

Appendix B: London Borough of Lambeth Anti-Money Laundering Policy

Introduction

The Proceeds of Crime Act 2002 and the Terrorism Act 2000, together with the Bribery Act 2010, Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 place obligations on Lambeth Council (the Council) and its staff to establish internal procedures to prevent the use of services for money laundering. Whilst the degree to which the legislation applies to individual activities is not clearly defined, it is essential that the Council complies with the spirit as well as the letter of the legislation.

Scope of the Policy

This Policy will apply to all Members, employees, and other personnel of the Council. It aims to maintain the Council's high ethical standards by seeking to prevent criminal activity through money laundering.

This Policy sets out the procedures that must be followed, for example the reporting of suspicions of money laundering activity, for the Council to comply with its legal obligations. This Policy forms part of the Council's wider financial governance with its Counter Fraud Policy and Whistleblowing Policy.

Failure by a member of staff to comply with the procedures set out which are appended to this Policy may lead to management considering disciplinary action being taken against the employee. Any disciplinary action will be dealt with in accordance with the Council's disciplinary procedures.

This Policy does not apply to staff working for the Council's various contractors. However, managers responsible for letting and monitoring such contracts must ensure that such contracts include effective policies and procedures for dealing with potential money laundering. Under the Council's standard contract conditions all service providers 'shall have and maintain adequate procedures in place to prevent fraud, bribery, money-laundering and corruption in line with legislation including, but not limited to, the Terrorism Act 2000, the Proceeds of Crime Act 2002, and the Bribery Act 2010.'

Policy Statement

The Council is committed to tackling fraud, abuse, and other forms of malpractice. This includes a commitment to the prevention, detection and reporting of money laundering and the Council will do all it can to:

- Prevent the Council and its staff being exposed to money laundering;
- Identify the potential areas where it may occur; and,
- Comply with all legal and regulatory requirements, especially about the reporting of actual or suspected cases.

The Council expects all Members, employees, and other personnel to be vigilant for the signs of money laundering and anyone who suspects money laundering activity must report this promptly to the Money Laundering Reporting Officer (MLRO). Further details can be found in [The Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#)

London Borough of Lambeth

Anti-Money Laundering Practice Note

What is money laundering?

Money laundering is a process which criminals employ to make it appear the money they have obtained fraudulently or by criminal means is legitimate. The three defined stages of money laundering are:

- **Placement:** represents the initial entry of the proceeds of crime into the financial system. Generally, this stage serves two purposes: it relieves the criminal of holding large amounts of cash, and it places the money into the legitimate financial system;
- **Layering:** a complex web of transactions to move money through the financial system. The primary purpose is to separate the illicit money from its source. This is done by the sophisticated layering of financial transactions that obscure the audit trail and sever the link with the original crime; and,
- **Integration:** money is returned to the criminal from what seem to be legitimate sources. Having been placed initially as cash and layered through several financial transactions, the criminal proceeds are now fully integrated into the financial system and can be used for any purpose.

Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations (MLR) 2017, even when undertaking regulated activities within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, it is prudent and responsible practice for local authorities to comply with the underlying spirit of the legislation and to have in place appropriate and proportionate anti-money laundering safeguards.

Companies covered by MLR carry out functions referred to as 'regulated activities.'

Proceeds of Crime Act 2002 (POCA) states that money laundering offences are:

- Concealing, disguising, converting, transferring, or removing from the UK any 'criminal property' (s327 POCA 2002);
- 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 (s328 POCA 2002); and,
- Acquiring, using, or possessing 'criminal property' (s329 POCA 2002).

It is also an offence to fail to disclose knowledge or suspicion of money laundering where you acquired such knowledge or suspicion in the course of your work (Section 330 POCA). There are further offences of tipping off and prejudicing an investigation (Section 333A and Section 342 POCA).

Criminal property can apply to anything of value that is the proceeds of crime, including cash, savings, vehicles, investment, land, and property.

Consequently, there is the potential for any member of staff to commit an offence if they suspect money laundering and either become involved with it in some way and/or do nothing. **It is extremely important that all staff are familiar with their legal responsibilities as serious criminal sanctions may be imposed for breaches of the legislation.**

What are the Council's obligations?

As an organisation undertaking 'regulated activities' the Council should have anti-money laundering policies and procedures in place to prevent money laundering and terrorist financing. These include:

- Appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activity;
- Make reports, as necessary, to the National Crime Agency (NCA);
- Implement procedures to prevent money laundering and terrorist financing risks;
- Maintain where appropriate new customer due diligence procedures;

- Maintain record keeping procedures;
- Provide training and awareness for relevant officers in roles where money laundering may be present; and,
- Document and update policies, controls, and procedures.

The MLRO

The officer nominated to receive disclosures of suspected money laundering activity within the Council is, Michael O'Reilly, Counter Fraud Manager, on 07792 159928, or moreilly2@lambeth.gov.uk

In the absence of the MLRO, Alan Emmerson, Senior Investigations Officer, is authorised to deputise for him. Alan can be contacted at the above address or on 07960 956018 or aemmerson@lambeth.gov.uk

The Disclosure Procedure - Reporting to the MLRO

Where you know or have reason to suspect money laundering activity is taking place or has taken place you must disclose this as soon as practicable to the MLRO. Any disclosure must be made on the day of the information coming to your attention, or on the next working day, rather than weeks or months later.

Should you not do so, then you may be liable to prosecution.

The disclosure to the MLRO should be made using the [Money Laundering Reporting Form](#). The disclosure should include as much detail as possible, for example:

- Full details of the person(s) involved. This should include where known names, dates of birth, address, company names, phone numbers etc.;
- Full details of the nature of their/your involvement;
- The date(s) of the activity of concern, whether these are on-going or imminent;
- Where and how the incident(s) took place;
- The (likely or actual) amount of money or assets involved; and,
- Any other available information that will enable the MLRO to make an evaluation.

The completed disclosure form should be e-mailed to moreilly2@lambeth.gov.uk. Any supporting documentation should be attached to the e-mail. If this is not possible, please contact the MLRO or deputy MLRO to arrange the delivery of any evidence. **You must not under any circumstances, make any further enquiries yourself.**

You should not voice any suspicions to the person(s) you suspect of money laundering without the specific consent of the MLRO. In doing so you may commit the offence of 'tipping-off'.

The MLRO will evaluate the evidence and undertake any further investigations to determine whether a report to the NCA is required. These enquiries will be undertaken confidentially to avoid tipping off those involved. The MLRO may also need to discuss the report with the individual making the initial disclosure.

Once the MLRO has completed evaluating the disclosure report, together with any other information gathered, a timely determination will be made to establish:

- If there is actual or suspected money laundering taking place;
- If there are reasonable grounds to know or suspect that that is the case; and,
- Whether the MLRO needs to seek the consent of the NCA for a particular transaction to proceed.

In cases where consent from the NCA is required for a transaction to proceed, the transaction must not be undertaken or completed until the NCA have given their consent. When the MLRO determines that there are no reasonable grounds for suspecting money laundering, the report will be endorsed accordingly, and consent given for the transactions to proceed.

The MLRO shall retain in a confidential file all disclosure reports received, together with all reports made to the NCA. These reports shall be retained for a minimum of five years.

Customer due diligence (CDD)

The Council does undertake activities that may be considered, under the Money Laundering Regulations, to be regulated, however it does not undertake these activities by way of business, and therefore would not normally be expected to undertake CDD in respect of any clients to whom it provides these services. The types of services subject to CDD are those carried out by:

- Estate Agents;
- Casinos;
- Independent legal professionals;
- Auditors, insolvency practitioners, external accountants, and tax advisers;
- Credit institutions;
- Financial institutions;
- Trust or company service providers; and,
- High value dealers.

It is good practice that wherever the Council does participate in such activities with a third party then CDD checks should be actioned before the establishment of a relationship/transaction with the third party. For instance:

- Confirming the identity of the client via documentation, data or information obtained from a reliable and independent source, e.g., passport, and/or position within an organisation, where appropriate;
- Obtaining confirmation from Companies House as to the registration details of the Company and details of the Company business;
- Seeking electronic verification, e.g., performing credit checks;
- Obtaining confirmation to regulated industries bodies (e.g., in the case of accountants, checking to CCAB certified bodies);
- Requesting copies of financial statements;
- Requesting details of interests and beneficial ownerships – with reference to the latter this is any individual who holds more than 25% of the shares, voting rights or interest in a company, partnership, or trust; and,
- Obtaining information on the purpose and intended nature of the business relationship.

It is important to remember that any checks undertaken should remain proportionate to the risks of the individual business and the relationship.

In some circumstances enhanced CDD must be carried out such as where:

- The customer has not been physically present for identification;
- The customer is a politically exposed person, that is an individual who at any time in the previous year has held a prominent public function outside of the UK or international institution/body, this also includes their immediate family members or close associates, including holders of prominent political functions; and,
- The customer is not the beneficial owner – a beneficial owner is any individual who holds more than 25% of the shares, voting rights or interest in a company, partnership, or trust.

The enhanced CDD measures for customers who are not physically present and other higher risk situations include:

- Obtaining further information to establish the customer's identity;
- Applying extra measures to check documents supplied by a credit or financial institution;
- Making sure that the first payment is made from an account that was opened with a credit institution in the customer's name; and,

- Finding out where funds have come from and what the purpose of the transaction is.

If, at any time, it is suspected that a client or customer for whom the Council is currently or is planning to carry out a regulated activity is involved in money laundering or terrorist financing activity, or has lied about their identity, this must be reported to the MLRO who will proceed as above.

Training

The Council will ensure that all relevant employees are made aware of the law relating to money laundering and will arrange targeted, ongoing training to key individuals most likely to be affected by the legislation.

Record keeping

You need to keep a record of all CDD measures that you carry out, including:

- Customer identification documents that you've obtained;
- Risk assessments;
- Your policies, controls, and procedures; and,
- Training records.

Whilst the legislation does not specify the precise nature of the records to be maintained, they should be sufficient to provide a complete audit trail for any investigation that may be required, such as client information, details of the transaction and the way the funds were received/paid.

An electronic copy of every CDD record where concerns are identified must be sent to the MLRO to meet the requirements of the Regulations and in case of inspection by the relevant supervising body.

Queries and further information

If you have any concerns about any transactions, you should contact the MLRO/Deputy MLRO.

Further information can also be obtained from the following sources:

- [National Crime Agency \(NCA\)](#);
- [Anti-money laundering | The Law Society](#); and,
- [Money Laundering Regulations | FCA](#).