

Anti-Money Laundering Policy

Cardiff Council



Gweithio dros Gaerdydd, gweithio drosoch chi.
Working for Cardiff, working for you.



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1. Introduction

- 1.1 The Council's reputation is underpinned by ethical behaviour, financial probity and honesty. In carrying out its functions and responsibilities, the Council seeks to promote a culture of openness and fairness. Any cases of fraud, bribery, corruption or other dishonesty could adversely affect the Council's reputation, and put its ability to achieve its policies and objectives at risk.
- 1.2 Money laundering is the process by which criminal proceeds are cleansed to disguise their illicit origins. The National Crime Agency reports that money laundering costs the UK more than £100 billion pounds a year. Criminals will attempt to distance themselves from their crimes by finding safe havens for their profits, where they can avoid confiscation orders, and where those proceeds can be made to appear legitimate.
- 1.3 This policy enables the Council to meet the legal requirements associated with the Money Laundering Regulations, in a way that is proportionate, in accordance with the Council's Risk Management Strategy and Policy, whilst ensuring that there are adequate safeguards and reporting arrangements in place, to prevent the Council from being used by third parties for the purpose of money laundering.
- 1.4 The Regulations apply to a number of different business sectors, including accountants, financial service businesses, estate agents and solicitors. Every business covered by the Regulations must be monitored by a supervisory authority, (for example, the Financial Conduct Authority) or belong to a professional body like the Law Society.
- 1.5 The Treasury is responsible for appointing supervisors and for the Money Laundering Regulations, which sets out the role of supervisors and gives them powers to effectively monitor their respective sectors.
- 1.6 The following business sectors are supervised by HMRC:

Money service businesses (guidance link)	Those which are not supervised by the Financial Conduct Authority (FCA)
High value dealers (guidance link)	E.g., for this policy, any business that accepts or makes high value cash payments of £10,000 or more in exchange for goods (or equivalent in any currency).
Trust or company service providers (guidance link)	E.g., any company whose business is to form companies, or other legal persons, act as a director or secretary of a company. Trust or company service provider services can be provided by anyone including accountants and solicitors.
Accountancy service providers (guidance link)	Those which are not supervised by a professional body (give tax advice or accountancy services on a commercial basis), (e.g. auditors who carry out statutory audit work, accountants who provide accountancy services to clients, tax advisers and consultants who provide advice to clients about their tax affairs, payroll agents that provide accountancy services and/or tax advice).

Estate agency businesses (guidance link)	Who on instructions from a customer who wants to buy or sell an interest in land, in the UK or abroad, and introduce your customer to a third party who wants to buy or sell an interest in land. Who act after such an introduction to secure the sale or purchase of the interest in land.
Bill payment service providers	Those which are not supervised by the FCA
Telecommunications, digital and IT payment service providers	Those which are not supervised by the FCA
Businesses trading in art and high value letting agents	These two groups were added in 2019 amendment legislation

- 1.7 The Council is committed to maintaining robust arrangements to prevent money laundering. Local Authorities can be subject to the provision of the Money Laundering Regulations, and must be vigilant in any transactions that may have money laundering implications. Particular care must be exercised when undertaking work on a commercial basis on behalf of a client.

2. Legal Background

- 2.1 The relevant legislation and regulations relating to money laundering are:

- Terrorism Act 2000
- Anti-terrorism, Crime and Security Act 2001
- Proceeds of Crime Act 2002
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
- Criminal Finances Act 2017
- The Money Laundering and Terrorist Financing (amendment) Regulations 2019

- 2.2 An obligation is placed on the Council and its employees, to establish internal procedures, to prevent the use of our services for money laundering and to prevent terrorist financing. The Council has a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of suspicions of money laundering activity.

- 2.3 There are three principal offences under the Proceeds of Crime Act 2002 (POCA) in respect of money laundering (Maximum: 14 years custody):

1. Concealing - Section 327 Proceeds of Crime Act 2002

A person commits an offence -

If they conceal, disguise, convert, transfer, or remove from the UK, any criminal property

2. Arrangements - Section 328 Proceeds of Crime Act 2002

A person commits an offence -

If they enter into or become concerned in an arrangement which they know or suspect facilitates (by whatever means) the acquisition, retention, use or control of criminal property by or on behalf of another person.

3. Acquisition, use and possession - Section 329 Proceeds of Crime Act 2002

A person commits an offence -

If they acquire, use, have possession of criminal property.

But a person does not commit such an offence -

If they make an authorised disclosure; intended to make a disclosure but had a reasonable excuse for not doing so; acquired or used or had possession of the property for adequate consideration. They know, or believe, that the criminal conduct occurred outside the UK, and the criminal conduct was not unlawful in that country.

2.4 There are additional Proceeds of Crime Act 2002 (POCA) offences in respect of money laundering:

Failure to disclose - Section 332 Proceeds of Crime Act 2002 (Max: 5 years custody)

A person nominated to receive disclosures commits an offence -

If they know or suspect that another person is engaged in money laundering, the person or the whereabouts of any of the laundered property can be identified and the knowledge came to them in a disclosure, or they believe that the information will or may assist in identifying that person or the whereabouts of the laundered property. They do not make the required disclosure as soon as is practicable after the information comes to them.

But a person does not commit such an offence –

If they have a reasonable excuse for not making the required disclosure, they know, or believe, that the criminal conduct occurred outside the UK, and the criminal conduct was not unlawful in that country.

Tipping off - Section 333 Proceeds of Crime Act 2002 (Maximum: 2 years custody)

A person commits an offence:

If they know or suspect that a disclosure has been made, and they say or do something which is likely to prejudice any investigation which might be conducted

But a person does not commit such an offence:

If they did not know or suspect that the disclosure was likely to be prejudicial; is a professional legal adviser providing legal advice (not with the intention of furthering a criminal purpose).

Offences of prejudicing investigation- Section 342 Proceeds of Crime Act 2002 (Maximum: 2 years custody)

A person commits an offence:

If they make a disclosure which is likely to prejudice the investigation, or falsify, conceal, destroy or otherwise dispose of documents which are relevant to the investigation.

But a person does not commit such an offence -

If they do not know or suspect that the disclosure is likely to prejudice the investigation, or they are a professional legal adviser providing legal advice (not with the intention of furthering a criminal purpose).

Important, please note, the tables include summary information, refer to the [Proceeds of Crime Act 2002](#) for the full wording.

All persons identified in 'section 6 – Responsibilities' must be aware of their legal responsibilities, as serious criminal sanctions may be imposed.

- 2.5 Money laundering and terrorist financing guidance is available from professional bodies, the Institute of Chartered Accountants in England and Wales is a supervisory body recognised by HM Treasury for the Money Laundering Regulations 2017. The Institute of Internal Auditors, the Chartered Institute of Public Finance & Accountancy, and the Law Society provide money laundering guidance.

3. Data Protection

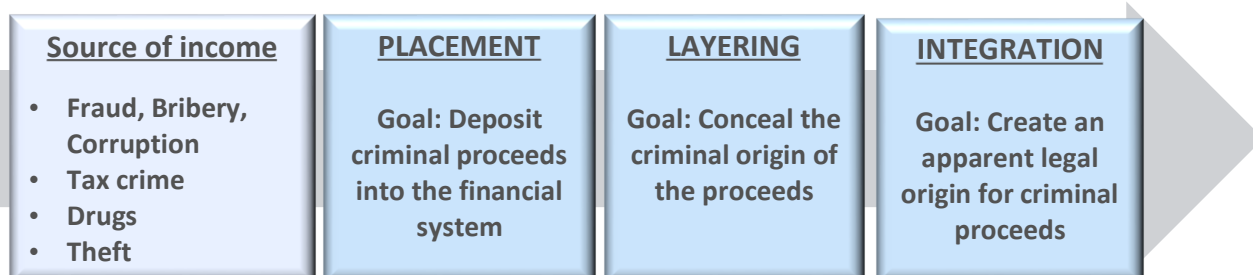
- 3.1 In accordance with the Data Protection Act 2018 the Council does not have to comply with data subject access requests that are likely to prejudice the prevention or detection of crime, or the capture or conviction of offenders.
- 3.2 Similarly, personal data that relates to knowledge or suspicion of money laundering (i.e. data that has been processed to help prevent or detect crime) need not be disclosed under a subject access request, if to do so could constitute *tipping off*. Both of these exceptions apply to the personal data likely to be contained in records relating to internal money laundering reports.
- 3.3 If you have any concerns, or require any advice in this area, contact the Money Laundering Reporting Officer (David Hexter, 029 2087 2284) or the Data Protection Officer (Katie Weaver, 029 2087 3332) promptly.

4. Scope of the Policy

- 4.1 This Policy sets out the procedures which must be followed, and this section should be read in conjunction with the Due Diligence and Know Your Customer Procedure, the Counter-Fraud and Corruption Strategy ([1.CM.120b](#)) and the Whistle Blowing Policy ([1.C.015](#)).
- 4.2 This policy applies to:
- All Council employees (permanent, temporary or casual) and agency staff
 - Elected Members
 - Consultants undertaking Council work, Contractors working for the Council, and Partners
 - Suppliers and those providing services under contract with the Council
 - Volunteers
 - Anyone carrying out work for, or on behalf of, the Council
- 4.3 Failure to comply with these procedures may lead to disciplinary action being taken.

5. What is Money Laundering?

- 5.1 Money laundering is the process of making money generated by a criminal activity, such as drug dealing or theft appear to have come from a legitimate source.
- 5.2 The money from the criminal activity is considered dirty, and the process "launders" it to make it look clean. Money laundering is itself a crime.



6. Responsibilities

- 6.1 Cardiff Council has put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements. The following persons must be aware of their responsibilities, as serious criminal sanctions may be imposed for breaches of legislation, such as failure to report suspicion of money laundering.

Roles	Primary Responsibilities
Elected Members	<ul style="list-style-type: none"> • Raise concerns promptly
Employees / consultants / volunteers	<ul style="list-style-type: none"> • Complete Fraud Awareness Training • At a minimum, all staff who receive cash, monitor cash receipts or who manage staff in these areas, and all solicitors must complete eLearning on anti-money laundering • Apply customer due diligence / maintain client identification procedures as appropriate • Maintain robust record keeping procedures • Raise concerns promptly
<i>Those in the following roles have all responsibilities as above, with further role specific responsibilities as below</i>	
Managers	<ul style="list-style-type: none"> • Appropriately risk assess and mitigate money laundering risks within areas of responsibility • Retain sufficient evidence for monitoring and review of the identification and management of money laundering risks • Ensure that all relevant persons are aware of the requirements and obligations placed on Cardiff Council, and on themselves as individuals
Operational Managers	<p>Further to Manager Responsibilities:</p> <ul style="list-style-type: none"> • Complete anti-money laundering eLearning where responsible for verifying customer due diligence evidence, for approval, or disclosure to the MLRO • Ensure annual training needs are considered as part of the Personal Review process and that officers considered to be in relevant roles of increased money laundering risk complete the money laundering, eLearning module every 2 years.

Money Laundering Reporting Officer	<ul style="list-style-type: none"> • Provide anti-money laundering advice, guidance and training • Investigate reports and disclosures of money laundering • Promptly report suspicions of money laundering to the National Crime Agency.
Section 151 Officer & Monitoring Officer	<ul style="list-style-type: none"> • Ensure the Council has a Money Laundering Reporting Officer • Champion internal procedures and systems to identify report and mitigate suspicions of money laundering

6.2 David Hexter, Group Auditor (Investigations) is the nominated Money Laundering Reporting Officer and should be notified of any activity or suspicion of money laundering:

✉ d.hexter@cardiff.gov.uk cc fraud@cardiff.gov.uk

☎ 029 2087 2284

7. Training

- 7.1 All staff are required to undertake mandatory fraud awareness training, which includes an overview of money laundering.
- 7.2 At a minimum, all staff who receive cash, monitor cash receipts or who manage staff in these areas, and all solicitors must complete eLearning on anti-money laundering. This includes Operational Managers in these areas, who are responsible for verifying customer due diligence evidence, and making disclosures to the MLRO. The eLearning should be completed at least every 2 years for refresher purposes.
- 7.3 Each Directorate should carry out annual training needs assessments as part of the Personal Review process and officers considered to be in relevant roles of increased money laundering risk will complete a money laundering eLearning module.
- 7.4 Additional specific training may be delivered upon request, to the MLRO.

8. Due Diligence

- 8.1 The terms 'Due Diligence' and 'Know Your Customer', refer to an appraisal, of an individual or organisation, that the Council should undertake before entering into a business transaction to verify the identity of parties and assess the potential risks of illegal intentions.
- 8.2 It is important that the Council is aware of whom it is transacting with, including the structure relevant entities, so all beneficiaries are appropriately disclosed/identified. The approach should be risk-based and proportionate; the high-risk money laundering activities are identified within Section 9 of this policy.
- 8.3 The 'Due Diligence and Know Your Customer Procedure' set out the process that must be followed, and the circumstances in which 'Customer Due Diligence Forms' must be completed, and disclosures are to be made.
- 8.4 Since the 30th June 2016, companies have been required to declare who owns or controls them to Companies House. There is a requirement to notify Companies House of discrepancies identified as part of the "know your customer" checks before establishing a business relationship with another entity. Companies House must then investigate and, if necessary, take action to resolve the discrepancy.

8.5 If there are any doubts about the identity of a customer / business partner, the Council must obtain further verification immediately. Should you have concerns about potential money laundering, following a money laundering disclosure, you will need to consider if and how you should change the way you interact with your client to avoid committing the offences of:

- **Tipping off**
- **Prejudicing an investigation**

8.6 Making a Disclosure does not necessarily mean that all work on a client’s file must stop. However, if you do not have a defence against money laundering from the National Crime Agency, you are prohibited from carrying out any act that would amount to a principal money laundering offence (see [paragraph 2.3](#)).

8.7 Before establishing a *client* relationship or accepting an engagement, the Council must have controls in place to address the risks arising from it.

Land or Property Sale	When you establish a business relationship, with a customer or another party in a land or property sale. There are obligations for solicitors in this area.
New business relationship	When you establish a new business relationship (formal or informal) you need to obtain information on: <ul style="list-style-type: none"> • the purpose of the relationship • the intended nature of the relationship - for example where funds will come from, the purpose of transactions, and so on
Changing circumstances	We are required to keep up-to-date information on our customers and to: <ul style="list-style-type: none"> • amend our risk assessment of a particular customer if their circumstances change • carry out further due diligence measures if necessary <p>Changes of circumstance may include:</p> <ul style="list-style-type: none"> • a big change in the level or type of business activity • a change in the ownership structure of a business
Occasional transactions	The Council should carry out customer due diligence measures when occasional transactions are carried out. These are transactions that are not carried out within an ongoing business relationship where the value is £10,000 or more. This applies whether it is a single transaction or linked transactions.
Linked Transactions	Linked transactions are individual transactions of less than £10,000 that have been deliberately broken down into separate, smaller transactions to avoid customer due diligence checks. Some issues to consider are: <ul style="list-style-type: none"> • a number of payments have been made by the same customer in a short period of time • It is possible that a number of customers have carried out transactions on behalf of the same person.

Ø Money Laundering Risks

- 8.8 Remember, the aim of the money launderer is to convert their cash from crimes, into legitimate sources of income. Everyone who receives cash or monitors cash receipts or manages staff in these areas, and all solicitors need to be alert to the risk.
- 8.9 When dealing with the Council, they could attempt to purchase or lease assets (land, property, buildings), good or services etc. They could sell on, or sublet these assets and place payments into a bank account.
- 8.10 Receiving a refund from the Council could appear to be a legitimate source of a payment into their bank account; similarly, if a money launderer is able to sell goods at significantly inflated prices, the income could appear to be legitimate.
- 8.11 The following areas are examples of those most susceptible to money laundering:
- Sale of properties and land
 - Receipt of high value cash sums
 - Overpayments and requests for refunds (mainly linked to Revenue Accounts)
 - Grant and loans to third parties
- 8.12 Possible indicators of money laundering activity:
- Unusually large cash transactions (£10,000 or more)
 - Numerous small transactions which appear to be linked and combined exceed £10,000
 - Where a transaction appears to be unusual in nature
 - The absence of an obvious legitimate source of funds, for example, a property purchase without a mortgage
 - Repeated cancelling of transactions
 - Where a customer pays funds to the Council but then ends the transaction for no apparent reason, or unexpectedly asks for money to be refunded or forwarded to a third party
 - An overpayment or duplicate payment where the refund is later requested (large sum)
 - Individuals or companies that are insolvent but have funds
 - Excessively secretive or obstructive clients
 - Where the customer informs us that funds are coming from one source and at the last minute the funding source changes.
- 8.13 In considering risk, we need to consider factors relating to:
- a) the customers of who we are transacting with
 - b) the countries or geographic areas in which it operates
 - c) the products or services
 - d) the nature of transactions
 - e) the delivery channels
- 8.14 The 'Due Diligence and Know Your Customer Procedure' set out the process that must be followed to ensure we appropriately address areas of risk.

⊘ High Risk Areas

- 8.15 Particular care should be exercised in cases where a significant cash amount is involved. The Council has set a cash payment limit of £10,000 at which point additional due diligence checks are necessary.
- 8.16 Vigilance must also be maintained where there are a series of smaller, linked cash transactions, which could be seeking to circumvent due diligence checks.
- 8.17 There are a number of circumstances in which prompt advice must be sought from the MLRO. Advice is required from the MLRO prior to engaging in any:
- Arrangement in which the Council may be operating as a credit or financial institution.
 - Transaction or business relationship with a person established in a 'high risk third country'. The European Commission identifies 'high risk third countries' with strategic deficiencies in their national anti-money laundering and counter financing of terrorism regimes that pose significant threats to the financial system of the European Union. [High risk third countries link](#)
 - Transaction or business relationship with a politically exposed person (PEP). A PEP is a person who has been entrusted within the last year by either a state other than the UK, a community institution, or an international body and who fulfils one of the following public roles:
 - *heads of state, heads of government, ministers and deputy or assistant ministers*
 - *Members of Parliament*
 - *members of supreme courts, or constitutional courts or of other high-level judicial bodies whose decisions are not generally subject to further appeal, except in exceptional circumstances*
 - *members of courts of auditors or of the boards of central banks*
 - *ambassadors, chargés d'affaires and high ranking officers in the armed forces*
 - *members of the administrative, management or supervisory bodies of state-owned enterprises.*
- 8.18 Formal professional advice will be required **before** entering into a business relationship.

9. Record keeping

- 9.1 The appropriate 'Customer Due Diligence' (Appendix A / Appendix B) must be completed for all cases, which are at high risk of money laundering in accordance with section 8 of this policy.
- 9.2 The completed 'Customer Due Diligence Form' will either be approved in receipt of satisfactory evidence of identity and business activities by a Directorate Operational Manager (OM), or it will be referred to the MLRO, in accordance with the 'Due diligence and know your customer procedure'.
- 9.3 Whenever a 'Customer Due Diligence Form' is completed, a copy must be provided to the MLRO, for monitoring and review purposes, and to respond to disclosures via Fraud@cardiff.gov.uk.

- 9.4 All completed Customer Due Diligence Forms must be retained including all customer due diligence measures that are carried out, namely:
- customer identification documents that have been obtained
 - customer correspondence
 - receipts / paying in books
 - further checks carried out
 - risk assessments
 - the rationale for the OM decision
- 9.5 By keeping comprehensive records, you will be able to show that you have complied with the Money Laundering Regulations. This is crucial to protect the Council, if there is an investigation, into one of our customers.
- 9.6 Records must be kept for five years beginning from:
- the date a business relationship ends
 - the date a transaction is completed

10. Reporting

- 10.1 Where any person specified in section 6 knows or suspects that money laundering activity has taken place or becomes concerned about their involvement in potential money laundering practices, they must contact the Money Laundering Reporting Officer immediately to discuss those concerns. **Failure to report concerns could constitute a criminal offence.**
- ✉ d.hexter@cardiff.gov.uk cc. Fraud@cardiff.gov.uk ☎ 029 2087 2284
- 10.2 The Audit Manager, Chris Pyke, can alternatively receive money laundering concerns and can be contacted by email or telephone:
- ✉ CPyke@cardiff.gov.uk cc. Fraud@cardiff.gov.uk ☎ 029 2087 3455
- 10.3 Please also send a courtesy copy of the email to fraud@cardiff.gov.uk.
- 10.4 The Money Laundering Reporting Officer will consider and investigate the facts of the case and if appropriate, make a report to the National Crime Agency. The person who referred the concerns may be required to complete the money laundering disclosure form (Appendix C).
- 10.5 Someone seeking reassurance that their conclusions are reasonable, can discuss them with their line manager, however, reporting to a line manager or colleague alone, is not enough to comply with the legislation.
- 10.6 There should be no discussions with wider colleagues as confidentiality is paramount and the person that is suspected of being involved with money laundering must not be 'tipped off'.
- 10.7 At no time and under no circumstances should any suspicions be voiced to the person(s) suspected of money laundering.

11. Definitions

Criminal Conduct	Conduct which constitutes an offence in any part of the United Kingdom, or would constitute an offence in any part of the United Kingdom if it occurred there (S 340 POCA).
Criminal Property	The property constitutes a person's benefit from criminal conduct or it represents such a benefit (in whole or part and whether directly or indirectly), and the alleged offender knows or suspects that it constitutes or represents such a benefit. (S 340 POCA).
Property	Property is all property wherever situated and includes; money, all forms of property, real or personal, heritable or moveable, things in action and other intangible or incorporeal property (S 340 POCA).
Disclosure	A formal report made to the MLRO when there are suspicions of money laundering activity
MLRO	Money Laundering Reporting Officer, the person in the Council who has been designated to receive Disclosures
Money Laundering Legislation	UK legislation and regulations behind the UK anti-money laundering regime: <ul style="list-style-type: none"> • Terrorism Act 2000 • Anti-terrorism, Crime and Security Act 2001 • Proceeds of Crime Act 2002 • The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 • Criminal Finances Act 2017 • The Money Laundering and Terrorist Financing (amendment) Regulations 2019
<u>NCA</u>	National Crime Agency - leads the UK's fight to cut serious and organised crime, protecting the public by targeting and pursuing those criminals who pose the greatest risk to the UK.
Principal Offences	The three main money laundering offences, as stated in the Proceeds of Crime Act 2002 (S327, 328, 329): Concealing; Arranging; Acquisition, use and possession.
PSC register	UK companies (except listed companies and limited liability partnerships) need to declare this information when issuing their annual confirmation statement to Companies House. This information will form a central public register of people with significant control, which is free to access.
Person of Significant Control (PSC register)	Someone that holds more than 25% of shares or voting rights in a company, has the right to appoint or remove the majority of the board of directors or otherwise exercises significant influence or control.

Customer Due Diligence Form – Private individual

To be completed in accordance with the ‘Due Diligence and Know your Customer Procedure’

Name of person reviewing customer:	
Telephone number:	
Customer name:	
Customer address:	
Customer contact details:	
Type of customer:	

Evidence of Identity Obtained (verified photocopies attached) and Summary of Due Diligence Checks Undertaken (refer to Customer Due Diligence and Know Your Customer Procedure):

refer to Customer Due Diligence and Know Your Customer Procedure

Summary of transactions:

Purpose, nature, value etc.

Operational Manager – Consideration to Proceed

Can the Council proceed with the transaction? Yes / No

Signed: _____ Date: _____

If you have concerns about the customer verification, you must make a disclosure to the MLRO.

OM Approved		OR	OM Referred to MLRO	
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Date referred to MLRO:

OM approval /disclosure comments required.

A copy of this form must be submitted to the MLRO in every case - OM approval or MLRO disclosure.

✉ d.hexter@cardiff.gov.uk cc. Fraud@cardiff.gov.uk ☎ 029 2087 2284

Money Laundering Reporting Officer (MLRO) - Consideration to proceed

To be completed by the Money Laundering Reporting Officer

Consideration of Due Diligence Checks Undertaken and Determination:

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Can the Council proceed with the transaction? Yes / No

Signed: _____ Date: _____

Actions taken by
the MLRO:

Customer Due Diligence Form – Business

To be completed in accordance with the ‘Due Diligence and Know your Customer Procedure’

Name of person reviewing customer:	
Telephone number:	
Business name:	
Registered address:	
Company contact details:	
Companies House Registration Number	
Type of business:	

Who are the company Directors? – are there any beneficial owners? (I.e. any person/company who owns more than 25% of the company in question)

Date of first contact with Company: _____

Nature of Transaction: _____

Summary of Due Diligence checks undertaken:

refer to Customer Due Diligence and Know Your Customer Procedure

Operational Manager – Consideration to Proceed

Can the Council proceed with the transaction? Yes / No

Signed: _____ Date: _____

If you have concerns about the customer verification, you must make a disclosure to the MLRO.

OM Approved		<u>OR</u>	OM Referred to MLRO	
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Date referred to MLRO:

OM approval / disclosure comments required.

A copy of this form must be submitted to the MLRO in every case - OM approval or MLRO disclosure.

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Money Laundering Reporting Officer (MLRO) - Consideration to proceed

To be completed by the Money Laundering Reporting Officer

Consideration of Due Diligence Checks Undertaken and Determination:

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Can the Council proceed with the transaction? Yes / No

Signed: _____ Date: _____

Actions taken by
the MLRO:

Money Laundering Disclosure Form

This form should be used to report **suspicious activity**. Certain information will be required in order for a report to be accepted by the National Crime Agency.

Person making the disclosure: _____

Contact details: _____

Main subject of suspicious activity

Please provide the following information as appropriate / available:

- Full name, address, date of birth, employer/employment, bank details of the individual
- Full name, address, company number, vat number, bank details, type of business for all companies thought to be involved
- If identification has been sighted, state the type and relevant reference numbers (e.g. passport number)
- Any further information to identify persons involved

- Information as above in respect of relevant associates* of the individual
- Details of the connection between the main subject and the associate subject (reason for association)

* an associate person or company is one that is linked to the main person/company in some direct way and is involved in the suspicious activity.

- Details of your involvement/transactions with the individual / business (date, amount, debit or credit, cash etc.)

- Why are you suspicious about this activity?

Have you discussed your concerns with anyone else? Yes / No If yes, elaborate:

Have you taken any action or done any further Due Diligence? Yes / No If yes, elaborate:

Please email the completed form to Fraud@cardiff.gov.uk

Due Diligence and Know Your Customer Procedure

1. Introduction

- 1.1 This procedure aims to protect the Council from fraud and money laundering activities and enables the Council to meet the legal requirements associated with the Money Laundering Regulations, in a way that is proportionate to the Council's risk of contravening the legislation.
- 1.2 Obtaining the Due Diligence and Know Your Customer information is only the first step. You must ensure that you review the information and ask appropriate questions or request additional information if necessary. If there are any doubts about the legitimacy of the identity or business relationship being established, then appropriate advice should be sought from your Line Manager or the MLRO as appropriate. If you have concerns about money laundering or fraud, need to make the appropriate disclosure under the Anti-Money Laundering Policy, the Counter-Fraud and Corruption Strategy and the Fraud, Bribery and Corruption Policy.

2. Scope of the Procedure

- 2.1 This procedure applies to:
 - All Council employees (permanent, temporary or casual) and Agency Staff
 - Elected Members
 - Consultants undertaking Council work, Contractors working for the Council, and Partners
 - Suppliers and those providing services under contract with the Council
 - Volunteers
 - Anyone carrying out work for, or on behalf of, the Council
- 2.2 Failure by any member of staff to comply with this procedure may lead to disciplinary action being taken against them.

3. What is Due Diligence and Know Your Customer?

- 3.1 Criminals often seek to mask their true identity by using complex and opaque ownership structures. The purpose of customer due diligence is to know and understand a client's identity and business activities so that any money laundering risks can be properly managed. Effective customer due diligence is therefore, a key part of anti-money laundering defences.
- 3.2 By knowing the identity of a client, including matters of business ownership and control, the Council not only fulfils its legal and regulatory requirements, it equips itself to make informed decisions about the client's standing and acceptability.
- 3.3 The required components are:
 - a) **Identifying the client** (i.e., knowing who the client is) and then verifying their identity (i.e., demonstrating that they are who they claim to be) by obtaining documents or other information from independent and reliable sources;
 - b) **Identifying beneficial owner(s)** so that the ownership and control structure can be understood and the identities of any individuals who are the owners or controllers can be

known and, on a risk sensitive basis, reasonable measures should be taken to verify their identity; and

c) **Gathering information on the intended purpose and nature of the business relationship.**

3.4 If you have doubts about a customer's identity, you must stop dealing with them until you are sure.

4. When to apply Customer Due Diligence measures

4.1 Before establishing a *client* relationship or accepting an engagement, the Council must have controls in place to address the risks arising from it.

Land or property sale

4.2 When you establish a business relationship, with a customer or another party in a land or property sale.

New business relationship

4.3 When you establish a new business relationship (formal or informal) you need to obtain information on:

- the purpose of the relationship
- the intended nature of the relationship - for example where funds will come from, the purpose of transactions, and so on

The type of information that you need to obtain may include:

- details of your customer's business or employment
- the source and origin of funds that your customer will be using in the relationship
- copies of recent and current financial statements
- details of the relationships between signatories and any underlying beneficial owners
- the expected level and type of activity that will take place in your relationship

Changing circumstances

4.4 We are required to keep up-to-date information on our customers so that we can:

- amend our risk assessment of a particular customer if their circumstances change
- carry out further due diligence measures if necessary

Changes of circumstance may include:

- a big change in the level or type of business activity
- a change in the ownership structure of a business

Occasional transactions

4.5 The Council should carry out customer due diligence measures when occasional transactions are carried out. These are transactions that are not carried out within an ongoing business relationship where the value is £10,000 or more. This applies whether it is a single transaction or linked transactions.

4.6 Linked transactions are individual transactions of less than £10,000 that have been deliberately broken down into separate, smaller transactions to avoid customer due diligence checks. Some issues to consider are:

- a number of payments have been made by the same customer in a short period of time
- It is possible that a number of customers have carried out transactions on behalf of the same person.

5. Record keeping requirements

5.1 All records created as part of the Customer Due Diligence process, including any non-engagement documents relating to the *client* relationship and ongoing monitoring of it, must be retained for five years after the relationship ends.

5.2 All records related to an *occasional transaction* must be retained for five years after the transaction is completed. A disengagement letter could provide documentary evidence that a business relationship has terminated, as could other forms of communication such as an unambiguous email making it clear that the *business* does not wish to engage or is ceasing to act.

5.3 Whenever a 'Customer Due Diligence Form' is completed, a copy must be provided to the MLRO, for monitoring purposes, and to respond to disclosures via Fraud@cardiff.gov.uk.

5.4 All completed Customer Due Diligence Forms must be retained including all customer due diligence measures that are carried out.

6. Reporting

6.1 David Hexter, Group Auditor (Investigations) is the nominated Money Laundering Reporting Officer and should be notified of any activity or suspicion of money laundering.

✉ d.hexter@cardiff.gov.uk cc. fraud@cardiff.gov.uk ☎ 029 2087 2284

Individual Verification

Entity type	Evidence required	Notes
<p>Individual (UK or EU resident)</p>	<p><i>Proof of name and identity</i> The original (or if that is not available, a certified copy) of one of:</p> <ul style="list-style-type: none"> • Signed passport. • National identity card with photograph. • UK or EU driving licence (with photograph) • A verifiable government document containing a photograph of the client. <p>AND</p> <p><i>Proof of address</i> The original (or if that is not available a certified copy) of one of:</p> <ul style="list-style-type: none"> • Current council tax or utility bill. • Current bank or building society statement containing current address. • Current mortgage statement or rent book. • Driving licence (if not used to confirm identity). 	<p>In the event any of the original documents cannot be obtained, other original documentation, not listed here or an entry on the electoral register may be acceptable, but you will need the consent of the MRLO to accept any documents not listed in this table.</p>
<p>Individual (non-UK resident)</p>	<p><i>Proof of name and identity</i> The original (or if that is not available a certified copy) of one of:</p> <ul style="list-style-type: none"> • Signed passport • National identity card (with photograph). <p>AND</p> <p><i>Proof of address</i> The original (or if that is not available a certified copy) of one of:</p> <ul style="list-style-type: none"> • Current utility or tax bill confirming home address. • Current rent or mortgage statement confirming the home address. • Address confirmation from an official overseas source. • A reputable directory confirming home or work address. 	

Business Verification

Entity type	Evidence required	Notes
<p>Individual professionals</p>	<p>You must verify the identity of the individual professional in the same way as other individuals.</p>	<p>If an individual is acting in the course of his/her business and is registered in the appropriate professional directory (such as an English solicitor on the Solicitors Regulation Authority roll who can be found on the Law Society’s website) with a current business address you do not need to confirm the home address of the individual.</p>
<p>All UK government and public authorities <i>(including Local Authorities)</i></p>	<p>All that is required is confirmation that the Agency or Public Authority exists from an official government website.</p>	<p>If the person we are dealing with is not listed as a director or officer of the Agency or Authority then you must satisfy yourself that the person does work within the department of which the relevant executive officer is listed. Confirmation on official headed notepaper/letterhead is sufficient.</p>
<p>Arm’s Length Management Organisations (ALMO’s)</p>	<p>Obtain name, company name, registered office, or if different, principle place of business.</p> <p>Obtain copies of:</p> <ul style="list-style-type: none"> • Certificate of Incorporation. • Articles of Association showing sole ownership of the company by the Council. <p>You must also verify the identity of the officer with whom you are dealing in relation to the transaction. You should do this in the same way as verifying the identity of an individual.</p>	<p>You must take all reasonable steps to identify the law to which the entity and its constitution is subject, full names of the board of directors, or if there is no board the senior management and the senior person responsible for the operation of the entity.</p>

Entity type	Evidence required	Notes
<p>UK registered providers (RPs)</p>	<p>Obtain name, company name, registered office, or if different, principle place of business.</p> <p>You must obtain copies of:</p> <ul style="list-style-type: none"> • The registration entry at Companies House or the FCA. • The audited accounts listing the directors and chief officers. <p>You must also verify the identity of the officer with whom you are dealing in relation to the transaction. You should do this in the same way as verifying the identity of individual.</p> <p>Any discrepancies should be reported to Companies House.</p>	<p>Please note that if the entity is a Registered Provider (RP) and a registered charity, you should follow the RP requirements.</p>
<p>Pre-registration RPs</p>	<p>Obtain name, company name, registered office, or if different, principle place of business.</p> <p>You must obtain copies of:</p> <ul style="list-style-type: none"> • The company formation documents or a copy of the RPs HCA, Companies House or FCA registration. <p>You must also verify the identity of the officer with whom you are dealing in relation to the transaction. You should do this in the same way as verifying the identity of an individual.</p> <p>Any discrepancies should be reported to Companies House.</p>	<p>Please note that if the entity is a pre-registration RP and a registered charity, you should follow the RP requirements AND the charity requirements.</p>

Entity type	Evidence required	Notes
<p>Small charities</p> <p><i>(with an annual income of less than £500,000)</i></p>	<p>Obtain name, company name, registered office, or if different, principle place of business.</p> <p>You must obtain copies of:</p> <ul style="list-style-type: none"> • Certificate of Incorporation. • The constitutional documents. • The latest accounts. <p>You must also verify the identity of the officer with whom you are dealing in relation to the transaction. You should do this in the same way as verifying the identity of an individual.</p>	<p>Please note that if the entity is a Registered Provider and a registered charity, you should follow the RP requirements.</p>
<p>Large charities</p> <p><i>(with an annual income of £500,000 or more)</i></p>	<p>Obtain name, company name, registered office, or if different, principle place of business.</p> <p>You must obtain copies of:</p> <ul style="list-style-type: none"> • Extract from the Charity Commission website showing the charity registration number and place of business. • The latest accounts (summary is acceptable). <p>You must also verify the identity of the officer with whom you are dealing in relation to the transaction. You should do this in the same way as verifying the identity of an individual.</p>	<p>Please note that if the entity is Registered Provider and a registered charity, you should follow the RP requirements.</p>
<p>Partnerships</p>	<p>You must verify:</p> <ul style="list-style-type: none"> • the identity of the partner with whom you are dealing in relation to the transaction plus one other partner plus any other partner who owns or controls 25% more of the partnership in terms of capital, voting rights or profits. <p>You should do this in the same way as verifying the identity of individual.</p>	<p>If the partnership is made up of regulated professionals (solicitors, accountants, estate agents, tax advisors and insolvency practitioners) confirmation of its existence and current business address from the relevant professional directory or reputable professional directory is sufficient.</p>

Entity type	Evidence required	Notes
<p>Trusts</p>	<p>You must verify the identity of at least two of the trustees, including one with whom you are dealing in relation to the transaction. The identification requirements you need will depend on the nature of the trustee, so for example if the trustee is a UK private company, follow the requirements in this table for UK private companies, and if the trustee is an individual, follow the requirements in this table for individuals.</p> <p>You must check and understand the documents establishing the Trust. This is likely to involve a request for a Trust structure chart, and a certified copy of the Trust deed.</p> <p>As well as verifying the identity of two trustees in the same way you would verify the identity of an individual (you must also verify the identity of the beneficiaries of the trust, its settlor and any individual having control over it (e.g. a protector) again, in the same way that you would verify the identity of an individual.</p> <p>Any discrepancies should be reported to Companies House.</p>	
<p>Companies listed on a recognised UK stock exchange</p> <p><i>(in practice is any company listed on the Main List of the London Stock Exchange (LSE))</i></p>	<p>Obtain name, company name, registered office, or if different, principle place of business.</p> <p>You must obtain copies of:</p> <ul style="list-style-type: none"> • Certificate of Incorporation. <p>Evidence of the UK listing which can be found in most UK newspapers or on the relevant exchange website.</p>	

Entity type	Evidence required	Notes
<p>Majority owned subsidiaries of companies listed on a regulated market in the UK</p> <p><i>(i.e. listed on the Main List of the LSE)</i></p>	<ul style="list-style-type: none"> • Obtain the name, company number, registered office, or if different, principle place of business. • Identify the parent company listed in the UK (see above requirements): Companies registered on a recognised UK Stock Exchange. • Obtain confirmation of the parent/subsidiary relationship such as the last filed annual report or a note from the parent’s last audited accounts. <p>Any discrepancies should be reported to Companies House.</p>	<p>If the company structure is complex, ask to see a corporate structure chart (you need to ask applicant to provide this).</p> <p>Once you receive the structure chart you should check it against publicly available information at Companies House (you can do this by searching the company names at Companies House Online) and / or using an Online Check. If it is not possible to identify any of the group entities using these sources then this must be discussed with the MLRO.</p>
<p>Private and unlisted public UK companies – FCA authorised</p>	<ul style="list-style-type: none"> • Obtain the name, company number, registered office, or if different, principle place of business. • A copy of the FCA on-line register showing the company and relevant directors are FCA authorised. <p>You must also:</p> <ul style="list-style-type: none"> • Verify the identity of the officer with whom you are dealing in relation to the transaction. You should do this in the same way as verifying the identity of individual. • Take all reasonable steps to identify the law to which the entity and its constitution is subject , full names of the board of directors, or if there is no board the senior management and the senior person responsible for the operation of the entity. 	

Entity type	Evidence required	Notes
<p>Private and unlisted public UK companies – non FCA authorised</p>	<p>You must obtain:</p> <ul style="list-style-type: none"> • Certificate of Incorporation • A current Companies House search <p>You must also:</p> <ul style="list-style-type: none"> • Verify the identity of the officer with whom you are dealing in relation to the transaction. You should do this in the same way as verifying the identity of an individual. • Identify any ultimate beneficial owner, being a living individual who owns 25% or more of the shares in the company or otherwise controls 25% or more of the company. You should do this in the same way as verifying the identity of an individual. <p>Any discrepancies should be reported to Companies House.</p>	<p>If the company structure is complex, ask to see a corporate structure chart and check it to publicly available information on Companies House.</p>
<p>AIM companies</p> <p><i>(AIM is the UK Alternative Investment Market and is a sub-market of the London Stock Exchange. AIM companies are generally smaller than FTSE or LSE companies)</i></p>	<p>Obtain the name, company number, registered office, or if different, principle place of business.</p> <p>You must obtain:</p> <ul style="list-style-type: none"> • Certificate of Incorporation. • A current Companies House search. To do this you need to search the company name at Companies House Online to confirm the company remains active and registered. <p>You must also:</p> <ul style="list-style-type: none"> • Verify the identity of the officer with whom you are dealing in relation to the transaction. You should do this in the same way as verifying the identity of an individual. • Identify any ultimate beneficial owner (UBO) being a living individual who owns 25% or more of the shares in the company or otherwise controls 25% or more of the company. • Take all reasonable steps to identify the law to which the entity and its constitution is subject, full names of the board of directors, or if there is no board the senior management and the senior person responsible for the operation of the entity. <p>Any discrepancies should be reported to Companies House.</p>	<p>If the company structure is complex, ask to see a corporate structure chart (you need to ask the applicant to provide this).</p> <p>Once you receive the structure chart you should check it against publicly available information at Companies House (you can do this by searching the company names at Companies House Online) and /or using an Online Check. If it is not possible to identify any of the group entities using these sources then this must be discussed with the MLRO.</p> <p>Once you have checked the structure chart, you need to verify the identity of all of the UBOs – i.e. the bottom of the ownership chain.</p>

Entity type	Evidence required	Notes
<p>Companies listed overseas – outside the European Economic Area (EEA)</p>	<p>Obtain the name, company number, registered office, or if different, principle place of business.</p> <p>You must obtain:</p> <ul style="list-style-type: none"> • A company search of the local registry or reputable listing (to include the listing of directors). • Certificate of ‘good standing’ from a lawyer. This needs to state that the company exists as a legal entity and has complied with all administrative requirements relating to its registration (including the payment of any government dues). • Confirmation from the company that the director we are dealing with is authorised on behalf of the company. This should be written confirmation on company letterhead or a suitable board minute. <p>You must also</p> <ul style="list-style-type: none"> • Verify the identity of the officer with whom you are dealing in relation to the transaction. You should do this in the same way as verifying the identity of individual. • Take all reasonable steps to identify the law to which the entity and its constitution is subject, full names of the board of directors, or if there is no board of directors the senior managements and the senior person responsible for the operation of the entity. 	<p>If the company structure is complex, ask to see a corporate structure chart (you need to ask the applicant to provide this).</p> <p>Once you receive the structure chart, you should check it using an Online Check. If it is not possible to identify any of the group entities using these sources then this must be discussed with the MLRO.</p> <p>Once you have checked the structure chart, you need to verify the identity of all of the UBOs – i.e. the bottom of the ownership chain.</p>

Entity type	Evidence required	Notes
<p>Unlisted and private overseas companies</p>	<p>Obtain the name, company number, registered office, or if different, principle place of business.</p> <p>You must obtain:</p> <ul style="list-style-type: none"> • Official evidence of a registered address. • Copy of documents required by law to form the company (and details of any change of name). • Certificate of 'good standing' from a lawyer. This needs to state that the company exists as a legal entity and has complied with all administrative requirements relating to its registration (including the payment of any government dues). • Copy of the register of shareholders/members and directors. • Confirmation from the company that the director we are dealing with is authorised on behalf of the company. This should be a written confirmation on company letterhead or a suitable board minute. <p>You must also</p> <ul style="list-style-type: none"> • verify the identity of the officer with whom you are dealing in relation to the transaction. • identify any ultimate beneficial owner being a living individual who owns 25% or more of the shares in the company or otherwise controls 25% or more of the company • take all reasonable steps to identify the law to which the entity and its constitution is subject, full names of the board of directors, or if there is no board the senior management and the senior person responsible for the operation of the entity. 	