

ANTI MONEY LAUNDERING POLICY

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Anti-Money Laundering Policy

DOCUMENT CONTROL

Changes History

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Role	Name	Approval Date
Head of Internal Audit	Peter Frost	18 December 2023

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Role	Name	Approval Date
Chief Financial (S151) Officer	Louise Aynsley	19 December 2023

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Role & Review Responsibilities	Name	Approval Date
Christos Constantinou	Counter Fraud Manager	19 December 2023

Distribution List - Once authorised (Informed)

Name	Organisation
All County Council Staff & Councillors	County Council

Review Period

Date Policy to be Reviewed	By whom
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Table of Contents

	PAGE
1 INTRODUCTION AND SCOPE.....	ERROR! BOOKMARK NOT DEFINED.
1.1 INTRODUCTION	4
1.2 SCOPE.....	ERROR! BOOKMARK NOT DEFINED.
2 WHAT IS MONEY LAUNDERING?	4
3 WHAT ARE THE OBLIGATIONS OF THE COUNCIL?	5
4 THE MONEY LAUNDERING OFFICER.....	ERROR! BOOKMARK NOT DEFINED.
5 DISCLOSURE PROCEDURE	6
6 REPORTING A CONCERN TO THE MLRO.....	7
7 CONSIDERATION OF THE DISCLOSURE BY THE MLRO	7
8 CUSTOMER DUE DILIGENCE.....	8
9 SIMPLIFIED DUE DILIGENCE	9
10 ENHANCED CUSTOMER DUE DILIGENCE & ONGOING MONITORING	9
11 COMPANIES HOUSE.....	10
12 RED FLAG INDICATORS.....	ERROR! BOOKMARK NOT DEFINED.
13 RECORD KEEPING.....	10
14 RISK MANAGEMENT & INTERNAL CONTROL	11
15 STAFF AWARENESS	11
APPENDICES	
APPENDIX A – PROFORMA DISCLOSURE REPORT	12
APPENDIX B – MAKING A REPORT TO THE MLRO / NATIONAL CRIME AGENCY	13
APPENDIX C – RED FLAG INDICATORS	15

1 INTRODUCTION AND SCOPE

1.1 Introduction

- i. The Money Laundering and Terrorist Financing Regulations 2019 (MLR 2019) came into force on 10 January 2020. The Regulations widen the regulated sector from that set out in the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) which came into force on 26 June 2017.
- ii. MLR 2017 implemented the EU's Directive on Money Laundering. In doing so, they replaced the Money Laundering Regulations 2007 (MLR 2007) and the Transfer of Funds (Information on the Payer) Regulations 2007, which were previously in place.

1.2 Scope of the Policy

- i. This Policy applies to all employees and elected members of Suffolk County 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 which must be followed (for example the reporting of any suspicions of money laundering activity) to enable the Council to comply with its legal obligations.
- ii. The Policy sits alongside the Council's Whistleblowing Policy and Anti-Fraud & Corruption Policy.
- iii. Failure by any member of staff to comply with the procedures set out in this Policy may lead to further action being taken including via the conduct and / or capability process, and which may result in disciplinary action.

2 WHAT IS MONEY LAUNDERING?

- i. Money laundering is the process of channelling 'bad' money into 'good' money to hide the fact that the money originated from criminal activity, and often involves three steps:
 - **Placement** - cash is introduced into the financial system by some means.
 - **Layering** - a financial transaction to camouflage the illegal source.
 - **Integration** - acquisition of financial wealth from the transaction of illicit funds.

OFFICIAL
Anti-Money Laundering Policy

- ii. Money laundering is the term used for a number of offences involving the proceeds of crime or terrorism funds. Organised crime groups and corrupt elites launder the proceeds of crime through the UK to fund lavish lifestyles and reinvest in criminality. Most financial transactions through and within the UK are entirely legitimate, but its role as a global financial centre and the world's largest centre for cross-border banking makes the UK vulnerable to money laundering.
- iii. The following constitute the act of money laundering:
 - concealing, disguising, converting, transferring criminal property, or removing it from the UK; or
 - 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; or
 - acquiring, using, or possessing criminal property.
- iv. These are the primary money laundering offences and thus prohibited acts under the legislation. There are also two secondary offences: failure to disclose any of the primary offences and tipping off. Tipping off is the act of alerting someone that they are under investigation or that their financial activities are being scrutinised by law enforcement or regulatory authorities.
- v. Potentially any person 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. The Policy sets out how any concerns should be raised.
- vi. Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. **The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO).**

3 WHAT ARE THE OBLIGATIONS OF THE COUNCIL?

- i. Whilst local authorities are not directly covered by the requirements of the Money Laundering Regulations, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.
- ii. The Regulations apply to “relevant persons” acting in the course of business carried on by them in the UK. Not all the Council’s business is “relevant” for the purposes of the legislation. It is mainly accountancy and financial, company and property transactions. However, the safest way to ensure compliance with the law is to apply them to all areas of work undertaken by the Council; therefore, **all staff** are required to comply with the reporting procedure set out in the policy.

OFFICIAL
Anti-Money Laundering Policy

- iii. The obligations on the Council are to establish and maintain appropriate and risk-sensitive policies and procedures. Organisations must:
- appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activity (their own or anyone else's).
 - implement a procedure to enable reporting of suspicions of money laundering.
 - maintain client identification procedures in certain circumstances.
 - maintain record keeping procedures.
 - conduct money laundering and terrorist funding risk assessment and adopt appropriate internal controls.

4 THE MONEY LAUNDERING REPORTING OFFICER

- i. The nominated officer at Suffolk County Council to receive disclosures about money laundering activity is the Head of Internal Audit & Counter Fraud, who can be contacted as follows:

Peter Frost, Head of Internal Audit & Counter Fraud
Suffolk County Council,
Endeavour House,
8, Russell Road, IP1 2BX
Tel: 01473 264247
email: peter.frost@suffolk.gov.uk

- ii. If the MLRO is not available, any suspicion of money laundering should be reported to the Deputy MLRO:

Christos Constantinou, Counter Fraud Manager
Suffolk County Council,
Endeavour House,
8, Russell Road, IP1 2BX
Tel: 01473 265887
email: christos.constantinou@suffolk.gov.uk

5 DISCLOSURE PROCEDURE

- i. No payment to the Council will be accepted in cash (including notes, coins, or travellers' cheques in any currency) if it exceeds £5,000. This does not mean that cash transactions below this value will be valid and legal and professional scepticism is encouraged always. Any suspicions should be reported to the MLRO (see below), and any advice followed.

6 REPORTING A CONCERN TO THE MLRO

- i. Any employee who suspects that money laundering activity is taking place, or an employee who becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, must disclose this promptly to the MLRO.
- ii. The disclosure should be made to the MLRO or deputy using the proforma report attached at Appendix A. As much detail as possible should be included in the report.
- iii. The employee must follow any subsequent directions from the MLRO or Deputy and must not make any further enquiries themselves into the matter. Additionally, they must not take any further steps in the transaction without authorisation from the MLRO or deputy.
- iv. The employee must not disclose or otherwise indicate their suspicions to the person(s) suspected of money laundering. They must not discuss the matter with others or note on a file that a report has been made to the MLRO in case this results in the suspect becoming aware of the suspicion.
- v. More information about making a report to the MLRO is set out in appendix B.

7 CONSIDERATION OF THE DISCLOSURE BY THE MLRO

- i. The initial discussion / disclosure will be noted by the MLRO, who will promptly evaluate this and determine whether it is appropriate to report it to the National Crime Agency (NCA).

<http://www.nationalcrimeagency.gov.uk/>

- ii. The MLRO or Deputy must, if they so determine, promptly report the matter to the NCA through the NCA website. The MLRO / Deputy MLRO is registered with the NCA to make a 'Suspicious Activity Report' and, as such, will log-in and submit any report themselves. This is likely to be done in liaison with the person raising the concern.
- iii. If no report is made, the reason must be recorded by the MLRO.
- iv. All disclosure reports referred to the MLRO and reports made to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of 5 years.
- v. The MLRO or Deputy will commit 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.

8 CUSTOMER DUE DILIGENCE

- i. Where the Council is carrying out certain regulated business (accountancy, audit and tax services and legal services re financial, company or property transactions) and as part of this,
- a) forms an ongoing business relationship with a client; or
 - b) undertakes a one-off or occasional transaction amounting to €15,000 or more whether conducted as a single transaction or several linked ones; or
 - c) suspects money laundering or terrorist financing,

then the Customer Due Diligence procedure must be followed before any business is undertaken for that client.

- ii. Customer due diligence means:

- identifying the customer and verifying the customer's identity based on information obtained from a reliable and independent source (e.g., conducting a search at Companies House).
- obtaining information on the purpose and intended nature of the business relationship.

- iii. Customer due diligence, including record keeping requirements, is set out quite clearly in the attached and relates to all customers:

<https://www.gov.uk/guidance/money-laundering-regulations-your-responsibilities>

<https://www.lawsociety.org.uk/support-services/advice/articles/quick-guide-to-the-money-laundering-regulations-2017/#quick7>

- iv. The requirement for customer due diligence applies immediately for new customers and should be considered on a risk sensitive basis for existing customers. Customer due diligence means that the Council must know its clients and understand their businesses. This is so that the Council can know if there is suspicious activity that should be reported; clearly it is only by the Council knowing its clients and their businesses that it can recognise abnormal and possibly suspicious activity.
- v. The Money Laundering Regulations require that the Council identifies its customers and verifies that identity based on documents, data or information obtained from a reliable source. Where there is a beneficial owner who is not a customer then the Council must identify that person and verify the identity and where the beneficial owner is a trust or similar then the Council must understand the nature of the control structure of that trust. Finally, the Council must obtain information on the purpose and intended nature of the business relationship. The Money Laundering Regulations requires the need for the Council to consider both customer and geographical risk factors in deciding what due diligence is

appropriate.

- vi. The checks described in the paragraph above must generally be undertaken by the Council before it establishes a business relationship or carries out an occasional transaction, or if it suspects money laundering or terrorist funding or doubts the veracity of any information obtained for the purposes of identification or verification. However, the Council is not required to undertake these checks if its customer is another public authority, unless it suspects money laundering or terrorist funding.
- vii. The Council is also obliged to maintain ongoing monitoring of its business relationships which means it must scrutinise transactions throughout the course of the relationship to ensure that the transactions are consistent with the Council's knowledge of the customer and keep the information about the customer up to date.

9 SIMPLIFIED DUE DILIGENCE

- i. Simplified Due Diligence is the lowest level of due diligence that can be completed on a customer. This is appropriate where there is little opportunity or risk of your services or customer becoming involved in money laundering or terrorist financing.
- ii. Where a customer is considered to be low risk (occupation; organisation; country; method of transacting; transaction value etc.) then Simplified Due Diligence can be completed. Identity must still be confirmed but the ongoing requirements may be relaxed unless a change in circumstances occurs.

10 ENHANCED CUSTOMER DUE DILIGENCE AND ONGOING MONITORING

- i. It will, in certain circumstances, be necessary to undertake what is known in the regulations as Enhanced Customer Due Diligence. In summary, this will be necessary where:
 - the customer has not been physically present for identification purposes; or
 - in any other situation which, by its nature, can present a higher risk of money laundering or terrorist funding.
- ii. Where this applies, the Council will need to take adequate measures to compensate for the higher risk.
- iii. MLR 2019 prescribes what is required at a minimum. When enhanced due diligence is performed, it must always involve:

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Anti-Money Laundering Policy

- a) obtaining additional information on the customer and on the customer's beneficial owner.
 - b) obtaining additional information on the intended nature of the business relationship.
 - c) obtaining information on the source of funds and source of wealth of the customer and of the customer's beneficial owner.
 - d) obtaining information on the reasons for the transactions.
 - e) obtaining the approval of senior management for establishing or continuing the business relationship.
 - f) conducting enhanced monitoring of the business relationship by increasing the number and timing of controls applied and selecting patterns of transactions that need further examination.
- iv. Where the Council is in an ongoing “business relationship” with a customer, the Regulations impose a special obligation to carry out ongoing monitoring. This means that the Council must: scrutinise transactions undertaken throughout the course of the relationship to make sure that these transactions are consistent with the Council’s knowledge of the customer, his / her business, and risk profile; and keep documents, data or information obtained for the purpose of applying Customer Due Diligence measures up to date.

11 COMPANIES HOUSE

- i. If, because of customer due diligence checks, there are any discrepancies identified when compared with the information held in the Companies House Register, then this must be reported to Companies House.

12 RED FLAG INDICATORS

- i. Red Flags is the term used to describe individual factors or ‘trip wires’ set by the organisation, the presence of which indicates a higher risk of money laundering or terrorist financing – **that should function as a warning that further investigation is necessary.**
- ii. Red flags should be used at all stages of compliance, from customer acceptance to exiting the relationship. Red flags fall into different categories but are usually centered around client behaviours or issues around the Authority, its finance, beneficiaries or trading connections to high-risk individuals or jurisdictions.
- iii. Appendix C sets out the red flag indicators.

13 RECORD KEEPING

- i. All information obtained for the purposes of money laundering checks and referrals must be kept up-to-date and will be held and processed in compliance with relevant Data Protection legislation.

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Anti-Money Laundering Policy

- ii. Individuals conducting due diligence checks must retain the identification evidence and details of the relevant transaction(s) for that client for at least five years.
- iii. The MLRO will keep a record of all referrals received and any action taken to ensure an audit trail is maintained.

14 RISK MANAGEMENT & INTERNAL CONTROL

- i. The risk to the County Council of contravening the anti-money laundering legislation will be assessed on a periodic basis and the adequacy and effectiveness of the Anti-Money Laundering Policy will be reviewed in light of such assessments.
- ii. The adequacy and effectiveness of, promotion of, and compliance by employees with, the documentation and procedures will also be monitored through the County Council's Corporate Governance and Anti-Fraud Policy frameworks.

15 STAFF AWARENESS

- i. Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. The key requirement on employees is to promptly report any suspected money laundering activity to the MLRO.

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APPENDIX A – Proforma Disclosure Report (see separate online form)

CONFIDENTIAL: Report to Money Laundering Reporting Officer	
Name	
Title / Department / Directorate	
Phone number	
Email	
Details of Suspected Offence	
Names and addresses of the persons involved (if a company, the nature of their business)	
Nature, value, timing of activity	
Nature of suspicions	
Signed and dated (type name and date)	
For Completion by the MLRO	
Date received	
Are there reasonable grounds for suspecting money laundering?	
If yes, confirm date of report to NCA	
Unique NCA case reference number	
Date consent given to employee for transaction to proceed (if applicable)	
Signed and 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.	

APPENDIX B – Making a report to the MLRO / National Crime Agency

If you suspect that money laundering activity is taking place (or has taken place), or think that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as possible to the MLRO, Peter Frost, (peter.frost@suffolk.gov.uk, telephone 01473 264247) or, in the event of his absence, the Deputy MLRO, Christos Constantinou (christos.constantinou@suffolk.gov.uk, telephone 01473 265887).

You should contact the MLRO as soon as is practicable – certainly not weeks or months later, or you may become liable to prosecution. Considerations of confidentiality do not apply if money laundering is at issue.

In the first instance, the report may be made informally / verbally. You may then be asked to complete the proforma Disclosure Report, to allow the MLRO to assess the information and decide whether a Suspicious Activity Report (SAR) should be made to the National Crime Agency (NCA). You should include as much detail as possible, for example:

- Details of the people involved – name, date of birth, address, company names, directorships, phone numbers etc.
- Full details of the nature of the involvement.
- The dates of activities.
- Where they took place.
- How they were undertaken.
- Likely amounts of money or assets involved.
- Why you are suspicious.

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

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

If a decision is made that a report should be made, the MLRO will complete the relevant NCA forms.

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

If you are still involved with the situation that has given rise to suspicions of money laundering, you must not take any further action *that might constitute a money laundering offence* unless permission is given by the NCA to continue with the process. In these circumstances, permission should be sought from NCA when the report is made to continue with the process that may involve money laundering. Permission will be given (or withheld) within 7 working days and this may mean that work for a client has to stop until and unless consent is given.

OFFICIAL
Anti-Money Laundering Policy

However, there is no automatic need to stop work for a client when a report has been made, unless the business would commit to one of the main money laundering offences by continuing its work for the client.

Care should be taken that the client who is suspected of money laundering is not alerted that a report has been made to the NCA. 'Tipping off' is a specific offence under the Proceeds of Crime Act, covering situations where disclosures are made following a report to NCA that may prejudice an investigation.

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

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

APPENDIX C – Red Flag Indicators

Red Flags are indicators, or in some cases ‘tripwires’, that alert those working in compliance to conduct further enquiries to establish certain facts.

The answers (or failure to answer) will either dispel the original suspicion that something may not be quite right or reinforce that suspicion or highlight new areas for investigation.

Red Flag Indicators (not exhaustive)

Customer / Client Behaviour

When risk assessing a client, there are some red flag behaviours that should raise questions in your mind and cause you to make further enquiry. These include:

- avoiding personal contact without good reason.
- changing agent or legal advisor a number of times without apparent reason.
- using an advisor geographically distant from themselves or the location of the transaction over using an advisor closer to the transaction.
- requesting or seeking to push the speed of the transaction.
- attempting to disguise the true owner or proprietary interests of the business or the parties to the transaction.
- the client is known to have convictions for acquisitive crime or criminal connections.
- the client informs you that funds are coming from one source and then at the last minute the source changes.

Source or Amount of Finance

The source of finance does not make sense, including:

- use of disproportionate amount of cash.
- funds sent to and from jurisdictions with a high level of banking secrecy.
- a significant amount of private funding from an individual running a cash-intensive business.
- the involvement of a third party without an apparent connection to the business or without a full explanation for their participation.
- funding which is inconsistent with the socio-economic profile of the individuals involved.
- a 100% cash deal.
- structured payments below money laundering thresholds.

The Business

Red flags include:

- the ownership structure is overly complicated when there is no legitimate or economic reason.
- business transactions involve countries where there is a high risk of money laundering and / or the funding of terrorism.
- false or suspicious documents are used to back-up transactions.
- the level of activity is not consistent with the firm's understanding of the client's business or level of legitimate income.
- a failure to produce adequate paperwork detailing the business and its formation.
- a history of aborted transactions.
- unverifiable information produced.