

**Manchester City Council  
Report for Information**

**Report to:** Audit Committee - 26 January 2017  
**Subject:** Anti-Money Laundering Policy  
**Report of:** Head of Internal Audit and Risk Management

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**Summary**

This report presents to Audit Committee for review and approval the draft version of the revised Council Anti-Money Laundering Policy.

This policy was last updated in February 2012 and has been refreshed to take account of key changes. The revised policy brings together the previous policy and supporting procedures into a single document.

**Recommendations**

Audit Committee are requested to review and approve the draft policy for adoption.

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**Wards Affected:** All

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**Financial Consequences:** None

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**Background Documents (available for public inspection):**

Anti-Money Laundering Policy presented to Audit Committee January 2012 and Executive February 2012.

## **1 Introduction**

- 1.1 The purpose of this report is to inform members of the key changes to the Council's Anti-Money Laundering Policy to allow members to review and approve the content of the revised document.

## **2 Background**

- 2.1 Manchester City Council is committed to ensuring that the people of Manchester can have complete confidence that the affairs of the Council are conducted in accordance with the highest standards of probity and accountability.
- 2.2 In seeking to ensure this commitment is met, the Council has an Anti-Fraud and Corruption Policy and framework which establish its overall approach to combating fraud, corruption and wrongdoing. Below this sit other various anti-fraud related policies, supporting procedural documents and behavioural codes which describe the arrangements in place for preventing, detecting and investigating fraud and error. These together with a strong internal control environment are the main methods to help protect the Council against the risk of fraud. The Internal Audit Service acts on behalf of the City Treasurer in ensuring these arrangements are regularly reviewed and remain effective.
- 2.3 Fraud, corruption and other wrongdoing may take on many guises, some of which are addressed by specific pieces of legislation that place further obligations on the Council.
- 2.4 In accordance with the Constitution the Council's Whistleblowing Policy and Guidance document was updated and presented to Standards Committee in October 2015 and approved by Audit Committee in January 2016.
- 2.5 The Anti-Money Laundering Policy along with the Anti-Bribery Policy were last presented to Audit Committee in January 2012 and subsequently approved for adoption by Executive in February 2012. The approval gave delegated authority to the City Treasurer to amend the written procedures in the future, as required, to ensure they remain fit for purpose.

## **3 Anti-Money Laundering Arrangements**

- 3.1 The Proceeds of Crime Act 2002, Terrorism Act 2000 and the Money Laundering Regulations 2007 cover a range of activities and offences, including the duty to report suspicions of money laundering, and imposes criminal sanctions for breaches of the legislation.
- 3.2 The Anti-Money Laundering Policy sets out the Council's arrangements to prevent and detect attempts to launder money using council services, provides guidance to enable appropriate action to be taken to prevent the Council and staff being exposed to money laundering and sets out the reporting requirements via a designated Money Laundering Reporting Officer.

- 3.3 Whilst there has been no legislative amendments since the establishment of the 2012 policy, the content has been reviewed and updated to reflect changes made to the relevant government department, the rewording of required records/reports (where appropriate) and incorporate improvements to the structure of the document. The main key changes are:
- the replacement of the Serious Organised Crime Agency (SOCA) with the National Crime Agency (NCA);
  - a change in terminology for reports filed by the Money Laundering Reporting Officer from a Suspicious Transaction Report to the Suspicious Activity Report.
  - The consolidation of the policy and separate supporting procedures into one single document for ease of us.
- 3.4 We have consulted with colleagues within Legal Services to ensure that the revised policy is sufficient and addresses the necessary legal obligations placed upon the Council and its staff.
- 3.5 Once approved, the updated policy will be made available on both the Council's internet and intranet site. Work will be undertaken with colleagues from the Communications Team to make staff aware of the policy. Resources will be utilised from the 2016/17 Internal Audit Plan to deliver a series of training/workshops regarding counter fraud policy updates and roles and responsibilities in relation to these. These activities will be focused initially on those areas of the business considered to be of higher risk. It is intended this will be undertaken during the period up to the end of March 2017 and will continue into the new financial year.

#### **4 Recommendations**

- 4.1 Members are requested to review and approve the revised and updated Anti-Money Laundering Policy for adoption.



# Anti-Money Laundering

Draft Anti-Money Laundering Policy and Guidance

Audit and Risk Management  
November 2016

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# Anti-Money Laundering Policy

## 1. Introduction

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- 1.1 Manchester City Council is committed to establishing and maintaining effective arrangements to prevent and detect attempts to launder money using Council services. The Council requires all members and employees to demonstrate the highest standards of honesty and integrity and this includes compliance with appropriate legislation. The Council is committed to working constructively with the police and other relevant agencies in relation to combating money laundering and ensuring compliance with the legislation.
- 1.2 Money laundering is the process by which criminally obtained money or other criminal property is exchanged for “clean” money or other assets with no obvious link to their criminal origins. The term is used for a number of offences involving the integration of “dirty money” (i.e. the proceeds of crime) into the mainstream economy. The aim is to legitimise the possession of such monies through circulation and this effectively leads to “clean” funds being received in exchange.
- 1.3 Our policy is to ensure all appropriate action is taken to prevent, wherever possible, the Council and its Members and employees being exposed to money laundering and to comply with all legal and regulatory obligations, including the reporting of suspected or actual cases in line with disclosure requirements.
- 1.4 This policy applies to Members and all employees of the Council, including temporary or agency staff as well as those employed in community schools, community special schools, voluntary controlled schools and maintained nursery schools. It contains specific sections to advise employees and Members of the process to be followed to enable the Council to comply with its legal obligations.
- 1.5 The Proceeds of Crime Act 2002 (as amended by the Crime and Courts Act 2013 and Serious Crime Act 2015), Terrorism Act 2000 and the Money Laundering Regulations 2007 cover a range of activities and offences, including the duty to report suspicions of money laundering, and imposes criminal sanctions for breaches of the legislation.
- 1.6 The primary money laundering offences are:
- concealing, disguising, converting or transferring criminal property or removing it from the UK;
  - entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
  - acquiring, using or possessing criminal property;
  - failure to disclose knowledge or suspicion of another persons involvement in money laundering; and
  - ‘tipping off’ or making a disclosure which is likely to prejudice an investigation being carried out by a law enforcing authority, knowing that such an investigation is in motion.
- 1.7 The Money Laundering Regulations 2007 impose specific obligations on those carrying out ‘relevant business’, including the requirements for them to:

- obtain sufficient knowledge to ascertain the true identity of customers in certain circumstances, by applying customer due diligence measures;
  - know the intended nature of business relationships and undertake ongoing monitoring of them (e.g. scrutiny of transactions for anything unusual);
  - maintain procedures for reporting suspicions of money laundering; and
  - maintain record keeping procedures (e.g. for evidence of identity obtained, details of transactions undertaken, for at least 5 years afterwards).
- 1.8 Whilst local authorities are not separately identified in the list of “relevant businesses” there are some local authority activities that could be included within the scope of the money laundering regulations. The safest way to ensure compliance with the legislation is to apply them to all areas of work undertaken by the council. For the purposes of this policy the Council is considered to be a ‘relevant business’.
- 1.9 Whilst the risk to the Council of contravening the legislation is low, it is possible to fall into a money laundering trap unwittingly, so it is important that all Members and employees are familiar with their legal responsibilities and how to discharge them.
- 1.10 Potentially any employee 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, then they may be liable to prosecution.
- 1.11 All employees and Members should have a general awareness of money-laundering and comply with the Anti-Money Laundering Policy. Failure to comply may constitute a disciplinary and/or criminal offence.

## 2. The Money Laundering Reporting Officer (MLRO)

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- 2.1 Where it is suspected that money laundering activity is taking/has taken place, or an employee or Member becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, this must be disclosed as soon as practicable to the MLRO in line with the procedures. The disclosure should be within “hours” of the information coming to the employee’s or Member’s attention, not weeks or months later.
- 2.2 The officer nominated to receive disclosures about suspected money laundering activity within the Council is the City Treasurer. Contact details are:
- City Treasurer  
Manchester City Council  
Town Hall  
Albert Square  
Manchester  
M60 2JR  
Telephone: 0161 234 3406  
E-mail: [carol.culley@manchester.gov.uk](mailto:carol.culley@manchester.gov.uk)

- 2.3 In the absence of the MLRO, the Head of Internal Audit and Risk Management is authorised to deputise. Contact details are:

Head of Internal Audit and Risk Management  
Corporate Services  
Manchester City Council  
Level 5 (Mount Street Elevation)  
Town Hall Extension  
Albert Square  
Manchester  
PO Box 532  
M60 2LA  
Telephone: 0161 234 5273  
E-mail: [t.powell@manchester.gov.uk](mailto:t.powell@manchester.gov.uk)

- 2.4 The Council undertakes to ensure that Members and all employees are made aware of this policy. Failure by an employee to comply with the procedures set out in this document may lead to disciplinary action being taken against them under the Council's disciplinary procedures.
- 2.5 This policy should be read in conjunction with the Anti-Fraud and Corruption Policy. The Council will seek to ensure that the Council's stance on money laundering is widely publicised and that employees have access to the appropriate guidance.

### **3. Money Laundering Offences and Individual Obligations**

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- 3.1 Under the legislation there are three main types of offences which may be committed: money laundering offences, failure to report money laundering offences and 'tipping off' (see Appendix A, Offences Table):
- 3.2 These offences go beyond the traditional definition of money laundering as the transformation of the proceeds of crime into apparently legitimate money/assets. They cover a range of activities (which do not necessarily need to involve money or laundering) regarding the proceeds of crime. This means that potentially anybody (and therefore any employee or Member, irrespective of what sort of council business they are undertaking) could commit an offence if they become aware of, or suspect the existence of criminal property, irrespective of the size of the benefit gained and continue to be involved in the matter and/or fail to report their concerns.
- 3.3 By way of example, consider the following hypothetical scenarios:
- (a) a social worker has a child on a care order placed at home and is aware that the child's grandmother looks after the child whilst the mother goes out to work. The social worker knows or suspects that the mother does not declare her income to the tax or benefit offices.
  - (b) a known drug dealer (evidenced by reports of Magistrates Courts convictions in the local papers) wishes to pay their council tax bill by cash.



- (c) a resident overpays their council tax bill and later requests a refund for the amount they overpaid.

And thus you become aware of, or suspect the existence of, criminal property.

- 3.4 In scenario (a) the social worker may commit an offence under section 328 by “being concerned in an arrangement” which they know/suspect “facilitates the acquisition, retention, use or control of criminal property” if they do not report their concerns about anything suspicious or unlawful they find; and in scenario (b) and (c) a similar offence may be committed.
- 3.5 In short, the money laundering offences apply to individual employee/Member actions and to matters in which individual employee/Members become involved. If you become aware that your involvement in a matter may amount to money laundering then you must report it to the Money Laundering Reporting Officer (MLRO, the City Treasurer) and not take any further action until you have received consent from the MLRO (who may have to be granted such consent by the National Crime Agency).

## 4. Possible Signs of Money Laundering

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- 4.1 It is impossible to give a definitive list of ways in which to spot money laundering or how to decide whether to make a report to the MLRO. Facts which tend to suggest that something ‘odd’ is happening may be sufficient for a reasonable suspicion of money laundering to arise.
- 4.2 The following are types of risk factors which *may*, either alone or cumulatively with other factors suggest the possibility of money laundering activity:

### General

- A new customer with no previous ‘history’ with the Council;
- A secretive customer: for example, one who refuses to provide requested information without a reasonable explanation;
- Concerns about the honesty, integrity, identity of a customer;
- Illogical third party transactions: for example, unnecessary routing or receipt of funds from third parties or through third party accounts;
- Involvement of an unconnected third party without logical reason or explanation;
- Payment of a substantial sum in cash (**but it’s reasonable to be suspicious of any cash payments particularly those over £1,000**);
- Overpayments by a customer;
- Absence of an obvious legitimate source of the funds;
- Movement of funds to and from overseas, particularly to and from a higher risk country;

- Where, without reasonable explanation, the size, nature and frequency of transactions or instructions is out of line with normal expectations;
- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational;
- Cancellation or reversal of an earlier transaction;
- Requests for release of customer account details other than in the normal course of business;
- Poor business records or internal accounting controls;
- A previous transaction for the same customer which has been, or should have been, reported to the MLRO.

### Property Matters

- Unusual property investment transactions if there is no apparent investment purpose or rationale;
- Instructions to receive and pay out money where there is no linked substantive property transaction involved (surrogate banking);
- Regarding property transactions, funds received for deposits or prior to completion from an unexpected source or where instructions are given for settlement funds to be paid to an unexpected destination.

## 5. Customer Due-Diligence Procedures

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- 5.1 Where the Council is carrying out activities that may be classed as 'relevant business' under the legislation extra care needs to be taken to check the identity of the customer – this is known as carrying out Customer Due Diligence. This is covered in Section 7 of the Money Laundering Regulations 2007. (see Appendix B - Customer Due Diligence Procedure Flowchart)

### Is it necessary?

- 5.2 The Regulations regarding customer due diligence are detailed and complex, but there are some simple questions that will help you decide if it is necessary:

- Is the service a relevant business?
- Does the activity involve a **cash** payment or a series of **cash** payments of at least **or £1000?**

- 5.3 If the answer to both of these questions is no then you do not need to carry out customer due diligence.

- 5.4 If the answer to either of these questions is yes then you must carry out customer due diligence before any business is undertaken for that customer, unless the service is being provided to a UK public authority.
- 5.5 If you are unsure whether you need to carry out customer due diligence then you should contact the MLRO.
- 5.6 Under the Money Laundering Regulations 2007 there are several 'relevant businesses'. These refer to the following activities carried out in the course of business: tax advice; accounting services; treasury management, investment or other financial services; credit institutions; audit services; legal services; estate agency; services involving the formation, operation or arrangement of a company or trust or; dealing in goods wherever a transaction involves a cash payment of €15,000 or more."

### **When is it done?**

- 5.7 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.
- 5.8 Where there is a need to not interrupt the normal conduct of business and there is little risk of money laundering occurring, verification may be carried out during the establishment of the business relationship provided that the verification is completed as soon as practicable after the contact is first established.

### **What does it involve?**

- 5.9 Due diligence essentially means identifying the customer and verifying their identity on the basis of documents, data or information obtained from reliable and independent source and depending upon the purpose and intended nature of the business relationship. Where you need to carry out customer due diligence then you must seek evidence of identity (see Appendix C), for example:
- checking with the customer's website to confirm their business address;
  - conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors;
  - seek evidence from the key contact of their personal identity, for example their passport, and position within the organisation.
- 5.10 Where the customer is acting or appears to be acting for someone else, reasonable steps must also be taken to establish the identity of that other person.
- 5.11 Where there is a beneficial owner who is not the customer, adequate measures should be taken, on a risk-sensitive basis, to verify the beneficial owners identity, so that you are satisfied that you know who they are, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement.

- 5.12 The legislation allows organisations to vary customer due diligence and monitoring according to the risk of money laundering which depends on the type of customer, business relationship, product or transaction. This recognises that not all customers present the same risk, for example there is no need to apply customer due diligence measures where the customer is a UK public authority.

### **What is 'Enhanced Customer Due Diligence'?**

- 5.13 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 (ie an individual who at any time in the preceding year has held a prominent public function outside of the UK, and EU or international institution / body, their immediate family members or close associates)
  - There is a beneficial owner who is not the customer (ie an individual who: holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.)
- 5.14 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 / transaction. If you believe that enhanced customer due diligence is required then you must consult the MLRO prior to carrying it out.

### **Cash Payment Procedures**

- 5.15 Officers receiving **cash in excess of £1000** from customers should ask for, and inspect, identification (see Appendix C). This will help to identify and report any suspicious transactions.
- 5.16 Electronic or cheque payments to MCC are easily traceable through the banking system. As traceability is key and an individual walking in to pay a debt with cash is not necessarily traceable, it is best practice to insist on payment by cheque or electronically from a UK Clearing Bank.

### **Satisfactory Evidence of Identity**

- 5.17 Satisfactory evidence is that which is capable of establishing, to the satisfaction of the person receiving it, that the customer is who they claim to be.
- 5.18 The Council require only the most basic of identity checks (eg signed, written instructions on the organisation in question's headed paper at the outset of a particular matter) documented on a Verification of Customer Identity Checklist (see appendix C).
- 5.19 The following factors suggest these minimum level checks are appropriate for the Council:
- For internal customers, we all work for the same organisation and therefore have detailed awareness of individuals and their location through previous dealings.

- For external customers, the Council, as a matter of law, can only provide services to local authorities and designated public bodies. They are therefore heavily regulated by their very nature and most are repeat customers, well known to us in terms of people and the business address.

### **Generally:**

- we know most of our customers and those through whom they are acting – there is no, or very little, doubt as to their identity;
- regulated business activities undertaken are provided by the Council for customers who are UK public authorities/ designated public bodies, and
- we are subject to public sector controls.

### **Record Keeping Procedures**

- 5.20 Each area of the Council conducting “relevant business” must maintain records of every customer due diligence record and details of all relevant transactions carried out for customers 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.
- 5.21 A copy of every customer due diligence record (either hard copy or electronic) must be retained to meet the requirements of the Regulations and in case of inspection by the relevant supervising body.
- 5.22 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 customer 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 customers in the course of normal business and these should suffice in this regard.

## **6. Disclosure Procedures**

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- 6.1 The Council has appointed the City Treasurer, as the Money Laundering Reporting Officer (MLRO) to receive reports from employees of suspected money laundering activity. The Head of Internal Audit and Risk Management has been appointed as the Deputy Money Laundering Reporting Officer to carry out the duties of the MLRO in instances where she is unavailable.

### **Reporting to the Money Laundering Reporting Officer (MLRO)**

- 6.2 If, at any time, you suspect that a customer for whom you are currently, or are planning to carry out a regulated activity is carrying out money laundering or terrorist financing, or has lied about their identity then you must report this to the MLRO. You must report your concerns even if you believe someone else has already reported their suspicions of the same money laundering activity.

- 6.3 Failure to disclose known or suspected money laundering activity could constitute a criminal offence under the money laundering legislation (see Appendix A, Offences Table) (for which the maximum penalty is an unlimited fine, five years' imprisonment, or both).
- 6.4 If you become concerned that your involvement in a matter may amount to a prohibited act under sections 327 – 329 of the Money Laundering Regulations 2007, you must disclose this as soon as practicable to the MLRO.
- 6.5 The disclosure should be within “hours” of the information coming to your attention, not weeks or months later. Should you not do so, then you may be liable to prosecution.
- 6.6 Such disclosures to the MLRO will be protected in that they will not be taken to breach any restriction on the disclosure of information such as data protection.
- 6.7 If you are in any doubt as to whether or not to file a report with the MLRO then you should err on the side of caution and do so.
- 6.8 You MUST report in confidence and in private - you must NOT ‘tip off’ anybody else or allow anybody else to see or hear what is happening - it is a CONFIDENTIAL matter between you and the MLRO.
- 6.9 You may wish to consult your line manager before approaching the MLRO, but you must be aware that both you and your line manager would have to disclose a report to the MLRO individually. This is because it is not a defence to presume that a report to the MLRO has been made on your behalf. If you do not consult your line manager prior to making a report to the MLRO, you must not thereafter discuss any aspect of the matter with your line manager or any other person without prior approval from the MLRO.
- 6.10 Your disclosure should be made to the MLRO using the pro-forma report attached at Appendix E. The report must include as much detail as possible, for example:
- Full details of the people involved (including yourself, if relevant);
  - 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 of the Act (see Appendix A, Offences Table), then your report must include all relevant details, as you will need consent from the NCA, via the MLRO, to take any further part in the transaction - this is the case even if the customer 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 eg a completion date or court deadline;
  - The types of money laundering activity involved. If possible, cite the section number(s) under which the report is being made e.g. a principal money laundering offence under section 327 – 329 of the Regulations, or general reporting requirement under section 330 of the Act, or both (see Appendix A, Offences Table);
  - 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;
- Exactly why, you are suspicious – the NCA will require full reasons;
- Any other relevant 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 and to enable them to prepare their report to the NCA, where appropriate

6.11 Once you have reported the matter to the MLRO you must follow any directions he / she 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.

6.12 All employees and Members will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation. You must not 'form a committee' to consider such a matter.

### **Consideration of Disclosure Report by MLRO**

6.13 Upon receipt of a disclosure report, the MLRO must note the date of receipt on his / her section of the report and acknowledge receipt of it. The MLRO should also advise you of the timescale within which he / she expects to respond to you.

6.14 The MLRO will consider the report and any other available internal information he / she thinks is relevant eg:

- reviewing other transaction patterns and volumes;
- the length of any business relationship involved;
- the number of any one-off transactions and linked one-off transactions;
- any identification evidence held;
- undertake such other reasonable enquiries 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.

6.15 The MLRO may also need to discuss the disclosure report with you.

6.16 Once the MLRO has evaluated the disclosure report and any other relevant information, he / she 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.

6.17 Where the MLRO does decide to make a report to the NCA:

- 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 excuse for non-disclosure to the NCA (for example, you wish to claim legal professional privilege for not disclosing the information). Up to date forms can be downloaded from the NCA website at [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk).
- The MLRO may commit a criminal offence under section 331 of the Act if he / she knows or suspects (or has reasonable grounds to do so) through a disclosure being made to him, that another person is engaged in money laundering and he / she does not disclose this as soon as practicable to the NCA (see Appendix A, Offences Table).

6.18 Where the MLRO considers no money laundering is taking place or suspects money laundering but has a reasonable excuse for non-disclosure:

- then he / she must note the report accordingly and can then immediately give their consent for any ongoing or imminent transactions to proceed. However, it's better to disclose than not.
- In cases where legal professional privilege may apply, the MLRO must liaise with the City Solicitor to decide whether there is a reasonable excuse for not reporting the matter to the NCA.
- Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed or proceed 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.

6.19 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then the MLRO shall mark the report accordingly and give his / her consent for any ongoing or imminent transaction(s) to proceed.

6.20 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.

## 7. Tipping Off

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7.1 Preliminary enquiries of a customer to obtain more information (eg confirm their identity, clarify the source of funds, etc) will not amount to tipping off unless you know or suspect that a report has been made. The manner in which you conduct such preliminary enquiries is just as important as what you actually say to avoid tipping off the customer.

7.2 Where you suspect money laundering and report it to the MLRO, or are aware that someone else has, you must exercise caution in what you discuss with others as you may commit a further offence of "tipping off" if, knowing or suspecting a disclosure has been made, you take any action which is likely to prejudice any investigation which might be conducted (see Appendix A Offences Table).



- 7.3 At no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has given consent to a particular transaction proceeding. Just saying "I can't tell you" may infer tip off. If and when the MLRO and/or the NCA give clearance you must proceed with the matter as if nothing had happened.
- 7.4 Remember - absolute secrecy and discretion is required. No notes on active files are to be made and all reporting kept in confidential MLRO files.

## 8. Appendix A

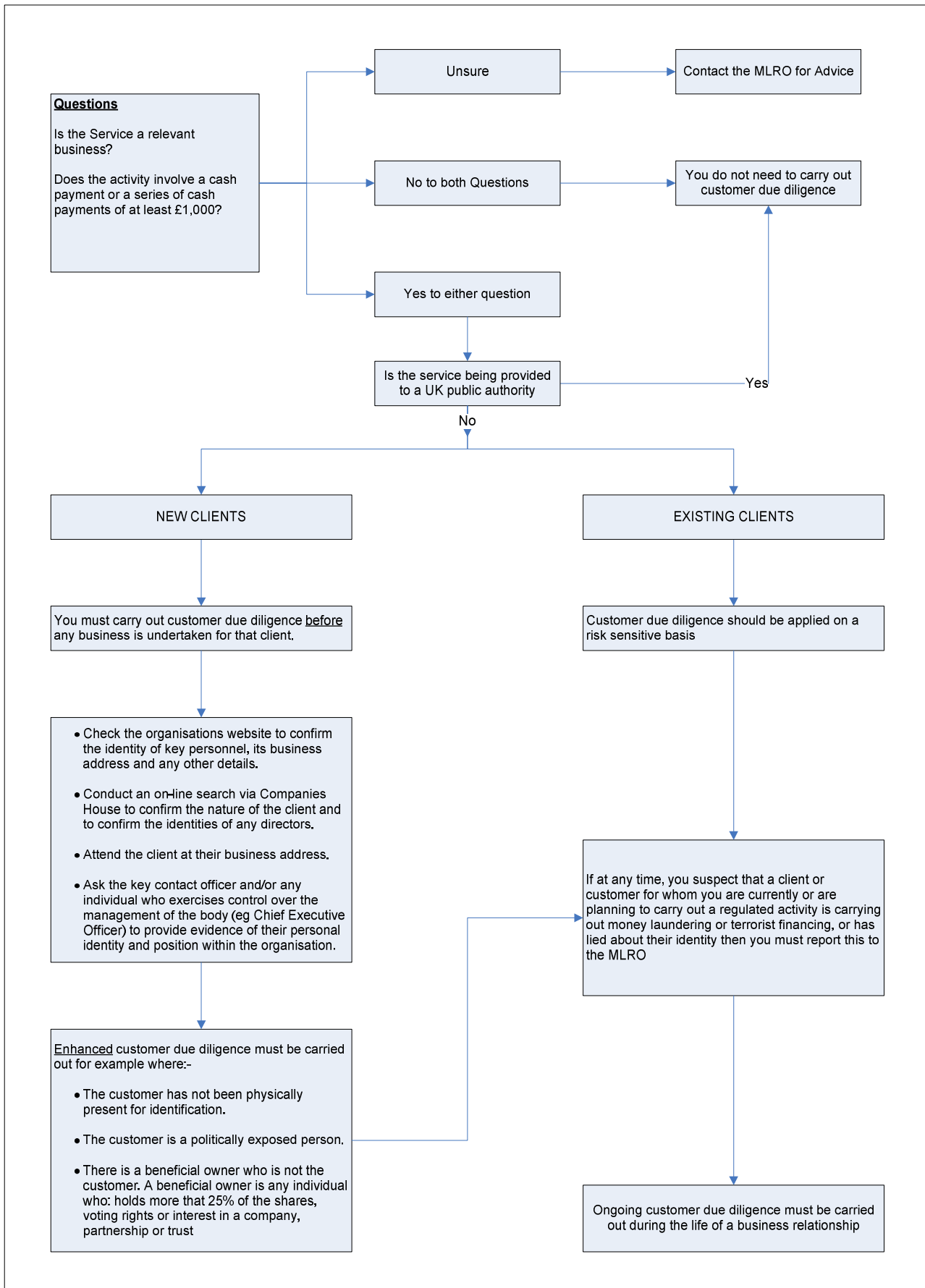
### PROCEEDS OF CRIME ACT - OFFENCES TABLE

Section Ref.	Offence	Definition
S327	<b>Concealing Criminal Property</b>	<p>A person commits an offence if they conceal, disguise, convert or transfer criminal property or if they remove criminal property from England, Wales, Scotland or Northern Ireland.</p> <p>This is punishable by a maximum term of imprisonment of 14 years at the Crown Court and an unlimited fine.</p> <p>At the Magistrates Court it is 6 months and £5,000 fine.</p>
S328	<b>Arrangements</b>	<p>This offence requires a person to become actively involved in some arrangement which helps someone else to get, keep, use or control the proceeds of a crime.</p> <p>The punishment is as for S327.</p>
S329	<b>Acquisition, Use and Possession</b>	<p>This offence is committed by anyone that has criminal proceeds in their possession provided they know or suspect that it represents the proceeds of a crime unless they paid 'adequate consideration' for it.</p> <p>Someone who pays less than the open market value is therefore guilty of the offence but someone who pays the full retail price, despite knowing or suspecting they are stolen goods is not guilty.</p> <p>The punishment is as for S327.</p>
S330	<b>Failure to Disclose Offence: Regulated Sector</b>	<p>This offence is committed by an employee of a business in the regulated sector who has knowledge or suspicion of another persons involvement in money laundering and does not make a report through the appropriate channels. Negligence is not a defence as the employee will be tried upon what they should have known given their experience, knowledge and training.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>

<p><b>S331</b></p>	<p><b>Failure to Disclose Offence: Nominated Officers in the Regulated Sector</b></p>	<p>This offence is committed by a nominated officer (MLRO) of a business in the regulated sector who has knowledge or suspicion of another persons involvement in money laundering and does not make a report through the appropriate channels without an acceptable excuse under the legislation. Negligence is not a defence as the nominated officer will be tried upon what they should have known given their experience, knowledge and training.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>
<p><b>S332</b></p>	<p><b>Failure to Disclose Offence: Other Nominated Officers</b></p>	<p>This offence is committed by a nominated officer (MLRO) of a business outside of the regulated sector who has knowledge or suspicion of another persons involvement in money laundering and does not make a report through the appropriate channels without an acceptable excuse under the legislation. The officer will be tried on what they knew or suspected not on what they might have been expected to know or suspect.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>
<p><b>S333</b></p>	<p><b>Tipping Off Offence</b></p>	<p>This offence is committed if an officer or member makes a disclosure which is likely to prejudice an investigation being carried out by a law enforcing authority, knowing that such an investigation is in motion.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>

9. **Appendix B**

**DECISION FLOWCHART**



## 10. Appendix C

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### VERIFICATION OF CUSTOMER IDENTITY

Verification of Customer Identity Checklist for customer:

Name: \_\_\_\_\_

NB: If you are receiving funds from a Council customer in any transaction **above £1,000 cash**, the identity of the customer must be checked.

All suspicions, regardless of amount, should be reported to the MLRO via the Money Laundering Reporting Form.

#### A. Evidence not obtained – reasons:

1. Customer previously identified in: Month \_\_\_\_\_ Year \_\_\_\_\_
2. Other – state reason fully \_\_\_\_\_  
\_\_\_\_\_

#### B. Evidence obtained to verify name and address:

##### Acceptable on their own:

- Full national passport.
- Full national driving licence with photo.
- Pension book.
- Armed Forces ID Card.
- Signed ID card of employer known to you.

##### Acceptable with two of next group below:

- Young person NI card (under 18 only).
- Pensioner's travel pass.
- Building Society passbook.
- Credit Reference agency search.
- National ID Card.
- Copy Company Certificate of Incorporation if a limited.
- company and 2 Directors personal identify as above.

**\*NOT acceptable on their own:**

- Gas, electricity, telephone bill.
- Mortgage statement.
- Council tax demand.
- Bank/Building Society/credit card statement.
- Young persons medical card (under 18 only).
- Home visit to applicants address.
- Check of telephone directory.
- Check electoral roll.

*\*Suitable for proof of address only*

NB BEST PRACTICE is to have one of Group (a) plus two of Group (c)

**C. Evidence obtained for unquoted company or partnership:**

- Certificate of Incorporation or equivalent.
- Certificate of Trade or equivalent.
- Latest report and audited accounts.
- Principal shareholder/partner (*personal ID*).
- Principal Director (*personal ID*)
- Screenshot of the customers' website to confirm their business address.
- Screenshot of Companies House website detailing the nature and business of the customer and confirming the identities of directors.
- A written instruction on the organisation in question's headed paper.

**D. Disadvantaged Customers:**

e.g. Confirmation of identity from Social Worker or Bail Officer, Police, School, Courts etc.

- E.** If evidence not obtained for the reasons in A, do you have any suspicions regarding identity? \_\_\_\_\_
- \_\_\_\_\_

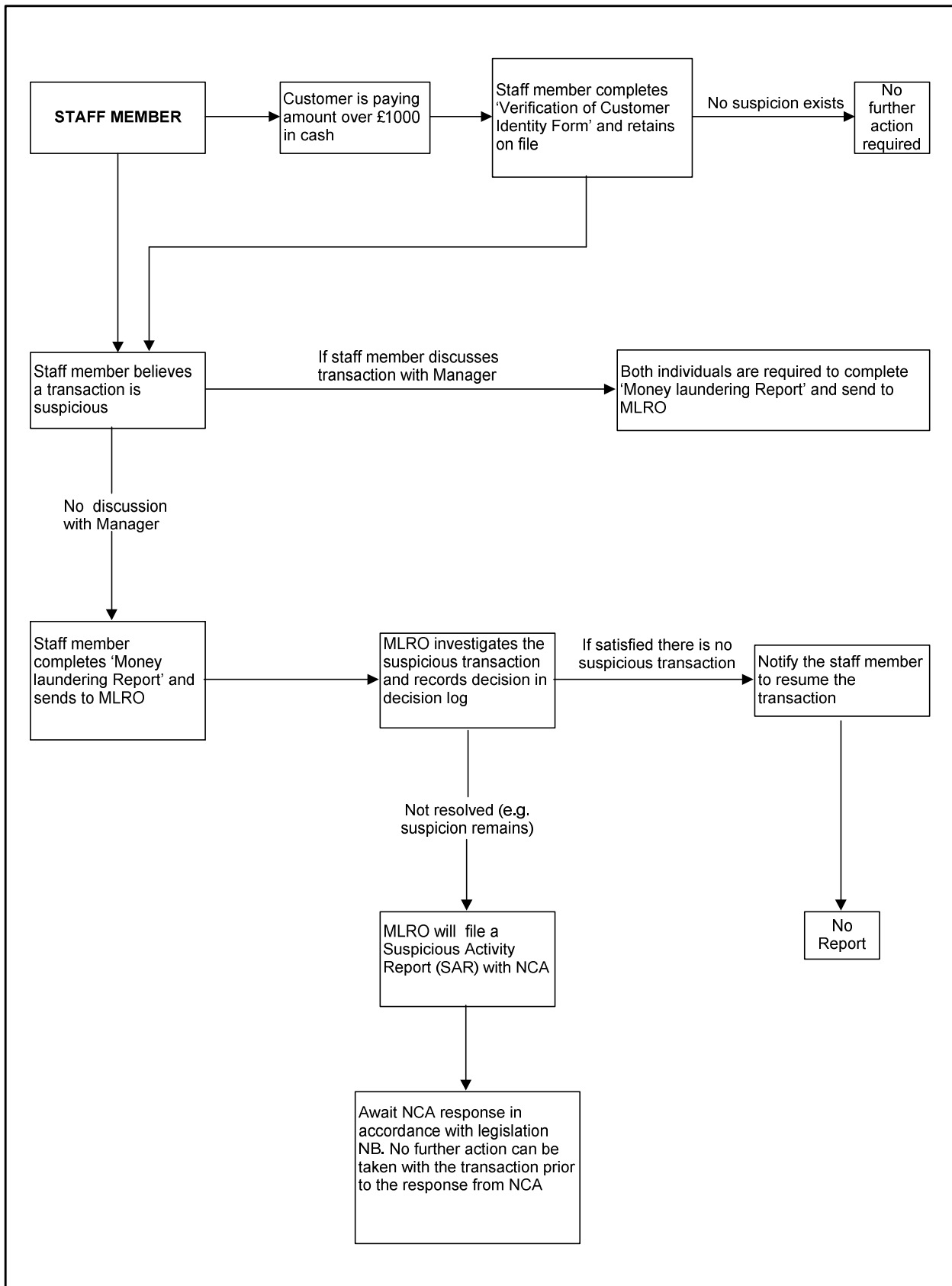
I confirm that I have seen the originals of the documents indicated above and have identified the above Customer(s)

**Signed** \_\_\_\_\_ **Date** \_\_\_\_\_

NB Wherever possible TAKE PHOTOCOPIES of the identification evidence TO PLACE ON FILE. Copies should be notarised to indicate a copy and signed to evidence sight of the original.

**11. Appendix D**

**SUSPICIOUS TRANSACTION REPORTING PROCEDURE**





## 12. Appendix E

### MONEY LAUNDERING REPORT

**CONFIDENTIAL**

To: Money Laundering Reporting Officer

From: .....

*[insert name of officer]*

Directorate: ..... Ext/Tel No:.....

*[insert post title and Business 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, value and timing of activity involved:**

*[Please include full details eg what, when, where, how. 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 the NCA? (eg 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 Act and which requires appropriate consent from the NCA? (see Appendix A, Offences Table)**

*[Please tick the relevant box]*

Yes  No

**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 else and in particular 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 MLRO**

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?**

**If there are reasonable grounds for suspicion, will a report be made to the NCA?**

*[Please tick the relevant box]*

Yes

No

1

2 If yes, please confirm date of report to the NCA: .....

and complete the box below:

**Details of liaison with the NCA regarding the report:**

Notice Period: ..... to .....

Moratorium Period: ..... to .....

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

*[Please tick relevant box]*

Yes  No

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

Date consent received from the NCA: .....

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 the NCA, 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 SECURELY FOR AT LEAST FIVE YEARS***

**Earliest disposal date: .....**