

ANTI MONEY LAUNDERING POLICY AND PROCEDURE

Person Responsible	Director of Finance
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Anti Money Laundering Policy and Procedure

1. Introduction

The purpose of this document is to assist employees of West of Scotland Housing Association (WSHA) to understand;

- WSHA's anti money laundering policy
- WSHA's anti money laundering procedures; and
- How to report possible money laundering

These procedures seek to mitigate the risks of money laundering and effectively manage them.

This document and the policy contained herein sets out the processes and procedures which WSHA have adopted in relation to anti money laundering and complies with the Money Laundering, Terrorist Financing (Amendment) Regulations 2019 (the "AML Regulations"). [Money Laundering Regulations | FCA](#)

It is essential that WSHA and its employees comply with the letter and spirit of this policy. Failure to do so may be a criminal offence, which could carry a prison sentence.

2. Our Policy

The AML Regulations ensure that businesses at risk of being used for money laundering by criminals and terrorists have controls in place to minimise the risk of this happening.

It is our policy that:

- WSHA will embrace the underlying principles behind the AML Regulations and put in place anti money laundering policies, procedures and reporting arrangements, appropriate to our activities.
- Customer identification and verification will take place in areas at risk of being used for money laundering and relevant staff will be made aware of the procedures to be adopted.
- Positive management action through control measures will be exercised in order to minimise the risk of our services being abused for the purposes of laundering funds.
- Transactions with individuals or businesses whose conduct gives rise to suspicion of involvement with illegal activities will be reported to the National Crime Agency (NCA) and will not proceed without consent from NCA.
- The Money Laundering Officer (MLRO) will be responsible for the implementation and compliance with the policy and procedure. The MLRO for WSHA is the Finance Manager.
- In terms of the AML Regulations, WSHA is required to appoint one of its Board members as its AML Officer. WSHA has appointed the Chair of the Audit Committee as the Board member with responsibility for ensuring WSHA's compliance with the AML Regulations ("AML Officer").
- The MLRO and AML Officer have full autonomy to carry out their duties.
- WSHA aims to make our procedures non-intrusive and easy for our staff to comply with the terms of the AML Regulations. All WSHA staff must understand that they may incur personal liability and that they may be committing a crime if they do not comply with this policy and the AML Regulations.

- It is important that all WSHA staff read, understand and comply in full with the terms of this policy.
- This policy supports the Anti fraud, Bribery and Corruption Policy and the Whistleblowing Policy.

3. Policy Outcomes

The aims of the policy and procedure are to:

- Assist employees to understand money laundering and their personal legal obligations and responsibilities arising from legal and regulatory provisions.
- Prevent WSHA services from being used for money laundering purposes.
- Set out the procedures which must be followed to enable WSHA and its staff to comply with their legal requirements.

WSHA will do all it can to:

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

All employees are required to:

- Report promptly all suspicions of money laundering activities to the MLRO by using the form provided in the procedures under Appendix B.
- Follow any subsequent directions of the MLRO.
- Failure to carry out the above obligations would result in the employee committing a Money Laundering offence.

4. What is money laundering?

Money laundering is the term used to describe how criminals change money and other assets into “clean” money or assets that have no obvious link to their criminal origins.

Although the term “money laundering” is usually associated with organised criminal activities it can include a suspicion that someone you know or know of is benefiting financially from dishonest activities.

People involved in handling criminal property look at ways to secure and safeguard the proceeds of their criminal activities. Although other ways exist, cash is the mainstay of criminal transactions, being the most reliable and flexible, and having little or no audit trail.

In the UK the most popular method of money laundering is thought to be the purchase of property, followed by investment in from companies, or high cash turnover businesses (often legitimate businesses) or by funding a lifestyle. After property, the most significant assets bought by criminals are jewellery, artwork, antiques, cars and boats.

Criminals invest cash in financial products with a view to selling them quickly and will also gamble large amounts at low odds since winnings are usually received in the forms of cheque. They also use “layering” which involves passing transactions through several stages to confuse the audit trail.

Examples of money laundering can include:

- Large cash payments
- Asking for cash refunds on credit card payments or
- Overpaying bills e.g. council tax, rents or rates then asking for cash refunds.

Members of staff can be caught up in money laundering offences if they suspect money is being laundered and either become involved in the illegal act in some way or do not report their suspicions in the prescribed manner. Offences under the AML Regulations, Proceeds of Crime Act and Terrorism Legislation carry severe penalties. It is the policy of WSHA to report all suspicious activity to the NCA where required.

5. Procedure for Reporting

Any member of staff who knows, or has reasonable grounds to suspect that a customer is engaged in money laundering or terrorist activity must report those suspicions to the MLRO. This would include any suspicious approaches even when no business is conducted.

If you are suspicious, WSHA requires that you report it. You do this by making a report to the MLRO using the internal report form shown at Appendix B.

The member of staff must not carry on any further work on the matter until the MLRO has confirmed in writing that they should do so. At no stage must the person about whom you have suspicions be given any details or in any way be alerted to the fact that suspicion has arisen. This is important to avoid committing the offence of “tipping off” under the Proceeds of Crime Act, which is a criminal offence.

Do not retain a copy of your report and do not file a report with other customer documentation. If you have any suspicions about any customer or transaction, don't keep quiet, speak to the MLRO. The MLRO will consider the contents of the report and decide whether the matter should be reported externally to NCA. Systems are in place to protect your identity when making a report and if it is decided to pass a report to the NCA; your name will be removed.

In the event of an external report being made to, or consent being sought from the NCA, not work shall be carried out until such time as the MLRO is satisfied it is lawful to do so.

Members of staff must not disclose any relevant facts about a transaction with any representative of law enforcement if they have not first spoken with the MLRO. Client confidentiality must be considered in any engagement with law enforcement.

6. What is suspicion?

Suspicion is not defined in the AML Regulations. This is why it is important for you to do what you can to find out who your customer is, as this gives you the foundation on which to make a judgement about their behaviour and transactions.

“an act of suspecting, the imagining of something without evidence or on slender evidence, an inkling, mistrust.” Is the dictionary definition.

7. Recognising suspicious activity

You must contact the MLRO if you in any way suspect that a customer is involved in money laundering or other criminal activity. The MLRO will make a decision on what to do next based on what you tell them and any other information which they have

Some parts of WSHA are more vulnerable to attack by money launderers than others because of the nature of the business undertaken.

This can be illustrated by some examples of how a money launderer would use WSHA to try and “clean” up their “dirty money.”

If you are aware that a customer is involved in drug dealing for example, any money he/she pays to WSHA may be considered to be the proceeds of crime.

Some properties have been used for prostitution or even as cannabis farms and although those may be issues that the local police are aware of, you must tell the MLRO about what is happening as they may need to make a report to the NCA.

Cannabis farms in properties can be a danger to other residents as there is the risk of fire as cultivations require heat and this is achieved by converting a normal house into what is effectively a greenhouse and using a variety of means to bypass the house electrical supply feeding directly from the mains, increasing the risk of fire and electrocution.

Some tell tale signs of cannabis cultivation might include such things as condensation on windows or even old plant stems thrown in a garden, the plants also give off a pungent smell. On many occasions, the windows will be covered and people may visit the property at unusual hours.

In rented properties, there have been occasions where a client has deliberately made a large overpayment of rent and then asked for a refund by way of cheque. This is a common method used by money launderers. WSHA has made a decision not to accept cash payments, which mitigates the risk in this area.

Some clients may also make several small over payments on their rent account and then ask for a refund by way of cheque. This is a common method known as smurfing that is used by money launderers. WSHA does give regular refunds by cheque in the instance of backdated housing benefit e.g. a tenant is not aware that they are eligible for housing benefit and have been paying rent and the welfare rights team identify they are eligible. These cases would not be considered money laundering, however, we will do spot checks of our cheque refunds to mitigate risk in this area.

Property purchase and shared ownership schemes

Where we are involved in property sales or shared ownership schemes, there are a number of factors which may indicate that a client is trying to use our services for an illicit purpose which may raise suspicion. This list is not exhaustive and you should remember that new

money laundering schemes are being devised on a regular basis. Some situations to be aware of are;

- Checking a new customer's identify is difficult
- There is a reluctance from a new customer to provide details of their identity
- The size of the transaction is not consistent with previous activity for example, a customer on housing benefit suddenly has the funds for a deposit to fund a house purchase
- The financial circumstances of an existing customer has changed dramatically
- Money is paid by a third party who has no obvious link with the transaction. Money launderers often use front buyers to enter into transactions on their behalf. The money for a deposit or even to pay a mortgage may have come from someone other than the customer and could very well be the proceeds of crime.
- The customer wants to pay a large sum in cash
- A customer who puts pressure on you to accept his business before you can carry out the necessary checks.
- A customer makes an approach to purchase a property then backs off when he realises his identity will be checked for anti money laundering purposes.

In the circumstances detailed above, the police may not be aware of the person's activities and by reporting your suspicions to the MLRO you will be playing your part in the fight against organised crime. One of the benefits of this system is that your identity is protected when you make a report and the wider community benefits when crime is reduced

Mortgage Fraud

Property purchase remains a very high risk for money laundering and mortgage fraud is a massive problem in the UK. When conducting a property transaction, you may be comfortable in the knowledge that there is a solicitor or conveyancer involved and there is a mortgage in place. Just because there is a professional involved does not necessarily mean that the transaction is a legitimate one. Organised crime groups often use professional advisers to enable them to give a transaction credibility and the use of false documents such as pay slips and P60s is commonplace. The vast majority of transactions are honest but you should be aware that the problem exists.

Although it is the responsibility of WSHA to know its customers in relation to property purchases, and RTA the buyers Solicitor also has a responsibility to conduct ML checks. In all instances WSHA will request written confirmation from the buyer's Solicitor that these checks have taken place before completion of the process is made.

Illegal Money Lending

A Loan Shark or Illegal Money Lender is someone who lends money as a business to two or more people without having the necessary licence issued by the Office of Fair Trading.

Characteristics of an illegal lender tend to be that they do not give their 'customers' a credit agreements/paperwork and they do not issue receipts for payments received. Payments are made in cash on a weekly basis or to coincide with benefit payments. If payments are missed or stopped by the customer the loan shark would use threats of violence and intimidation and may suggest payments in kind to themselves or others.

The offence of unlicensed money lending may not show the true extent of criminal activity which could involve money laundering, drugs, firearms, counterfeit goods to name a few.

If a customer of WSHA is identified by association staff as experiencing difficulties with debts which are exacerbated by illegal borrowing the customer should be referred for support to either the Financial Wellbeing Team for debt /Money / Energy Advice or Welfare Rights Team for to address welfare benefit issues.

Consent

If you have made a report of your suspicions, you must await for approval from the MLRO before a transaction can be processed. On receipt of your internal report, the MLRO will acknowledge that they have obtained it and may need some further details from you. You may not proceed further until the MLRO gives permission. Obtaining consent may involve the MLRO in reporting the matter to the NCA and this may take a few days. There should be no contact at all with the customer/third party during this period of referral to the NCA, to avoid risk of tipping off offences.

8. Our policy and procedure on customer identification

Policy

It is WSHA's policy that we will take the necessary steps to identify our customers so that we are satisfied that we have sufficient information about them which confirms their identity and also confirm that they are not acting for someone else in any transaction. This will apply whether we are receiving money from individuals or companies.

WSHA's procedures are designed to ensure that WSHA has:

- Identified who their customer or business counterparty is;
- Considered the risk associated with a customer or business counterparty and the transaction in which WSHA is involved and
- Understands how to verify key data on a risk sensitive basis.

Procedure

All new customers and parties in business relationships which involve an exchange in funds must be asked to provide two separate forms of identification, one confirming name and identity and the other address. This is done at the point of signing up for a tenancy.

Acceptable proof of name, identity and address include:

Proof of name and identity

- Signed original copy passport
- National identity card with photograph
- UK or EU driving licence (with photocard) or
- Any verifiable current government document containing a photograph of the client.

Proof of address

- Current council tax or utility bill
- Current bank or building society statement containing current address
- Current mortgage statement or rent book or
- Driving licence (if not used to confirm identity and if none of the above can be obtained).

Staff must not accept scanned or photocopied copies of identity documentation.

If the customer is unable or unwilling to provide the necessary identification, the transaction must not be completed and the MLRO must be informed. You should also consider whether documents may be forged. Additionally, if they are in a foreign language, you should take any steps necessary to ensure that the documents do provide evidence of identity.

Ongoing monitoring of existing customers is also important and whether the customer is an individual or a business, we are required to ensure that we know enough about them to be confident that any transactions which we enter into with them are legitimate in their nature. It may be in the case of business customers that the nature of their business or the individuals involved with the business has changed. Staff need to be vigilant so that any such changes are noted and the customer identification process may need to be undertaken again.

Proof of source of funds

WSHA requires that staff make enquiries into the source of funds for certain transactions and the details should be recorded on the checklist at Appendix A, prior to conducting the transaction. Where a customer is paying rent, it should be established how payments will be met. It is not necessary to obtain evidence of income, (other than taking copies of benefit books to confirm identity) but the source of income should be documented on the checklist if known.

If the transaction involves property purchase, proof of mortgage offer should be obtained. Any transactions not being funded by normal mortgage arrangements must be reported to the MLRO.

Where a doubt exists over the source of funds, the matter must be referred to the MLRO for approval. You must not alert the customer to the fact that you are suspicious otherwise you may be guilty of the criminal offence of "tipping off".

Cash payments

Payments in cash are a high risk area for money laundering and for that reason, WSHA no longer take cash payments.

9. Our policy and procedure on record keeping

Policy

It is the policy of WSHA to maintain records of identification, transactions and consideration of money laundering issues for a period of five years following the termination of our business relationship with a client. Records of reports to the NCA will be retained by the MLRO for a minimum of five years and for a further period at their discretion. Suspicious activity reports should be retained by the MLRO indefinitely.

Procedure

The customer identification process will be undertaken as previously described and staff processing a new transaction or tenancy should complete the checklist at appendix A. For rental customers, copies of the checklist and identification documentation should be retained on the house file. For all other transactions, copies of the checklist and identification documentation should be retained with transaction documentation.

10. Our policy and procedure on internal control

Policy

It is the policy of WSHA to facilitate adequate internal controls to ensure compliance with the AML Regulations.

Procedure

As mentioned previously, WSHA has appointed an MLRO. The MLRO and the AML will ensure implementation of procedures to ensure compliance and the responsibility to ensure the overall effectiveness of WSHA's anti money laundering regime rests with the MLRO. All members of management and staff will be required to make internal reports when necessary using the appropriate form. (Appendix B). Violations of this policy will be treated like any other allegation of wrongdoing at WSHA. Allegations of misconduct will be adjudicated according to established procedures. Sanctions for failing to adhere to this policy may include, but are not limited to: invoking WSHA's disciplinary procedure; or termination of employment.

11. Our policy and procedure on communication and training

Policy

It is the policy of WSHA to ensure that all management and relevant staff have access to adequate training to ensure that they have the necessary knowledge of the money laundering regulations and WSHA's policies and procedures.

Procedure

All relevant members of management and staff where money laundering has been identified as a potential risk will be required to undertake mandatory training in relation to the requirements of the AML Regulations.

All relevant members of management and staff will be given updated training on a regular basis and will receive updates on changes in legislation and methods used by money launderers. Any staff member that wishes specific AML training to assist in their role is free to request this training from the MLRO.

12. Further information

The Money Laundering Reporting Officer (MLRO) is Julie Thomson who can be contacted by email julie.thomson@westscot.co.uk or mobile 07985 194 460

Identification Checklist (Appendix A)

Name of Client(s)		
Evidence of Identity Type of evidence witnessed: (attach copies to checklist)	Proof of name	Proof of address
Type of transaction		
Amount and source of funds (employment income, mortgage etc.)		
Method for fund transfer (cash, cheque, electronic bank transfer etc.)		

Signed _____

Print Name _____

Position _____

Date _____

**Money Laundering
Suspicious activity reporting form. (Internal) Appendix B**

Date	
Name of member of staff	
Suspected person(s); Name/Address/Business Telephone numbers Name of customer if different	
Nature of suspicious activity. Give full details of suspicion and date suspicion first aroused. (Continue overleaf if necessary) Include details of transactions and identity checks Attach any relevant documents You must discuss your concerns with the MLRO. This form must be submitted as soon as possible.	
Names of all other colleagues who have been involved with this customer's affairs. Signed: _____	
<u>To be completed by MLRO</u> Refer to NCA Do not refer to NCA Reason for Decision Signed: _____	
Date referred to NCA	