

	<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p style="text-align: center;">13 December 2012</p>
<p style="text-align: center;">REVISED ANTI-MONEY LAUNDERING POLICY AND PROCEDURES</p>	
<p>Report of the Chief Internal Auditor</p>	
<p>Open Report</p>	
<p>Classification: For information</p> <p>Key Decision: NO</p>	
<p>Wards Affected: None</p>	
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1. EXECUTIVE SUMMARY

- 1.1. This report provides updated policy and procedures for H&F in respect of Anti-Money Laundering.
- 1.2. The current set of policies and procedures were now out of date and need to be updated to meet current legislative requirements. The documents provided are based on the CIPFA model set to help ensure that they are appropriate and up to date, personalised where necessary to meet the needs of H&F.

2. RECOMMENDATIONS

- 2.1. That the report be noted.

3. REASONS FOR DECISION

- 3.1. As previously stated, a decision is needed because current policy and procedures are no longer fully up to date and need to be replaced.

4. INTRODUCTION AND BACKGROUND

- 4.1. The council already had a policy and procedures that were published on the council's intranet site. These had been in place for some years and a recent review has identified that they were no longer fully up to date, so it is necessary to replace them with a version that is as soon as possible.
- 4.2. The updated set of documents is provided at Appendix 1 and is based on the model version provided by CIPFA so are reliable, they have been personalised to meet the needs of H&F which is principally at paragraph 4 to identify the Money Laundering reporting Officer (MLRO) and their deputy.

5. PROPOSAL AND ISSUES

- 5.1. Failure to have a set of policies and procedures that are not legally fully compliant would have left the council exposed to avoidable risk.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. Not appropriate.

7. CONSULTATION

- 7.1. Not appropriate.

8. EQUALITY IMPLICATIONS

- 8.1. Not applicable

9. LEGAL IMPLICATIONS

- 9.1. Not applicable to this report

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1. None.

11. RISK MANAGEMENT

- 11.1. Not applicable.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 12.1. Not applicable

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Previous Anti Money laundering policy. Published on intranet	K Quinn 2551	CAFS

Appendix 1

***LONDON BOROUGH OF
Hammersmith and Fulham***

ANTI-MONEY LAUNDERING POLICY

2012

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LONDON BOROUGH OF Hammersmith and Fulham
ANTI-MONEY LAUNDERING POLICY

1. INTRODUCTION

- 1.1 The Money Laundering Regulations 2007 have updated the position for the Council in terms of the legal responsibilities concerning money laundering. These regulations, together with the Proceeds of Crime Act 2002 (POCA) and the Terrorism Act 2000 (TA) as amended by the Anti-Terrorism and Security Act 2001 and the Terrorism Act 2006), outline the preventative measures intended to eliminate the funding of terrorism and crime.
- 1.2 Although Local Authorities are not legally obliged to apply the Money Laundering Regulations 2007, the Council is bound by the provisions of both the Proceeds of Crime Act and the Terrorism Act. It is good practice to comply with the main measures of the Regulations as part of the governance process. As such, the London Borough of Hammersmith and Fulham has established this policy to ensure compliance.

2. AIMS AND SCOPE OF THIS POLICY

- 2.1 This policy applies to all employees and 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 that must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council, its members and employees to comply with its intention to voluntarily comply with the legal requirements of the Regulations.
- 2.2 Further information is set out in the accompanying Procedures Guidance document. Both the policy and the procedural guidance document sit alongside the Council's Anti-Fraud and Corruption Policy.
- 2.3 Failure by a member of 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 Procedure. Failure by a Member to comply with the procedures set out in this policy may be referred to the Standards Committee.

3. What is Money Laundering

- 3.1 Money laundering is any attempt to use the proceeds of crime for legitimate purposes. Anyone who becomes involved with an activity which they know, or have reasonable grounds to suspect, is related to the proceeds of crime may be guilty of money laundering.
- 3.2 Money laundering is an attempt to use the proceeds of crime for legitimate purposes. Anyone who becomes involved with an activity which they know, or have reasonable ground to suspect, is related to the proceeds of crime may be guilty of money laundering.
- 3.3 The term money laundering is often used to refer to the complex and large scale procedures used by organised crime and terrorist groups to conceal the illegal nature of their assets by the careful and staged introduction of the proceeds of crime into legitimate financial and commercial streams. The legislation, however, is very broad and applies to the proceeds of any crime no matter how large or small.
- 3.4 The risk of the Council contravening the legislation is, however relatively low and some aspects of the legal and regulatory requirements do not apply to public authorities.
- 3.5 The Terrorism Act 2000 (TA) and the Proceeds of Crime Act 2002 (POCA) place obligations on all of us. The statutory provisions relating to money laundering, in so far as they affect the Council, are summarised in Appendix A to this policy, together with references to further information.

4. The Policy

- 4.1 This policy is complemented by the Council's Anti Money Laundering Procedures, which set out the details of how the policy is to be applied. The aims of the Policy and Procedures, taken together, are to:
 - assist the staff and Members of the London Borough of Hammersmith and Fulham to understand money laundering and their personal legal obligations and responsibilities arising from the requirements of the legal and regulatory provisions
 - prevent Council services being used for money laundering purposes, and
 - set out the procedures which must be followed to enable the Council and its staff to comply with their legal obligations.

4.2 The London Borough of Hammersmith and Fulham will do all it can to:

- prevent the Council and its staff being exposed to money laundering;
- identify the potential areas where it may occur; and
- comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases of money laundering.

4.3 All employees are required to:

- report promptly all suspicions of money laundering activity to the Money Laundering Reporting Officer (MLRO) or a Deputy MLRO. This may initially be by a direct discussion or by using the form provided in the Anti- Money Laundering Procedures.
- follow any subsequent directions of the MLRO or Deputy.

4.4 The nominated officers for reporting issues are:

- MLRO: Executive Director of Finance
- Deputy MLROs: Head of Corporate Anti Fraud Service
- Full contact details are provided in the Anti- Money Laundering Procedures.

4.5 The MLRO or Deputy must promptly:

- evaluate all concerns raised by staff to determine whether it is appropriate to make a report to the Serious and Organised Crime Agency (SOCA)
- if appropriate, ensure that an internal report is completed, using the form provided in the Anti- Money Laundering Procedures.
- if appropriate, submit a Suspicious Activity Report to SOCA.

4.6 Those receiving, or arranging to receive, cash on behalf of the Council must ensure they are familiar with the Council's Anti-Money Laundering Procedures.

4.7 No payment to the Council will be accepted in cash if it exceeds £13,000.

4.8 Although there is no legal requirement for the Council to have formal procedures for evidencing the identity of those they do business with, staff should be alert to potentially suspicious

circumstances. Where there may be doubt and in particular, when forming a new business relationship or considering a significant one-off transaction, the identification procedures in the Council's Anti- Money Laundering Procedures should be followed.

4.9. The Council will:

- make all staff aware of the obligations placed on the Council, and on themselves as individuals, by the anti-money laundering legislation
- give targeted training to those most likely to encounter money laundering activity.

5. Summary

- 5.1. Members and staff of the London Borough of Hammersmith and Fulham need to be vigilant for signs of money laundering. The Council has a mechanism for report suspicious activity, will provide appropriate training and has procedures for identification checks

Appendix 1

Money Laundering: Legal and Regulatory Framework

1. The Terrorism Act 2000

This Act applies in full, as it does to all individuals and businesses in the UK. If, in the course of business or employment, you become aware of information, which provides knowledge or gives reasonable grounds for belief or suspicion that proceeds have come from or are likely to be used for terrorism, it must be reported. This will prevent commission of the money laundering offence relating to being implicated in illegal activity.

2. The Proceeds of Crime Act 2002

This Act defines six principal money-laundering offences, only the first four of which are likely to apply to the Council:

- concealing, disguising, converting, transferring, or removing from the UK, any criminal property (S327)
- becoming concerned in an arrangement, which you know or suspect, facilitates the acquisition, retention, use, or control of criminal property (S328)
- acquiring, using, or possessing criminal property (S329)
- doing something that might prejudice an investigation (for example, falsifying a document) (S342)
- failing to disclose known or suspected money laundering offences (S330-332)
- tipping off”, by giving information to someone suspected of money laundering in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation (S333A).
- The offences of failing to disclose and tipping off will not apply so long as the Council does not undertake activities which might be interpreted, under POCA, as falling within the regulated sector. The regulated sector refers to activities which should be regulated under the Financial Services and Markets Act 2000.

3. The Money Laundering Regulations 2007

The Regulations are not legally binding on public authorities because they are neither ‘relevant persons’ (as defined in the MLR) nor part of the ‘regulated sector’ (as defined in POCA 2002). There is, however, a distinct reputational risk for any authority that does not have adequate policies and procedures in place. Following CIPFA’s guidance, a “prudent and responsible” council will adopt “appropriate and proportionate” policies and procedures designed to “detect and avoid involvement in the crimes described in the legislation and regulations”.

Appendix 2

Anti-Money Laundering Procedures

1. What are the obligations on the Council?

1.1 The Chartered institute of Public Finance and Accountancy (CIPFA) guidance advises that Councils should:

- maintain robust record keeping procedures.
- make those members and employees who are likely to be exposed to or suspicious of money laundering activities to be aware of the requirements and obligations placed on London Borough of Croydon, and on themselves as individuals, by the Proceeds of Crime Act and related legislation.
- provide targeted training to those considered most likely to encounter money laundering activities e.g. how to recognise and deal with potential money laundering offences.
- implement formal systems for members and employees to report money laundering suspicions to the MLRO.
- establish internal procedures appropriate to forestall and prevent money laundering and make relevant individuals aware of the procedures.
- report any suspicions of money laundering to Serious Organised Crime Agency (SOCA) (this is a personal legal obligation for the MLRO).
- put in place procedures to monitor developments in the 'grey' areas of the legislation and to keep abreast of further advice and guidance as it is issued by relevant bodies.

1.2 The safest way to ensure compliance with the requirements of these legislations is to apply them to **all areas** of work undertaken by the Council; therefore, **all Members and employees** are required to comply with the policy and these procedural guidance notes.

2. The Money Laundering Reporting Officer (MLRO)

2.1 The officer nominated to receive disclosures about money laundering activity within the Council is the Head of Governance, who can be contacted as follows:

Executive Director of Finance and Corporate Services
London Borough of Hammersmith and Fulham
Hammersmith Town Hall,
King Street
Hammersmith

W6 9JU

Telephone: 0208 753 1900

- 2.2 Disclosures by staff to the MLRO should, where appropriate, be made through their Executive Director, Director, or Head of Service.
- 2.3 In the absence of the MLRO, the Head of the Corporate Anti Fraud Service is authorised to deputise for her.
- 2.4 The MLRO will determine whether the information or other matters contained in the report he has received give rise to a *knowledge* or *suspicion* that a person is engaged in money laundering.
- 2.5 In making this judgement, he will consider all other relevant evidence (information) available to the Council concerning the person or business to who the initial report relates. This may include reviewing other transaction patterns and volumes, the length of the business relationship, and referral to identification records held.
- 2.6 If after completing this review, he is *satisfied* with the suspicions that the *suspect* is engaged in money laundering, then the MLRO must ensure that the information is disclosed to the SOCA.

3. Disclosure Requirements - Reporting to the Money Laundering Reporting Officer

- 3.1 Where you know or suspect that money laundering activity is taking / has taken place or is about to take place or become concerned 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.
- 3.2 The disclosure should ideally be made within “hours” of the information coming to your attention wherever practicable, not weeks or months later.
- 3.3 Your disclosure should be made to the MLRO using the *proforma* attached at Appendix A of these guidance notes. The report should enclose copies of any relevant supporting (evidence) documentation and must contain as much detail as possible which should include the following:
 - full details when known of the people involved (including yourself, if relevant), i.e. name, address, company names, directorships, phone numbers, etc.
 - full details of the nature of their/your involvement:

If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327 – 329 or s342 of the 2002 Act, (explained in the Anti-Money Laundering Policy) then your report must include all relevant details, as you will need consent from the SOCA, via the MLRO, to take any further part in the transaction - this is the case even if the party giving rise to concern gives instructions for the matter to proceed before such consent is given.

- You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline.
- the types of money laundering activities involved
- the dates of such activities and a note stating whether the activity has happened, on-going or imminent.
- the location where the activity took place i.e. department, section, depot etc.
- how the activities were undertaken.
- the (likely) amount of money/assets involved (if known).
- why, exactly, you are suspicious of the activity– the SOCA will require full reasons.
- along with any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering.
- to enable him to prepare his report to the SOCA, where appropriate. You should also enclose copies of any relevant supporting documentation.

4. Recognition of Suspicious Transactions

- 4.1 As the types of transactions which may be used by money launderers are almost unlimited, it is difficult to define a suspicious transaction.
- 4.2 Sufficient guidance will be given to staff to enable them to recognise suspicious transactions. The Council will also consider monitoring the types of transactions and circumstances that have given rise to suspicious transaction reports, with a view to updating internal instructions and guidelines from time to time.
- 4.3 The Council has set a general transaction limit of £13,000 (in line with the 2007 Regulations) over which any transaction or group of transactions from the same source should automatically be classified or deemed as suspicious. This does **not** however mean to say that any transactions under these limits on which you have suspicions should not be reported. All suspicious transactions irrespective of their values should be reported.

5. Reporting of Suspicious Transactions

- 5.1 The Council has a clear obligation to ensure that Members and employees know to which person(s) they should report suspicions and that there is a clear reporting chain under which those suspicions will be passed without delay to the MLRO.

Once a member or an employee has reported his/her suspicions to the MLRO, he/she has fully satisfied their own statutory obligation.

6 Record Keeping Procedures

6.1 Each section of the Council conducting relevant business must maintain appropriate records of:

- Client identification evidence obtained; and
- 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 into money laundering.

6.2 The precise nature of the records to be held is not prescribed by law however they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the party giving rise to concern and the relevant transaction and recording in what form any funds were received or paid.

6.3 In practice, the business units of the Council will be routinely making records of work carried out for various parties, customers and clients in the course of normal business and these should suffice in this regard.

7. Conclusion

7.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. The policy and these procedural guidance notes have been written so as to enable the Council to meet the legal requirements in a way that is proportionate to the Council's risk of contravening the legislation.

7.2 Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO or his deputies.

Appendix 3

CONFIDENTIAL

Report to Money Laundering Reporting Officer
Re: money laundering activity

TO: MONEY LAUNDERING REPORTING OFFICER

From:
[insert name of employee]

Department/Division: Ext/Tel
No:.....
[insert post title and Service Unit]

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:

[if a company/public body please include details of nature of business]

Nature, whereabouts, value and timing of activity/property involved:

[Please include full details eg what, when, where, how. Please include whereabouts of the laundered property, so far as you are aware. Continue on a separate sheet if necessary]

Nature of suspicions regarding such activity:

[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)?

[Please tick the relevant box]

Yes

No

If yes, please include details below:

Have you discussed your suspicions with anyone else?

[Please tick the relevant box]

Yes

No

If yes, please specify below, explaining why such discussion was necessary:

Have you consulted any supervisory body guidance re: money laundering? (e.g. the Law Society)

[Please tick the relevant box]

Yes

No

If yes, please specify below:

Do you feel you have a reasonable excuse for not disclosing the matter to SOCA? (e.g. are you a lawyer and wish to claim legal professional privilege?)

[Please tick the relevant box]

Yes

No

If yes, please set out full details below:

Are you involved in a transaction which might be a prohibited act under sections 327- 329 of the 2002 Act or Section 18 of the 2000 Act and which requires appropriate consent from SOCA?

Yes

No

[Please tick the relevant box]

If yes, please enclose details in the box below:

Please set out below any other information you feel is relevant:

Signed:.....

Dated:.....

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years imprisonment.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MONEY LAUNDERING REPORTING OFFICER

Date report received:

Date receipt of report acknowledged:

CONSIDERATION OF DISCLOSURE:

ACTION PLAN:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

**Are there reasonable grounds for suspecting money laundering activity?
Do you know the identity of the alleged money launderer or the whereabouts of the property concerned?**

If there are reasonable grounds for suspicion, will a report be made to SOCA? *[Please tick the relevant box]* Yes No

**If yes, please confirm date of report to SOCA:
and complete the box below:**

Details of liaison with SOCA regarding the report:

Notice Period: to

Moratorium Period: to

Is consent required from SOCA to any ongoing or imminent transactions which would otherwise be prohibited acts?

Yes

No

If yes, please confirm full details in the box below:

Date consent received from SOCA:

.....

Date consent given by you to employee:

.....

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to SOCA, please set out below the reason(s) for non-disclosure:

[Please set out any reasonable excuse for non-disclosure]

Date consent given by you to employee for any prohibited act transactions to proceed:

.....

Other relevant information:

Signed:.....

Dated:.....

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS