

Anti-Money Laundering Policy, Procedure and Reporting Arrangements



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ANTI-MONEY LAUNDERING POLICY

1.0 INTRODUCTION

- 1.1 Leeds City Council is committed to the highest standards of openness, probity and accountability. In line with this commitment, the Council has put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

2.0 SCOPE OF THE POLICY

- 2.1 This policy applies to Leeds City Council and as a consequence it applies to all its Members and officers of the Council. It contains specific sections to advise officers and Members of the process to be followed to enable the Council to comply with its legal obligations.
- 2.2 Our policy is to ensure all appropriate action is taken to prevent, wherever possible, the Council and its Members and officers, including agency workers, from being exposed to money laundering and to comply with all legal and regulatory obligations. This includes the reporting of suspected or actual cases in line with disclosure requirements.

3.0 WHAT IS MONEY LAUNDERING?

- 3.1 Money laundering is the process by which criminals disguise the origins of property derived from illegal activity, by making the property seem to have come from a legitimate source. Typically it is done by repeated movements and conversions of the criminal property through a variety of transactions to make it more difficult to trace back to its criminal origins.
- 3.2 The principal money laundering offences are found in the Proceeds of Crime Act (POCA) 2002 and apply to all persons. The principal offences are:
- Concealing, disguising, converting, exporting or transferring property which you know or suspect represents the proceeds of crime;
 - Entering into an arrangement or transaction which you know or suspect facilitates the use or control of criminal property on behalf of another person;
 - Acquiring, using or possessing criminal property;
 - Prejudicing an investigation into money laundering, either by making a disclosure to any person which is likely to prejudice the investigation ("tipping off"), or by falsifying, concealing or destroying documents likely to be relevant to the investigation.
- 3.3 Money Laundering covers a range of activities, which are not always easy to identify. As such it is not practical to give a definitive list of all the potential ways to spot money laundering. However, the following are generally accepted as some of the key elements which **could** indicate the existence of money laundering and which could have relevance to activities of the Council:-

- The existence of a secretive customer who, for example, fails or refuses to provide information which has been requested without an appropriate explanation
 - Movement of funds to / from overseas, particularly if involving a country which is known to be high risk
 - Payment of a substantial sum in cash
 - Overpayments by a customer
 - A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or illogical
 - Involvement of 3rd parties which are illogical or unsubstantiated
- 3.4 The above does not purport to be a definitive list and all officers and Members should be able to identify suspicious money laundering activity in their own work area. As always common sense applies if there are doubts about the integrity and honesty of individuals who are dealing with the Authority.
- 3.5 Anyone who becomes involved in money laundering activities, either knowingly or unwittingly can be guilty of these principal offences referred to at 3.2. Potentially any officer or Member could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and /or do nothing about it.
- 3.6 All officers and Members must be familiar with their responsibilities in respect of reporting any suspicions around money laundering activity, as failures to report can result in criminal convictions and custodial sentences. This Policy sets out how any concerns should be raised.
- #### 4.0 REQUIREMENTS OF THE MONEY LAUNDERING LEGISLATION
- 4.1 The Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 impose specific obligations on those organisations carrying out what is defined as 'relevant business.'
- 4.2 This term does not apply to most areas of work carried out by the Council. However there may be discrete areas of work, particularly when carrying out work on behalf of external organisations, when these regulations may apply. As such, it is considered safest to comply with the spirit of the regulations in all work carried out by the Council to avoid inadvertent infringement.
- 4.3 This includes:
- Appointing a Money Laundering Reporting Officer
 - Implementing a procedure for reporting suspicions about money laundering



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- Applying customer due diligence measures to establish the true identity of customers in certain circumstances. Enhanced due diligence will be applied in circumstances which pose greater potential risk for money laundering to the Council
 - Providing training to relevant staff
 - Maintaining record keeping procedures
- 4.4 Exposure to the risk of money laundering should be considered on an ongoing basis. Heads of Service should notify the Internal Audit section when business operations change which may impact upon the Council's exposure to money laundering risks. This information will then feed into the money laundering risk assessments undertaken by Internal Audit.
- 4.5 The following sections of this Policy provide further detail about the Council's arrangements in respect of these requirements.

5.0 THE MONEY LAUNDERING REPORTING OFFICER

- 5.1 If an individual becomes aware of suspicious activity or that their involvement in a matter may amount to a money laundering offence then they must report it to the Money Laundering Reporting Officer (MLRO) and not take any further action until they have received consent from the MRLO.
- 5.2 The MRLO nominated to receive disclosures about money laundering activity within the Council is the Head of Audit, who can be contacted at:

Head of Audit
Internal Audit
Civic Hall, Third Floor West
Leeds
LS1 1JF
Telephone: 0113 37 88693

- 5.3 In the absence of the MLRO, the Principal Audit Managers are authorised to deputise and can be contacted at the above address or on 0113 37 88579.

6.0 DISCLOSURE PROCEDURE

- 6.1 All persons within the regulated sector and nominated officers have obligations under the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, to make disclosures of suspicions of money laundering, terrorist financing and terrorist property offences.



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Reporting to the Money Laundering Reporting Officer

- 6.2 Where you know or suspect that money laundering activity is taking place or has taken place, or you have become concerned that your involvement in a matter may amount to a prohibited act, you **must** disclose this **as soon as practicable** to the MLRO.
- 6.3 When disclosure is to be made to the MLRO the proforma report attached at Appendix 1 should be used. The report must include as much detail as possible, for example:
 - Full details of the people involved (including yourself, if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc
 - Full details of the nature of their/your involvement
 - The types of money laundering activity involved
 - The dates of such activities, including whether the transactions have happened, are ongoing or are imminent
 - Where they took place
 - How they were undertaken
 - The (likely) amount of money/assets involved
 - Why, exactly, you are suspicious
- 6.4 The report should include 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. This will help to enable the MLRO to prepare a report to the National Crime Agency (NCA), where appropriate. You should also enclose copies of any relevant supporting documentation.
- 6.5 Once you have reported the matter to the MLRO you must follow any directions that the MLRO may give you. You must NOT make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the NCA if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 6.6 Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, or any other third party, even after consent may have been given to a transaction proceeding. Alerting the individual to the fact that a referral has been made may result in you committing the criminal offence of “tipping off.”
- 6.7 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.



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Consideration of the disclosure by the Money Laundering Reporting Officer

- 6.8 Upon receipt of a disclosure report, the MLRO must note the date of receipt on their section of the report and acknowledge receipt of it. The MLRO should also advise you of the timescale within which they expect to respond to you. This should be within three days.
- 6.9 The MLRO will consider the report and any other available internal information that they think is relevant, for example:
 - reviewing other transaction patterns and volumes
 - the length of any business relationship involved
 - the number of transactions and linked one-off transactions
 - any identification evidence held
- 6.10 The MLRO will undertake any other reasonable enquiries that they think are appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required. These enquiries will be made in such a way as to avoid any appearance of tipping off those involved. The MLRO may also need to discuss the report with you.
- 6.11 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:
 - there is actual or suspected money laundering taking place; or
 - there are reasonable grounds to know or suspect that is the case; and
 - whether they need to seek consent from the NCA for a particular transaction to proceed.
- 6.12 Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless they have a reasonable rationale for non-disclosure to the NCA.
- 6.13 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.
- 6.14 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall mark the report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.



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- 6.15 All disclosure reports referred to the MLRO and reports made by them to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 6.16 The MLRO commits a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCA.

7.0 CUSTOMER DUE DILIGENCE

- 7.1 Where the Council is carrying out activities which may be covered by Part 3 of the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, extra care needs to be taken to check the identity of the customer. The following activities may fall within the scope of the regulations when carried out in the course of business:
- Provision of credit services to external clients/customers, Provision of financial services to external clients/customers
 - Provision of audit, insolvency, accountancy or tax advice services to external clients/customers, Provision of legal services to external clients/customers
 - Provision of trust or company services to external clients/customers, Provision of estate agency services to external clients/customers, Trading in goods by way of business where cash payments of at least €10,000 are made or received in one transaction.
- Business in connection with the holding of a casino operating license.
- 7.2 Where any of the potentially regulated activities described in paragraph 7.1 are being carried out, the Client Identification Procedure must be followed before the Council:
- Forms an ongoing business relationship with a client;
 - Undertakes an occasional transaction that amounts to a transfer of funds exceeding €1,000 ;
 - Undertakes an occasional transaction that amounts to €15000 or more by any payment method;
 - Suspects money laundering or terrorist financing; or
 - Doubts the veracity or adequacy of documents or information previously obtained for the purposes of identification or verification.
- 7.3 In the above circumstances, staff in the relevant unit of the Council must obtain satisfactory evidence of the identity of the prospective client, and must assess the purpose and intended nature of the business relationship or transaction, as soon as practicable after instructions are received (unless evidence of the client has already been obtained). This applies to existing clients, as well as new ones.



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7.4 Enhanced customer due diligence will be required where the Council is conducting potentially regulated activities as described in paragraph 7.1 and:

- The case is identified as being at high risk of money laundering or terrorist financing;
- Business is to be conducted with a person established in a foreign country identified as being at high risk of money laundering;
- False documentation has been supplied;
- The transaction is complex or unusually large, or there is an unusual pattern of transactions; or
- The customer is a Politically Exposed Person (PEP) or a family member or close associate of a PEP. A PEP is defined as a person entrusted with prominent public functions.

Enhanced customer due diligence must include examining the background and purpose of the transaction, and increasing the degree and nature of monitoring of the business relationship, and increasing the degree of vigilance for suspicious circumstances.

Internal Clients

7.5 Client identification procedures are not required for internal clients.

External Clients

7.6 For external clients of the Council, appropriate evidence of identity, particularly from new clients or in relation to further instructions from clients not well known to you will be obtained. Such correspondence should then be placed on the council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.

7.7 In all cases, the evidence should be retained for at least five years from the end of the business relationship or one-off transaction(s).

7.8 ***If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.***

8.0 ONGOING MONITORING AND RECORD KEEPING PROCEDURES

8.1 Once you have verified the identity of the person (or company), activity should be monitored throughout the relationship with the Council and updated documents should be obtained when necessary. Records must be kept of identification and business transactions for a least five years after the transaction or end of the business relationship. All records must be kept in accordance with data protection legislation.



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8.2 The records held 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 TRAINING

9.1 Staff are the most effective defence against money launderers and terrorist financiers and regulations require that relevant officers:

- Are made aware of the law relating to money laundering, terrorist financing and the requirements of data protection which are relevant to the implementation of the Regulations
- Are provided with training in how to recognise and deal with transactions and other activities which may be related to money laundering or terrorist financing

9.2 Training can be requested through the Internal Audit Section.

9.3 All officers and Members have a duty to report suspicious transactions, regardless of whether training has been received or not.

10.0 OWNERSHIP, REVIEW AND MONITORING

10.1 This policy is owned by the Money Laundering Reporting Officer, who will ensure the accuracy and appropriateness of content and efficient operation by means of a periodic review.

11.0 HELP AND ADVICE

11.1 This Policy has been written so as to enable the Council to meet the legal requirements concerning anti-money laundering procedures in a way that is proportionate to the level of risk of contravening the legislation.

11.2 Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO, the Principal Audit Managers in the Internal Audit section or the Money Laundering Awareness Officer in Legal Services.

CONFIDENTIAL

REPORT TO MONEY LAUNDERING REPORTING OFFICER

RE: SUSPECTED MONEY LAUNDERING ACTIVITY

To: Head of Audit, Money Laundering Reporting Officer

From: [Name of employee]

Department: [Post title and Service Area]

Ext / Tel No:

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, value and timing of activity involved:

[Please include full details e.g. what, where, how. Continue on a separate sheet if necessary]

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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 relevant box]*

Yes

No

If yes, please include details below:

Have you discussed your suspicions with anyone else? Yes No
[Please tick relevant box]

If yes, please provide details of who the discussions took place with and explain why such discussion was necessary:

Have you consulted any supervisory body guidance re: money laundering (e.g. the Law Society) [Please tick relevant box] Yes No
[Please tick relevant box]

If yes, please specify below:

--

Do you feel you have a reasonable justification for not disclosing the matter to the NCA? (e.g. are you a lawyer and wish to claim legal privilege?) [Please tick relevant box]

Yes

No

If yes, please set out full details below:

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Are you involved in a transaction which might be a prohibited act under sections 327-329 of the act and which requires appropriate consent from the NCA

[Please tick relevant box]

Yes

No

If yes, please include details below:

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

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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.

Signed:

Dated: