



Money Laundering Policy

SECTION ONE: ABOUT MONEY LAUNDERING

Definition of "Money laundering"

Money laundering is a term used to describe the techniques, procedures or processes used to convert illegal funds obtained from criminal activities into other assets in such a way as to conceal the fund's true origin so it appears the money has come from a legitimate, legal or lawful source.

In Europe, money laundering is a criminal offence that currently carries a potential prison sentence in the UK of fourteen years. Assisting and, in certain circumstances, failing to report suspicions of money laundering are criminal offences, punishable by imprisonment.

Money laundering funds are deemed to be the proceeds, directly or indirectly, of some activity that is a crime in the UK.

Money laundering and the law

The current legislative framework for money laundering consists of:

- The Proceeds of Crime Act 2002 (Part 7)
- The Terrorism Act 2000 (sections 18-23)
- The Money Laundering Regulations 2003
- FSA Money Laundering Sourcebook

Companies must establish systems and controls to counter the risk that they might be used in connection with a financial crime. Systems and controls should support identification of suspected financial criminal activity and also identify a reporting structure up to and including senior management. A report should be made to the National Criminal Intelligence Services (NCIS) to decide what to do with the information.

Penalties

A person guilty of the offence of 'failure to disclose' is liable, on summary conviction, to: imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum, or to both; or, on conviction: an indictment to imprisonment for a term not exceeding five years, a fine or both.

Failure to disclose may also give grounds to be charged with the offence of money laundering itself which carries a maximum penalty of fourteen years imprisonment in the UK.

"Tipping-off"

It is an offence for any person, if they know or suspect a disclosure has been made, to take any action likely to prejudice an investigation by informing or 'tipping-off' those who are the subject of a disclosure, or anyone else involved, including when a disclosure has been made or that law enforcement authorities are carrying out, or intending to carry out, a money laundering investigation.

Penalties

A person guilty of 'tipping-off' is liable, on summary conviction, to imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum or to both, or, on conviction on indictment to imprisonment for a term not exceeding five years or a fine or to both.

Some typical signs of money laundering

The extent to which companies may be a possible target for money laundering will depend on the type of organisation, the activities it engages in and the size of its transactions. Money launderers will often have large amounts of cash they will attempt to deposit into the financial system. You should pay particular attention to large or unusual methods of payments of premiums. Whilst many crimes such as drug dealing, generate money in cash - others including fraud and embezzlement, do not.

Recognising suspicious transactions

Members should be able to recognise and report suspicious transactions. This means any matter that comes to their attention, in the course of business, which in their opinion gives rise to knowledge of, or suspicion of money laundering or when reasonable grounds exist for knowing or suspecting another individual is engaged in money laundering.



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What is "suspicion"?

Suspicion has been defined by the Courts as being beyond mere speculation and based on some foundation.

What is "knowledge" ?

- Actual knowledge
- Knowledge of circumstances that would indicate facts to an honest and reasonable person

The law requires companies to be alert to recognising transactions that might be part of a money laundering operation and for funds, or assets, that might be the proceeds of crime or providing support for terrorist activities. A person who considers a transaction to be suspicious would not be expected to know the exact nature of the criminal offence or that particular funds were definitely those arising from the crime.

SECTION TWO: OBLIGATIONS AND PROCEDURES

CATCH

CATCH is a shorthand way of helping us to remember the five main elements of the 2003 regulations. As a high value dealer, CATCH must be operated when accepting High Value Payments.

- Control of the business by having anti money laundering systems in place
- Appoint a Nominated Officer.
- Train all staff
- Confirm the identity of the client / charge payer
- Hold all records for at least 5 years

The money laundering regulations only apply to high value cash payments and no action is required when dealing with cheque or credit/debit card payments.

MLRO

The Organisation will ensure the appointment of a Money Laundering Report Officer who is responsible for making necessary decisions and reports to the National Criminal Intelligence Service (NCIS).

The MLRO will have the capability, resources and support to carry out the required duties.

Know your customer

The best protection against abuse by money launderers is to know who the client / charge payer are and the source of their funds.

As a high value dealer, the organisation must satisfy itself the client / charge payer is who they say they are whenever they make a total cash payment above £9,000.00 or more in a single cash transaction.

The first requirement of 'knowing your client' is to be satisfied that they are who they claim to be, by checking evidence of their name and address and also those of other parties in the chain (where the person submitting payment is acting on behalf of someone else).

In each instance the employee will check evidence of ID and either retain a photocopy of such or record information from the ID such as passport/driving licence numbers.

Where the client / charge payer is not 'face to face' the employee will perform additional checks to ensure that the customer/debtor exists at the address provided and for a legitimate purpose.

The employee will ask the customer/debtor to send a photocopy of their identity documents by post which should be certified by a person of high community standing e.g. Lawyer, Accountant, Post Master, Doctor or Minister. Fax copies will not be accepted.



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Appropriate forms of identification are:

- Full passport or identity card and full driving licence.
- Full passport or full driving licence and secondary identification.
- Full passport or official identity card and secondary identification.

Secondary identification may include credit cards, bank statements or recent official correspondence such as a telephone, gas electric or water bill.

Disclosing, knowing or suspecting

All employees will report any transactions above £9,000.00 to the MLRO before they are processed. It will be up to the MLRO's judgement as to whether they feel that the particular transaction requires disclosure to the NCIS. If the MLRO feels that the client / charge payer has provided sufficient identification and feels there is no suspicion, he/she can process the payment and forward the disclosure afterwards. Where suspicion has arisen, the disclosure will be forwarded to the NCIS by fax and the payment will not be processed until consent has been given by the NCIS.

Tipping off

Transactions can be processed if the MLRO feels that not processing the payment will be constituted as 'tipping off' the client / charge payer.

Suspicion indicators

When dealing with a new client / charge payer, the employee and MLRO should use the following examples as suspicion indicators:

- The client / charge payer is reluctant to provide details and checking identity is proving difficult
- Is there a genuine reason for paying large sums of money in cash?
- The client / charge payer is trying to introduce intermediaries either to protect their identity or hide their involvement
- The client / charge payer is paying in used notes and/or in small denominations
- Is the source of the cash known and reasonable?
- Unusual requests for collection/delivery

When dealing with regular or established client / charge payer, the following suspicion indicators should be applied:

- Is the transaction reasonable in the context of the normal business of this customer?
- The size and frequency of the transaction is not consistent with the normal activities of the customer
- The pattern of transaction has changed since the business relationship was established

Disclosing suspicion

The MLRO is the nominated officer who will be required to make disclosures to the NCIS. All internal reports from an employee or agent will be supplied to the MLRO.

The MLRO will then consider the report in light of all other relevant information to decide whether or not the information in the report does give reasonable grounds for knowledge or suspicion of money laundering.

Once it has been decided that those reasonable grounds exist, a disclosure must be made to NCIS immediately. A completed disclosure form together with the identification and supporting information will be forwarded to the NCIS either by fax or first class post.

Wherever the NCIS do not refuse consent within seven days, the transaction may proceed. If refusal is given, a further 31 days must be applied before processing of the transaction unless advised otherwise by NCIS.



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[Record keeping](#)

All records, identification, transaction data and photographic evidence must be retained for a minimum of five years to enable law enforcement to reconstruct business transactions.

Reporting suspicious transactions

The Organisation will report information that comes to its attention in the course of its business activities which, in its opinion, gives rise to knowledge or suspicion of money laundering. The primary money laundering offences and tipping off offences apply to all employees.