 No further monies should be taken from the client until notification is received from the MLRO or NCA that the transaction can proceed.

5.4 Refunds

5.4.1 Care is also needed with the procedure for refunds. For instance, a significant overpayment which results in a refund being issued to a bank account differing to the bank account that the payment was made from will need to be properly investigated and authorised before payment. All refunds should only be made to the source of the payment and not a different account.

6.0 Disclosure procedure

6.1 Any councillor or member of staff who knows or suspects, or has reasonable grounds for knowing or suspecting, that a person is engaged in money laundering or terrorist financing must report such matters to the MLRO. The disclosure should preferably be within hours of the information coming to the councillor or member of staff's attention or as soon as is practically possible. Should the individual not do so, then he or she may be liable to prosecution.

6.2 Where a member of staff knows or suspects money laundering activity is taking or has taken place, or they become concerned that their involvement in a matter may amount to a prohibited act under the legislation, before taking any money they must contact the MLRO for guidance as soon as possible, regardless of the amount being offered.

6.3 Before contacting the MLRO privately for guidance, wherever possible staff should take the name and address of the person offering the cash payment –

see [Customer due diligence](#). If the money is subsequently taken, a receipt must be issued bearing the name and address of the person paying.

- 6.4 A member of staff's disclosure to the MLRO (or, failing that, the Deputy MLRO) should be made on the appropriate disclosure form. The form must include as much detail as possible, for example:
- full details of the people involved (such as name, date of birth, address, company name, directorships, phone numbers, reference numbers)
 - full details of the type of transaction being dealt with and why this is a suspected offence
 - the dates of such activities, including whether the transactions have happened, are ongoing or are imminent
 - the (likely) amount of money or assets involved
 - enclose copies of any relevant supporting documentation
 - details of who else you may have discussed this with – such as other staff or managers and their response, guidance or action to be taken
 - any other information which you think may be relevant.
- 6.5 Once a member of staff has reported their concern to the MLRO, they must follow any directions the MLRO may give. An individual must **not** make any further enquiries into the matter themselves; any necessary investigation will be undertaken by the National Crime Agency (NCA). All members of staff will be required to cooperate with the MLRO and the relevant authorities during any subsequent money laundering investigation.
- 6.6 Upon receipt of a completed disclosure form, the MLRO must note the date of receipt on the disclosure form and acknowledge receipt of it. The member of staff providing the disclosure should be advised of the expected timescale for a response.
- 6.7 The MLRO will consider the completed form and will undertake such other reasonable enquiries appropriate in order to ensure that all available information is considered in deciding whether to report to the NCA. Relevant available internal information will be considered, for example:
- reviewing other transaction patterns and volumes
 - in the event of refunds, the bank accounts from which payments are received from and which the payment is to be made
 - the length of any business relationship involved

- the number of any one-off transactions and linked one-off transactions
 - any identification evidence held.
- 6.8 Once the MLRO has evaluated the completed disclosure form and any other relevant information, a timely determination will be made as to whether:
- there is actual or suspected money laundering or terrorist financing taking place
 - there are reasonable grounds to know or suspect that is the case
 - whether consent is required from the NCA for a particular transaction to proceed.
- 6.9 Where the MLRO does so conclude, the matter will be disclosed as soon as practicable to the NCA.
- 6.10 Where the MLRO suspects money laundering but has reasonable cause for non-disclosure, the report will be noted accordingly (the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to the NCA). Consent can then be given for any ongoing or imminent transactions to proceed.
- 6.11 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering, consent will be given for any ongoing or imminent transaction(s) to proceed. A member of staff cannot proceed to complete the transaction before they are in receipt of this instruction.
- 6.12 Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.
- 6.13 All disclosure reports referred to the MLRO and 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.
- 6.14 The MLRO commits a criminal offence in the event of knowing or suspecting, or has reasonable grounds to do so, through a disclosure being made, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the NCA.
- 6.15 At no time and under no circumstances should staff or councillors voice any suspicions to the person(s) whom they suspect of money laundering, even if the NCA has given consent to a particular transaction proceeding, otherwise they may commit a criminal offence of 'tipping off'. 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.

7.0 Customer due diligence procedure

7.1 Where certain 'regulated activities' (accountancy, audit and tax services and legal services regarding financial, company or property transactions) are carried out, extra care needs to be taken to check the identity of the customer or client – this is known as carrying out customer due diligence (CDD).

7.2 The requirement for customer due diligence applies immediately for new customers and should be applied on a risk sensitive basis for existing customers. Ongoing customer due diligence must also be carried out during the life of a business relationship but should be proportionate to the risk of money laundering and terrorist funding, based on the officer's knowledge of the customer and a regular scrutiny of the transactions involved. Therefore, due diligence measures must be carried out:

- when you establish a business relationship with a customer (or another party in a property sale)
- when you suspect money laundering or terrorist financing
- when you have doubts about a customer's identification information that you obtained previously
- when it's necessary for existing customers – for example, if their circumstances change
- for occasional transactions – these are transactions that are not carried out within an ongoing business relationship where the value or a single or linked transaction is €15,000 or more.

More information is available at [GOV.UK – Your responsibilities under money laundering supervision](#)

7.3 Customer due diligence means:

- verifying the customer's identity based on a reliable independent source
- identifying where there's a beneficial owner who is not the client and taking reasonable measures to verify their identity and to understand the ownership and control structure of a legal person, trust, company, foundation or similar legal arrangement
- assessing, and, where appropriate, obtaining information on, the purpose and intended nature of the business relationship or transaction.

7.4 When establishing new business relationships, information needs to be obtained on:

- the purpose of the relationship
- the intended nature of the relationship – for example, where funds will come from, the purpose of transactions and so on.

The type of information needed to be obtained may include:

- details of your customer’s business or employment
- the source and origin of funds that your customer will be using in the relationship
- copies of recent and current financial statements
- details of the relationships between signatories and any underlying beneficial owners
- the expected level and type of activity that will take place in your relationship.

7.5 If, at any time, it is suspected that a client or customer for whom the council is currently carrying out, or is planning to carry out, a regulated activity, is carrying out money laundering or terrorist financing, or has lied about their identity, this must be reported to the MLRO.

7.6 In certain circumstances, enhanced customer due diligence must be carried out – for example, where:

- the customer has not been physically present for identification
- the customer is a politically exposed person
- there is a beneficial owner who is not the customer.

7.7 Enhanced customer due diligence could include any additional documentation, data or information that will confirm the customer’s identity and/or the source of the funds to be used in the business relationship or transaction. If it is believed that enhanced customer due diligence is required, the MLRO should be consulted prior to carrying it out.

7.8 More information on customer due diligence is available at [GOV.UK – Your responsibilities under money laundering supervision](#)

8.0 Record keeping procedures

8.1 Each area of the council conducting relevant business must maintain records of:

- client identification evidence obtained
- details of all relevant business transactions carried out for clients

for at least five years. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.

8.2 Customer due diligence records must be retained for five years beginning from:

- the date a business relationship ends
- the date a transaction is completed.

8.3 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.

9.0 Conclusion

9.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This policy has been written so as to enable the council to meet the legal requirements in a way which is proportionate to the low risk to the council of contravening the legislation.

9.2 Councillors and staff will be made aware of this policy and receive training as necessary and appropriate.

9.3 Any concerns whatsoever regarding any transactions should be reported to the MLRO.

10.0 More information

10.1 More information can be obtained from the MLRO and the following sources:

- [Money Laundering Regulations: Compliance - HMRC internal manual - GOV.UK \(www.gov.uk\)](#)
- [National Crime Agency – Money laundering and illicit finance](#)

- [The Law Society – Anti-money laundering](#)
- [Consultative Committee of Accountancy Bodies \(CCAB\) – Anti-Money Laundering and Counter-Terrorist Financing – Guidance for the Accountancy Sector](#)
- [legislation.gov.uk – The Money Laundering and Terrorist Financing \(Amendment\) Regulations 2022](#)
- [legislation.gov.uk – Proceeds of Crime Act 2002](#)