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ANTI-MONEY LAUNDERING: Policy & procedure

1. Introduction

- 1.1 The Council will take measures to prevent the organisation, its Members and officers being exposed to money laundering, to identify areas where money laundering may occur and to comply with legal and regulatory requirements.
- 1.2 The Proceeds of Crime Act 2002, the Terrorism Act 2000 and Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place obligations on the Council and its employees to establish internal procedures to prevent the use of their services for money laundering and the prevention of terrorist financing. The Council must also appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activity.
- 1.3 It is the responsibility of staff and Members to be vigilant and act promptly where money laundering is suspected. Failure to comply with this Policy, and accompanying procedures, may lead to disciplinary action being taken against them. Failure by a Member to comply with the procedures may be referred to the Monitoring Officer.

2. What is Money Laundering?

- 2.1 Money laundering is a process of converting cash or property derived from criminal activities to give it a legitimate appearance. It is a process of channelling 'bad' money into 'good' money in order to hide the fact that the money originated from criminal activity, and often involves three steps:
 - **Placement** - cash is introduced into the financial system by some means. For example, depositing the cash into bank accounts, exchanging currency or simply changing small notes for large notes (or vice versa).
 - **Layering** - a financial transaction to camouflage the illegal source; transfers between accounts including offshore, offering loans, investments and complex financial transactions.

- **Integration** - acquisition of financial wealth from the transaction of the illicit funds. For example, buying residential and commercial property, businesses and luxury goods.

3. What is Terrorism Financing?

- 3.1 Terrorism financing is the act of providing financial support, funded from either legitimate or illegitimate source, to terrorists or terrorist organisations to enable them to carry out terrorist acts or will benefit any terrorist or terrorist organisation.
- 3.2 While most of the funds originate from criminal activities, they may also be derived from legitimate sources, for example, through salaries, revenues generated from legitimate business or the use of non-profit organisations to raise funds through donations.

4. What are the main offences?

4.1 There are three main offences:

- **Concealing:** knowing or suspecting a case of money laundering but concealing or disguising its existence.
- **Arranging:** becoming involved in an arrangement to launder money or assisting in money laundering.
- **Acquisition, use or possession:** benefiting from money laundering by acquiring, using or possessing the property concerned.

4.2 None of these offences are committed if:

- the persons involved did not know or suspect that they were dealing with the proceeds of crime; or,
- a report of the suspicious activity is made promptly to the Money Laundering Reporting Officer (MLRO).

5. What are the obligations on the Council?

5.1 The main requirements of the legislation are:

- To appoint a money laundering reporting officer (Nominated Officer);
- Implement a procedure to receive and manage the concerns of staff about money laundering and their suspicion of it, and to submit reports where necessary, to the National Crime Agency (NCA);
- To make those staff most likely to be exposed to or suspicious of money laundering situations aware of the requirements and obligations placed on the organisation, and on them as individuals; and,

- To give targeted training to those considered to be the most likely to encounter money laundering.
- 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.

6. Nominated Officers

- 6.1 The regulations require the Council to appoint a Nominated Officer, sometimes known as Money Laundering Reporting Officer (“MLRO”).
- 6.2 The MLRO and their appointed Deputy MLRO are responsible for receiving internal suspicious transaction reports (also known as disclosures), deciding whether these should be reported to the National Crime Agency (NCA), and making the report when required.
- 6.3 The Nominated Officers within the Council are:
- **MLRO: Section 151 officer: Emily Hill**, Director of Finance (Emily.Hill@lbhf.gov.uk) 020 8753 2501
 - **Deputy MLRO: Andy Hyatt**, Shared services Head of Fraud (andy.hyatt@lbhf.gov.uk) 07739 313817

7. High value cash transactions

- 7.1 Those receiving or arranging to receive cash on behalf of the Council must ensure they are familiar with the Council’s Anti-Money Laundering Policy.
- 7.2 The first stage of money laundering, placement, is where vigilance can often detect and prevent it happening, because large amounts of cash are pretty conspicuous.
- 7.3 In line with the National Crime Agency recommended thresholds for reporting, no single payment to the Council should be accepted in cash if it exceeds **£5,000**.

8. What should I do if I suspect money laundering?

- 8.1 Staff who know or suspect that they may have encountered criminal activity and that they may be at risk of contravening the money laundering legislation, they

must report this as soon as practicable to the Money Laundering Responsible Officer (MLRO) or Deputy MLRO to advise of their concerns.

8.2 The disclosure should be at the earliest opportunity of the information coming to your attention, not weeks or months later.

- Refer to the Council's Anti-Money Laundering Procedures.
- Do not tell the customer about your suspicions.
- Report your suspicions immediately to the Council's MLRO or Deputy MLRO (details above).
- Keep all records relating to the transaction(s). If you are unsure about what records or information to keep, please ask the MLRO.

8.2 More information about making a report to the MLRO is detailed at **appendix 1** and a flow chart illustrating the procedure for reporting money laundering is at **appendix 2**.

9. Tipping off

9.1 It is a criminal offence for a person in the regulated sector to "tip off" (i.e. inform) a person suspected of money laundering that a referral has been made to the National Crime Agency, or that there is a money laundering investigation taking place, where the tipping off is likely to prejudice the investigation.

9.2 A similar offence applies to those who are not in the regulated sector, including Council staff, where a person makes an unlawful disclosure "tipping off" which is likely to prejudice a money laundering investigation.

9.3 This offence carries a maximum penalty of five years' imprisonment and/or an unlimited fine.

10. Suspicious Activity Report (SAR)

9.1 Once a suspicious transaction or activity is referred to the Nominated Officer it is their responsibility to decide whether they need to send a report or 'disclosure' about the incident to the NCA. They do this by making a Suspicious Activity Report (SAR).

9.2 The nominated officer must normally suspend the transaction if they suspect money laundering or terrorist financing. If it's not practical - or not safe - to suspend the transaction, they should make the report as soon as possible after the transaction is completed.

9.3 The NCA receives and analyses SARs and uses them to identify the proceeds of crime. It counters money laundering and terrorism by passing on important information to law enforcement agencies so they can take action.

APPENDIX 1: Making a report to the MLRO

If you suspect that money laundering activity is taking place (or has taken place), or think that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as possible to the MLRO or the Deputy MLRO. Considerations of confidentiality do not apply if money laundering is at issue.

In the first instance, the report may be made informally to allow the MLRO to assess the information and decide whether a Suspicious Activity Report (SAR) should be made to the National Crime Agency (NCA).

You should provide as much detail as possible, for example:

- Details of the people involved – name, date of birth, address, company names, directorships, phone numbers etc;
- Full details of the nature of the involvement;
- A description of the activities that took place;
- Likely amounts of money or assets involved;
- Why you are suspicious.

This will assist the MLRO to make a judgement as to whether there are reasonable grounds for assuming knowledge or suspicion of money laundering. The MLRO may initiate an investigation to enable him to decide whether a report should be made to the NCA.

In cases where legal professional privilege may apply, the MLRO must decide (taking legal advice if required) whether there is a reasonable excuse for not reporting the matter.

Once the matter has been reported to the MLRO, you must follow any directions they may give you. ***You must not make any further enquiries into the matter yourself.*** Any investigations will be undertaken by the NCA.

If the NCA has any queries on the report, responses to those queries should be routed via the MLRO to ensure that any reply is covered by appropriate protection against claims for breaches of confidentiality.

You should not make any reference on a client file to a report having been made to the MLRO – the client might exercise their right to see the file, and such a note would tip them off to a report having been made and might make you liable to prosecution.

APPENDIX 2: The procedure for reporting (flow chart)

