



Corporate Performance Panel
Monday, 26th February, 2024 at 4.30 pm
in the Remote Meeting on Zoom and available for the
public to view on WestNorfolkBC on You Tube - Zoom
and You Tube

Reports marked to follow on the Agenda and/or Supplementary Documents

1. **Cabinet Report: Anti-Money Laundering Policy Review (Pages 2 - 27)**

Contact

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ANTI-MONEY LAUNDERING POLICY

January 2024

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1. Policy Statement

- 1.1 The Borough Council of King's Lynn & West Norfolk (the Council) is committed to upholding the highest standards of integrity and ethics in all its activities. As part of our ongoing commitment to combat financial crime, including money laundering and terrorist financing, we have developed this Anti-Money Laundering (AML) Policy. This policy outlines our approach to preventing and detecting money laundering activities within our jurisdiction.

2. Purpose

- 2.1 Regulated Authorities must have provisions in place relating to Money Laundering, as a Local Authority we are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, the purpose of this policy is to employ policy and procedures which reflect the essence of the UK's anti-terrorist financing, anti-money laundering and other anti-financial crime regimes. Guidance from the Chartered Institute of Public Finance and Accountancy ("CIPFA") indicates Local Authorities should comply with the legislation and regulations by:
- a) Adhering to the spirit of the legal obligations and regulatory requirements set forth by the United Kingdom's Money Laundering Regulations and other relevant legislation.
 - b) Establishing clear guidelines and procedures to prevent money laundering activities across the Council (including its Local Authority Trading Companies (LATCs)).
 - c) Promoting awareness and provide training to our employees and relevant stakeholders to identify and report suspicious activities.
 - d) Maintaining the integrity and reputation of the Council by demonstrating our commitment to combat financial crime.

3. Scope

- 3.1 This policy (and its accompanying set of procedures) applies to the Borough Council of King's Lynn & West Norfolk, and therefore applies to Members and all employees of the Council, including temporary and agency staff as well as

those employed in wholly owned entities of the Council. It contains specific sections to advise employees and Members of the process to be followed to enable the Council to comply in essence with the UK's anti-terrorist financing, and anti-money laundering regimes.

- 3.2 This policy ensures all appropriate action is taken to prevent, wherever possible, employees, Members, and the Council from being exposed to money laundering and to comply with all legal and regulatory obligations, including the reporting of suspected or actual cases in line with disclosure requirements.

4 What is Money Laundering?

- 4.1 The Consultative Committee of Accountancy Bodies (CCAB) states that money laundering "includes all forms of using or possessing criminal property (as well as facilitating the use or possession) regardless of how it was obtained", where criminal property includes:

- Money or money's worth.
- Securities.
- A reduction in a liability.
- Tangible or intangible property.

- 4.2 Money laundering involves "the proceeds of offending in the UK but also conduct overseas that would have been an offence had it taken place in the UK. There is no need for the proceeds to pass through the UK". This can include the following activities:

- A single act (for example, possessing the proceeds of one's own crime).
- Complex and sophisticated schemes involving multiple parties.
- Multiple methods of handling and transferring criminal property.
- Concealing criminal property or entering into arrangements to assist others to conceal criminal property.

- 4.3 Money Laundering is the process of moving illegally acquired cash through financial systems so that it appears to come from a legitimate source. Criminals will try to conceal the origin and true ownership of the proceeds of their activities to turn the money from "dirty" to "clean". It is therefore important that businesses, even low risk ones, have procedures and policies in place to identify and prevent money laundering within their company. Money laundering

is the term used to describe several offences involving the proceeds of crime or terrorist funds. It is a criminal offence to:

- Conceal, disguise, convert, transfer, or remove criminal property from the United Kingdom.
- Enter into or become concerned in an arrangement which an individual knows, or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
- Acquire, use, or possess criminal property.
- Fail to disclose one of the principal offences listed above, where there are reasonable grounds for knowing or suspecting the money was a proceed of crime.
- Tell someone that you are going to make a report or tell someone that they are being investigated (tipping-off).
- Falsify, destroy, dispose of, conceal any document which is relevant to an investigation, or allow this to happen.

4.4 There are three stages of money laundering:

1. **Placement:** Following the commission of a crime, the funds derived from the crime are paid into a bank account or used to purchase an asset, for example property.
2. **Layering:** In order to disguise the source of the proceeds of crime, criminals conduct complex and frequent transactions. Using 'money mules' is a form of layering and is an increasing trend in the UK. Money muling occurs when an individual receives money into their bank account (wittingly or unwittingly from a criminal) and transfers it elsewhere. The individual is often promised that they can keep a portion of the cash for facilitating this transaction.
3. **Integration:** Following the layering stage, i.e., once the source of the criminal funds are well disguised, the funds are transferred into the financial system. Therefore, the money appears normal. For example, criminals commonly sell property to integrate laundered money back into the economy.

4.5 Often linked to money laundering is terrorist financing, which is where money is used to finance acts of terrorism.

5. Relevant Legislation and Regulations

5.1 The main pieces of legislation that the Council need to be aware of are:

- Proceeds of Crime Act 2002 (POCA)
- Terrorism Act 2000
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as amended by the Money Laundering and Terrorist Financing (Amendment) Regulations 2019, and the Money Laundering and Terrorist Financing (Amendment) (No.2) 2022 Regulations.

5.2 Other relevant legislation includes the Criminal Finances Act 2017, Terrorist Asset-Freezing Act 2010, Anti-terrorism, Crime and Security Act 2001, Counter Terrorism Act 2008 - Schedule 7, and the Economic Crime (Transparency and Enforcement) Act 2022.

5.3 POCA applies to everyone, but certain issues related to money laundering only apply to those engaged in activities in the “regulated sector”. Organisations who fall within the “regulated sector” are required to put in place certain anti-money laundering policies, controls, and procedures to anticipate and prevent their businesses being used by criminals to launder money and fund terrorism as well as ensure that the ownership and control of any company, legal arrangement or trust structure of a customer is identified and verified.

5.4 As the 2019 Regulations prescribe mandatory enhanced due diligence measures when a transaction appears to be “high risk”, this policy includes wording to cover these situations, even though the Council is a non-regulated organisation and therefore considered “low risk”, this has been done as a matter of good practice. If enhanced due diligence is required, customers may wish to seek independent specialist legal advice due to the serious civil and criminal penalties that can result from failure to comply.

5.5 The Money Laundering and Terrorist Financing (Amendment) (No.2) 2022 Regulations require businesses subject to the MLRs (*as a local authority we are not regulated by the MLR*) to conduct checks of the Register of Overseas Entities (ROE) at Companies House for dealings with corporate entities and limits the matters that must be reported to “material” discrepancies that may reasonably be considered;

- i) to be linked to money laundering or terrorist financing or
 - ii) to conceal details of the business of the customer.
- 5.6 The above legislation and regulations cover a range of activities and offences relating to money laundering. Further details are provided in the **Anti-Money Laundering Procedures Appendix 1: Offences Table**.
- 5.7 These offences cover a range of activities, which do not necessarily need to involve money or laundering, regarding the proceeds of crime. This means that potentially any employee or Member, irrespective of what sort of Council business they are undertaking, could commit an offence if they become aware of, or suspect the existence of criminal property, irrespective of the size of the benefit gained, and/or fail to report their concerns.
- 5.8 Where an employee/Member suspects money laundering and reports or are aware that someone else has reported the matter, they must exercise caution in what is discussed with others as a further offence of “tipping off” may be committed if, knowing or suspecting a disclosure has been made, the employee/Member take any action which is likely to prejudice any investigation that may be conducted.
- 5.9 It is impossible to give a definitive list of ways in which to spot money laundering or how to decide whether to make a report. Facts which tend to suggest that something ‘odd’ is happening may be sufficient for a reasonable suspicion of money laundering to arise. Risk factors which may, either alone or cumulatively with other factors, suggest the possibility of money laundering activity are provided at **Appendix 2: Possible Signs of Money Laundering of the Anti-Money Laundering Procedures**.
- 5.10 Potentially any employee or Member could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it, then they may be liable to prosecution. Heavy penalties, including unlimited fines and up to 14 years imprisonment, can be handed down to those who are convicted of one of the offences listed above.

6. Requirements of the Money Laundering Legislation

- 6.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 impose specific obligations on “relevant persons”.
- 6.2 The term relevant person relates to the following activities carried out in the course of business; tax advice; accounting services; treasury management; investment or other financial services; credit institutions; audit services; legal services; estate agents; services involving the formation, operation or arrangement of a company or trust; dealing in goods wherever a transaction involves a cash payment equivalent to €15,000 (£12,000) or more.
- 6.3 Some activities undertaken by local authorities could be included within the scope of the money laundering regulations. Therefore, to ensure compliance with the regulations and legislation and for the purposes of this Policy and procedures, the Council are considered a relevant person when acting in the course of business and activities carried on by them.
- 6.4 The obligations include the following requirements:
- Appoint a Money Laundering Reporting Officer (MLRO) responsible for receiving internal disclosures and making external disclosures of suspicious money laundering activities to the National Crime Agency (NCA). These disclosures are submitted in the form of a suspicious activity report (SAR).
 - Conduct a risk assessment on money laundering and terrorist financing.
 - Implement policies, procedures, systems, and controls to counter money laundering and terrorist financing risks. This includes putting in place customer due diligence, and if necessary, enhanced due diligence procedures.
 - Provide training on money laundering and terrorist financing to staff.
 - Establish beneficial ownership of clients i.e., to understand their ownership and structure. Obtaining sufficient knowledge to ascertain the true identity of customers in certain circumstances, by applying due diligence measures.

- Know the intended nature of business relationships and undertake ongoing monitoring of them (to identify unusual transactions).
- Implement a procedure for assessing and controlling risk and reporting suspicions of money laundering.
- A requirement to report to Companies House any discrepancies about a client's company information.
- A requirement to respond to information requests about accounts and safe-deposit boxes.
- Maintain record keeping procedures of all the due diligence undertaken (e.g., for evidence of identity obtained, details of transactions undertaken, for at least 5 years).

6.5 The European Union 4th Money Laundering Directive requires a focus on risk assessments in relation to anti-money laundering; in particular the need to evidence that an organisation's exposure to risk is considered as part of ongoing business. As such Assistant Directors/Service Managers should maintain engagement with Internal Audit as business operations change regarding undertaking appropriate and proportionate assessments.

7. Roles and Responsibilities

7.1 Everyone at the Council falls within scope of this policy and has a role in implementing it. Four post holders, however, have, formal responsibilities in respect of the policy:

Role	Post Holder	Summary of Responsibilities
Nominated Officer for Compliance (NOC)	Executive Director, Central Services	Overall responsibility for ensuring the Council complies with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and supervising its AML function.
Money Laundering Reporting Officer (MLRO)	Assistant Director, Resources, (S.151 Officer)	Ensuring and reviewing the efficacy of this policy and promoting the compliance of all staff and members with it. Ensuring there are mechanisms to facilitate the reporting of any

		<p>suspicious that money laundering may be taking place, receiving, and investigating any such reports and in turn making reports to the National Crime Agency (NCA).</p> <p>Working with the Council's Senior Leadership Team, identifying teams within the Council that are making loans, and recoverable grants.</p>
Deputy Money Laundering Reporting Officer (DMLRO)	Senior Internal Auditor	Supporting and deputising for the MLRO.
Officer in Charge of Keeping Records (OCKR)	Financial Services Manager (Deputy S.151 Officer)	Ensuring arrangements are in place to store and retain due diligence and other AML documentation.

8 Penalties

8.1 All the offences listed within the **Anti-Money Laundering Procedures**

Appendix 1: Offences Table are criminal offences and committing them is punishable by prison sentences and/or a fine. For example, if found guilty of the offence of tipping off (i.e., letting the customer know that they are, or might be, the subject of a suspicion of money laundering offences) an individual may be imprisoned for up to two years and may receive a fine of an unlimited amount. The objective of making "tipping off" illegal is clear; it is to ensure that nothing is conducted which might hamper an investigation.

8.2 You should note that offences can be committed by staff as individuals even if you are acting in the course of your employment.

9 Defences

9.1 There are certain defences available for some of the offences listed within the **Anti-Money Laundering Procedures Appendix 1: Offences Table**. The main defence for our purposes is the defence of having made an 'authorised disclosure' before any offence is committed.

9.2 If you make a disclosure to our MLRO then that disclosure will be sufficient for you to rely on this defence, provided you disclose before any offence has been

committed. This is why it is so important that you read this policy carefully, comply with its requirements and act quickly.

9.3 The MLRO will then decide whether to report the suspicion to the NCA. Where a suspicion is reported, if the MLRO does not receive a 'refusal to proceed' from the NCA within a seven-day period then you can proceed with the transaction. Where a 'refusal to proceed' is received there is a further period of 31 days for the NCA to follow up their refusal with further instructions. If no further information is received within 31 days, you can proceed with the transaction.

9.4 Note that if the MLRO does report any suspicions to the NCA you must discuss with the MLRO what information you should give to the proposed recoverable grant/loan/payment recipient, so that you ensure you do not commit the offence of tipping off.

9.5 A person may also not be guilty of an offence if that person took all reasonable steps and exercised all due diligence to avoid committing the offence.

9.6 See **section 3 of the Anti-Money Laundering Procedures** for our reporting requirements.

10 Sanctions List

10.1 There is a separate but related sanctions regime that imposes restrictions on our ability to do business with those persons and entities on HM Treasury's sanctions list.

10.2 Some entries on the list are specific to a particular person or entity and others are general financial sanctions on all persons and entities in a particular jurisdiction. Sometimes the effect of the sanction is that we should never provide a loan, recoverable grant or conduct other financial transactions to those on the list. In other cases, it may be possible to proceed provided we obtain a licence granted by HM Treasury. Breaching the sanctions regimes would have serious consequences for the Council and for you as an individual. So, the analysis of sanctions risk must be an integral part of the due diligence we undertake at the outset of any loan or recoverable grant transaction. A sanctions search is part of our "Knowing Your Customer" requirements.

11 Review

11.1 The Council will continue to review its rules and procedures and will make sure that the Anti-Money Laundering Policy is regularly reviewed to ensure it stays current, appropriate, and effective.

12 Version Control

Policy name		Anti-Money Laundering Policy		
Policy description		Regulated Authorities must have provisions in place relating to Money Laundering, as a Local Authority we are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, as a responsible public body, the Borough Council of King's Lynn & West Norfolk who do not undertake any such regulated activities should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering regimes. Such legislation has been considered by professional bodies, resulting in best practice Guidance being issued that requires local authorities to establish internal procedures to prevent the use of their services for money laundering.		
Responsible Officer		Michelle Drewery, Assistant Director Resources/S.151 Officer		
Version number	Date formally approved	Reason for update	Author	Review date
1.1	30/06/20	To introduce a corporate anti-money laundering policy	Jamie Hay	April 2022
1.2		To amend titles and officers with roles within the policy due to changes in personnel.	Jamie Hay	August 2022
2.1		To amend titles and officers with roles within the policy. To further develop the policy to include more robust details and information regarding CDD and	Jamie Hay	January 2026

		KYC within an accompanying set of procedures to assist officers should the need arise to follow this process through providing a step-by-step guide.		



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those employed in wholly owned entities of the Council. It contains specific sections to advise employees and Members of the process to be followed to enable the Council to comply in essence with the UK's anti-terrorist financing, and anti-money laundering regimes.

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 - Conduct a risk assessment on money laundering and terrorist financing.
 - Implement policies, procedures, systems, and controls to counter money laundering and terrorist financing risks. This includes putting in place customer due diligence, and if necessary, enhanced due diligence procedures.
 - Provide training on money laundering and terrorist financing to staff.
 - Establish beneficial ownership of clients i.e., to understand their ownership and structure. Obtaining sufficient knowledge to ascertain the true identity of customers in certain circumstances, by applying due diligence measures.
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Money Laundering Reporting Officer (MLRO)	Assistant Director, Resources, (S.151 Officer)	<p>Ensuring and reviewing the efficacy of this policy and promoting the compliance of all staff and members with it.</p> <p>Ensuring there are mechanisms to facilitate the reporting of any suspicions that money laundering may be taking place, receiving, and investigating any such reports and in turn making reports to the National Crime Agency (NCA).</p> <p>Working with the Council's Senior Leadership Team,</p>

		identifying teams within the Council that are making loans, and recoverable grants.
Deputy Money Laundering Reporting Officer (DMLRO)	Senior Internal Auditor	Supporting and deputising for the MLRO.
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8 Penalties

8.1 All the offences listed within the **Anti-Money Laundering Procedures**

Appendix 1: Offences Table are criminal offences and committing them is punishable by prison sentences and/or a fine. For example, if found guilty of the offence of tipping off (i.e., letting the customer know that they are, or might be, the subject of a suspicion of money laundering offences) an individual may be imprisoned for up to two years and may receive a fine of an unlimited amount. The objective of making “tipping off” illegal is clear; it is to ensure that nothing is conducted which might hamper an investigation.

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Where a 'refusal to proceed' is received there is a further period of 31 days for the NCA to follow up their refusal with further instructions. If no further information is received within 31 days, you can proceed with the transaction.

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10 Sanctions List

10.1 There is a separate but related sanctions regime that imposes restrictions on our ability to do business with those persons and entities on HM Treasury's sanctions list.

10.2 Some entries on the list are specific to a particular person or entity and others are general financial sanctions on all persons and entities in a particular jurisdiction. Sometimes the effect of the sanction is that we should never provide a loan, recoverable grant or conduct other financial transactions to those on the list. In other cases, it may be possible to proceed provided we obtain a licence granted by HM Treasury. Breaching the sanctions regimes would have serious consequences for the Council and for you as an individual. So, the analysis of sanctions risk must be an integral part of the due diligence we undertake at the outset of any loan or recoverable grant transaction. A sanctions search is part of our "Knowing Your Customer" requirements.

11 Review

- 11.1 The Council will continue to review its rules and procedures and will make sure that the Anti-Money Laundering Policy is regularly reviewed to ensure it stays current, appropriate and effective.

12 Version Control

Policy name		Anti-Money Laundering Policy		
Policy description		Regulated Authorities must have provisions in place relating to Money Laundering, as a Local Authority we are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, as a responsible public body, the Borough Council of King's Lynn & West Norfolk who do not undertake any such regulated activities should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering regimes. Such legislation has been considered by professional bodies, resulting in best practice Guidance being issued that requires local authorities to establish internal procedures to prevent the use of their services for money laundering.		
Responsible Officer		Michelle Drewery, Assistant Director Resources/S.151 Officer		
Version number	Date formally approved	Reason for update	Author	Review date
1.1	30/06/20	To introduce a corporate anti-money laundering policy	Jamie Hay	April 2022
1.2		To amend titles and officers with roles within the policy due to changes in personnel.	Jamie Hay	August 2022
2.1		To amend titles and officers with roles within the policy.	Jamie Hay	January 2026

		To further develop the policy to include more robust details and information regarding CDD and KYC within an accompanying set of procedures to assist officers should the need arise to follow this process through providing a step-by-step guide.		