**Cardiff Metropolitan University**

**Finance Department**

**ANTI MONEY**

**LAUNDERING POLICY**

**A statement of Cardiff Metropolitan University’s commitment to records management procedures.**

**Established: Autumn 2002**

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**ANTI MONEY LAUNDERING POLICY**

**&**

**PROCEEDS OF CRIME ACT**

**Scope & Purpose**

Money laundering is a criminal offence. The Anti-Money Laundering (AML) Policy sets out Cardiff Metropolitan University’s commitment to minimising the University’s risks in relation to money laundering, the University has a zero-tolerance approach to such practices. The penalties for money laundering offences are severe and can mean up to 14 years imprisonment and/or an unlimited fine for the employees and executives responsible, in addition to significant reputational damage for the University.

This policy applies to all staff of the University and of its subsidiary companies. It applies equally to all areas of income and expenditure. The policy also applies to the University’s partners.

The Anti-Money Laundering Policy is one of a suite of policies and should be read in conjunction with the following:

Financial Regulations

Anti-Bribery & Corruption Policy

Gifts and Hospitality Policy

Whistle Blowing Policy

Counter Fraud and Corruption Policy

Criminal Finance Act Guidance

**What is money laundering?**

## Money laundering is a general term for any method of disguising the origin of “dirty” or criminal money. This money may be the proceeds of criminal activity including terrorism, drugs trafficking, corruption, tax evasion, and theft.

## The purpose of money laundering is to hide the origin of the dirty money so that it appears to have come from a legitimate source. Unfortunately, no organisation is safe from the threat of money laundering, particularly where it is receiving funds from sources where the identity of the payer is unknown. It is therefore possible that the University will be targeted by criminals wishing to launder the proceeds of crime.

## In addition, it is possible that the proceeds of crime may be received from individuals or organisations that do not realise that they are committing an offence. However, it is no defence for the payer or the recipient to claim that they did not know that they were committing an offence if they should have been aware of the origin of the funds.

## All staff dealing with the receipt of funds or having contact with third parties must be aware of the University’s anti money laundering guidance.

Examples of money laundering include;

* Concealing, disguising, converting, transferring or removing criminal property from England and Wales (Section 327 of the Proceeds of Crime Act 2002 (POCA))
* Arranging, or becoming concerned in an arrangement, which the person who knows, or suspects, or facilitates (by whatever means), the acquisition, retention, use or control of criminal property by or on behalf of another person (Section 328, POCA)
* Acquiring, using or having possession of criminal property (Section 329, POCA)
* Making a disclosure to a person which is likely to prejudice a money laundering investigation (“tipping off”) (Section 333, POCA)
* Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (Section 18, Terrorist Act 2000)

**Consequences of failing to spot money laundering**

## There are several pieces of legislation which make the consequences of failing to identify possible instances of money laundering, and making the appropriate reports, serious offences. Details of these laws and the related consequences are given below and further legislation relating to this area is listed in appendix A. The introduction of the Proceeds of Crime Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 has broadened the definition of money laundering and has widened the range of activities controlled by the statutory framework.

Proceeds of Crime Act 2002

## Under the Proceeds of Crime Act 2002 you may be guilty of an offence if you help an individual to launder funds from a criminal source. If you know or suspect that the funds may be from a criminal source, you must make the appropriate disclosure (as set out in the guidance below) or you may receive a fine and/or imprisonment for up to 14 years. The Proceeds of Crime Act relates to all organisations and sectors.

Money Laundering, Terrorist Financing & Transfer of Funds Regulations 2017

7. The Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017 (the “MLR2017”) adopts a risk-based approach towards AML and due diligence. Similarly, the University has adopted a risk-based approach towards anti-money laundering and conducting due diligence. Whilst much of the University’s financial activities could be considered relatively low risk from the perspective of money laundering, all staff need to be vigilant against the financial crime and fraud risks that the University faces. Instances of suspected money laundering are likely to be rare at the University, but we must be aware of legislative requirements.

**Cardiff Metropolitan University’s Obligations**

We have responsibility to;

* Appoint a Money Laundering Reporting Officer (MLRO) to receive, consider and report as appropriate, the disclosure of any suspicious activity reported by employees
* Implement a procedure to enable the reporting of suspicious activity
* Maintain customer identification procedures to “know your customer”
* Maintain adequate records of transactions

**Money Laundering Reporting Officer**

9. The role of the Money Laundering Reporting Officer is to formulate and implement the University’s Anti Money Laundering Avoidance Guidance. Any potential breaches or deviations from the University’s Anti Money Laundering Avoidance Guidance should therefore be reported to the Money Laundering Reporting Officer immediately you become aware of them, using the form in Appendix A.

10. The Money Laundering Reporting Officer is responsible for the day to day administration relating to money laundering avoidance. Reports of suspicious transactions should be sent to this officer who will collate the information and prepare the necessary reports for and liaise with the National Crime Agency (NCA).

11. The Money Laundering Reporting Officer at the University is the Chief Officer (Resources) (ex Officio).

**Employee Responsibilities**

12. Your responsibility in relation to preventing money laundering is as follows:

* To be alert to where the University may be targeted by individuals trying to launder the proceeds of crime.
* To avoid alerting anyone dealing with the University that you have a suspicion they may be attempting to launder, or have laundered, the proceeds of crime. “Tipping off” is a criminal offence and carries the risk of jail term.
* To report any suspicions of money laundering to the University’s Money Laundering Reporting Officer.
* To protect yourself, colleagues and the University from instances of money laundering by following and adhering to this policy and these procedures.

13. It is not your responsibility to decide whether a suspicious transaction actually constitutes money laundering. **If you have any suspicions that a transaction may involve laundering the proceeds of crime, then you must report it to the organisation’s Money Laundering Reporting Officer.**

**Procedure for reporting suspicious transactions**

14. Any suspicious transactions which you may become aware of in the course of your work must be reported to the Money Laundering Reporting Officer immediately at the address below, a Suspected AML form is available in appendix A:

**Chief Office (Resources)**

**Maritime House**

**Llandaff Campus**

**Western Avenue**

**Cardiff**

**CF5 2YB**

On receipt of a disclosure report the MLRO will:

* Note the date of receipt and acknowledge receipt of it.
* Assess and advise the individuals concerned when a response can be expected.
* Consider the report and any other relevant information, undertaking further enquiries if necessary, to decide if a report should be made to the National Crime Agency (NCA).

Once the MLRO has evaluated the case, a timely determination will be made as to whether:

* There is actual or suspected money laundering taking place.
* There are reasonable grounds to know or suspect that is the case.

* Consent is required from NCA for a particular transaction to proceed.

Where the MLRO concludes that the case should be disclosed to NCA this needs to be done:

* In a timely manner.
* In the prescribed manner on a standard report format provided by the NCA.

**Dealing with individuals about whom you have suspicions**

15. It is imperative that, if you have a suspicion concerning an individual or organisation with which you are dealing that you do not alert them to that suspicion. You must, therefore, not make them aware that you will be making, or considering making, an internal disclosure report or that this may be passed to the authorities.

16. You must immediately pass details of your suspicions to the University’s Money Laundering Reporting Officer.

17. You must not bank any cash, cheques or other form of payment from this source until you have clearance to do so from the University’s Money Laundering Reporting Officer.

**Cash acceptance policy**

18. Due to the increased risk of dealing in cash it has been agreed that the University will discourage payments being received in cash. However, the University recognises that some people will still wish to make payments in cash. The University has therefore set a cash acceptance limit of £1,000 in relation to individual transactions.

19. If payment of more than £1,000 is being offered in cash this must not be accepted unless express permission to do so has been given by the University’s Money Laundering Reporting Officer.

Examples include:

* Where a student pays fees exceeding £1,000 (or equivalent) by cash
* Where a student pays a fee for another student who is not present at the time
* A sponsor/third party not known to Cardiff Met pays fees for students

Avoid accepting cash payments greater than £1,000 (including notes, coins or travellers’ cheques in any currency). This does not mean that cash transactions below this value will always be valid and legal and professional scepticism is always encouraged. Any suspicions should be reported to the MLRO (see below) and any advice followed.

Separate rules apply to foreign students and passports and visas of overseas applicants must be rigorously checked, and the UK Border Agency needs to be notified if a student with a Student Visa discontinues their studies. Fees paid in advance by foreign students who have subsequently been refused a visa are only refundable providing appropriate documentary evidence is available to demonstrate the circumstances. Where appropriate, refunds should only be made to the person making the original payment or in the case of a transfer by payment to the new University.

Care should be taken where refunds are requested, and the payment has been made by credit card or bank transfer. In these cases, refunds should only be made by the same method back to the same account from which the funds were received.

In the event of an attempted payment/refund by/to a credit or debit card being rejected, the reason should be checked prior to accepting an alternative card. If you have any doubt about the identity of the person attempting to make a payment the transaction should not be accepted. Two or more attempts to use the same or multiple credit cards may, depending on the circumstances, give rise to further questions regarding the legitimacy of funds.

**Know your Customer**

It is important that controls are in place to undertake customer due diligence i.e. steps to identify the student, customer or other party dealing with Cardiff Metropolitan University. Satisfactory evidence of identity must be obtained. Examples include:

* Passport and/or Visa
* Birth Certificate
* Correspondence with students at their home address

And for third parties:

* Letters or documents proving name, address and relationship

If an organisation is not known to the University:

* Look for letter headed documents
* Check that invoices show a company’s registered office and VAT number
* Check websites, for example, www.companies-house.gov.uk.
* Request a credit check
* Aim to meet or contact key sponsors if you feel appropriate to verify validity of contact

Cheques drawn on an unexpected or unusual source should always be verified with regard to

validity of the source

A guidance note on possible signs of money laundering is included at Appendix C

**Record Keeping Requirements**

By keeping comprehensive records, we can show that we have complied with the Money Laundering Regulations. This is crucial if there is a subsequent investigation into one of our customers/students or transactions.

The types of record kept may include:

* Daily records of transactions
* Receipts
* Cheques
* Paying-in books
* Customer correspondence
* Student identification evidence

Records may be kept in any of the following formats:

* Originals
* Photocopies
* Microfiche
* Scanned
* Computerised or Electronic

Records must be kept for five years beginning on either:

* The date a business relationship ends
* The date a transaction is completed

In practice the finance department will routinely create and retain records in the course of normal

business for six years. The CO(R) will retain any disclosure reports and any

associated relevant documents in a confidential file for a minimum of five years.

**The Criminal Finance Act**

The Criminal Finances Act 2017 (CFA 2017) came into effect from 30th September 2017. Part 3 of the CFA 2017 introduces a new Corporate Criminal Offence (CCO) of failure to prevent the facilitation of tax evasion. Whilst it has always been a criminal offence for anyone to evade or to assist a third party to evade taxes, this Act introduces a new “corporate criminal offence of failure to prevent the facilitation of tax evasion by another party”. This means:

* If any University employee, agent or subcontractor is found guilty of assisting a third party to evade tax in the course of their duties, the University will automatically be charged with facilitating criminal tax evasion.
* If found guilty the University will be liable for:
  + Unlimited fines
  + Damage to reputation
  + Loss of rights to bid for government contracts
* The University must demonstrate that it has reasonable procedures in place to prevent the facilitation of tax evasion. To this end Cardiff Metropolitan University and its subsidiary companies commit to ensuring that its employees, agents and other associated persons acting on its behalf are not facilitating tax evasion by another party.
* There are two corporate tax offences, the UK offence and the overseas offence.
  + The UK offence requires three conditions to be met:
    - The criminal tax evasion by a taxpayer, (as either an individual or a legal entity) under current law. AND
    - The criminal facilitation of the tax evasion by an associated person of the relevant body who is acting in that capacity. AND
    - The University or its subsidiaries failed to prevent its representative(s) from committing the criminal act.
  + The overseas offence requires three conditions to be met:
    - The criminal tax evasion by a taxpayer, (as either an individual or a legal entity) under current law. AND
    - The criminal facilitation of the tax evasion by an associated person of the relevant body who is acting in that capacity. Consideration should be given to:
      * Would this be a crime if carried out in the UK?
      * Does the overseas jurisdiction have the equivalent laws at point i or ii? AND
    - The University or its subsidiaries failed to prevent its representative(s) from committing the criminal act.

**Prevention**

* + The University regularly reviews its risks and associated processes and procedures to ensure that all steps are taken to prevent tax evasion.
  + The University includes the risk of tax evasion on its Risk Register. The risk is reviewed and updated (at least twice) each year). This includes the review of controls to mitigate risks.
  + The University reviews its policies and guidance in relation to the Criminal Finance Act on a regular basis, in line with similar policies (Anti-Bribery, Counter Fraud and Corruption, Anti-Money Laundering policies and Financial Regulations. These are located on the [Finance Department](https://tsr.cardiffmet.ac.uk/Units/FIN/SitePages/statutory.aspx) webpages).
  + Staff are reminded that at all times they must comply with the University’s policies and procedures. Failure to comply may result in disciplinary action for staff and termination of contracts for associated persons.
  + Should staff, agents or subcontractors become concerned that another party is facilitating third party tax evasion they should immediately contact either:
    - The Chief Officer (Resource), or
    - The University Secretary & Clerk to the Board of Governors
  + Staff may also raise concerns under the University’s [Whistleblowing Policy](http://www.cardiffmet.ac.uk/about/structureandgovernance/Pages/Whistleblowing.aspx), which is located on the Governors webpages.
  + Where staff have general questions around the tax liability of the University’s existing or potential activities, they should contact the Finance Department for advice.
  + Examples of aiding and abetting criminal tax evasion are contained in annex D

**Appendix A**

Anti-Money Laundering laws that regulate financial systems link money laundering (the source of funds) with terrorism financing (the destination of funds). The key elements of the UK anti-money laundering framework that apply to universities include:

* Proceeds of Crime Act 2002 (as amended)
* Terrorism Act 2000 (as amended by the Anti-terrorism, Crime and Security Act 2001)
* The Serious Organised Crime and Police Act 2005
* Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (“MLR 2017”) that includes the requirements of the EU’s Fourth Money Laundering Directive (4MLD)
* Counter-terrorism Act 2008, Schedule 7
* HM Treasury Sanctions Notices and News Releases
* Joint Money Laundering Steering Group (JMLSG) Guidance
* Criminal Finance Act (Sept 2017)

Offences include:

* failing to report knowledge and/or suspicion of money laundering
* failing to have adequate procedures to guard against money laundering
* knowingly assisting money launderers
* tipping-off suspected money launderers
* recklessly making a false or misleading statement in the context of money laundering

**Appendix B Suspected Money Laundering Report Form**

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| **CONFIDENTIAL – Suspected Money Laundering Report Form**  *Please complete and send to the Chief Officer (Resources)* | |
| From | School/Unit |
| Contact Details | |
| Details of suspected offence (add additional sheets if required) | |
| Name(s) and address(es) of person(s) involved, including relationship with Cardiff Metropolitan University | |
| Nature, value and timing of activity involved | |
| Nature of suspicions | |
| Details of any enquires undertaken to date | |
| Who have you discussed your suspicions with? | |
| Are there any outstanding transactions? | |
| Any other relevant information? | |
| Signed | Date |
| Send completed form to;  The Chief Officer (Resources)  Maritime House  Western Avenue  Llandaff Campus  Cardiff CF5 2YB | 02920 41 6063  dllewellyn@cardiffmet.ac.uk |
| |  | | --- | | ***Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of five years’ imprisonment and/or an unlimited fine.*** | | |

**Appendix C**

Possible Signs of Money Laundering

The following are types of risk factors which may, either alone or collectively, suggest the possibility of money laundering activity:

* A new customer, business partner or sponsor not known to Cardiff Met
* A secretive person or business e.g. that refuses to provide requested information without a reasonable explanation or adequate documentation
* Attempted payment of any substantial sum in cash (over £1,000)
* Concerns about the honesty, integrity, identity or location of the people involved
* Involvement of an unconnected third party without a logical reason or explanation
* Overpayments for no apparent reason
* Absence of any legitimate source for the funds received

* Significant changes in the size, nature, frequency of transactions with a customer that is without reasonable explanation
* Cancellation, reversal or requests for refunds of earlier transactions
* Requests for account details outside the normal course of business
* A history of poor business records, controls or inconsistent dealing
* Any other facts which tend to suggest that something unusual is happening and give reasonable suspicion about the motives of individuals.

If in doubt a Suspected Money Laundering form should be completed and returned to the Money

Laundering Reporting Officer (MLRO).

**Criminal Finance Act Appendix D**

The following examples are areas that could be considered as knowingly assisting third parties to commit criminal tax evasion. This is a sample and should not be viewed as a complete guide.

1. Making a payment overseas, for example to an overseas agent in the knowledge that the agent intends to use the method of payment to evade tax. For example, this could apply where a payment is made into a bank account, which is not in the name of the agent or their company, but in the name of a different individual or company, or to a jurisdiction where the individual does not live/work.
2. Making a royalty payment to an overseas academic/former academic in the knowledge that the academic intends to use the method of payment to evade tax.
3. An employee agrees to pay one entity knowing that the goods or services have been provided by another entity and that the reason for the change is to evade tax.
4. An employee agrees to mis-describe an overseas income stream to take the payment outside of withholding tax obligations.
5. Overseas agents mis-describe services provided to facilitate the evasion of local taxes. For example, an overseas establishment tells an employee, that if instead of describing the services (correctly) as “teaching” on the invoice, they are described as something else (for example marketing or management services) then they will not have to pay withholding tax to the local overseas tax authority.
6. Using a third party to pay in-country workers on your behalf, where you know there is a withholding obligation, and that the third party will not comply with that obligation.
7. Categorisation of a payment to an individual, who should be paid as an employee and treated as such under IR35 as self-employed, knowing that the individual will use the gross payment to evade tax. This could arise where false information is knowingly entered on the HMRC Employment Status Questionnaire with the purpose of evading tax.
8. An employee colludes with another university/third party to mis-describe services as outside the scope of VAT by describing it as collaborative research or grant funding rather than a taxable supply of contract research, or consultancy.
9. An Employee agrees to mis-describe services provided to a third party in order to facilitate a VAT reclaim by them.
10. An employee agrees to mis-describe goods being exported so that a lower rate of Customs duty becomes payable on import by the customer.
11. An employee allows a payment for good or services to be described as a donation so that the donor can claim tax relief.
12. An employee authorises a VAT invoice from a supplier knowing that they are not VAT registered.
13. Academics not employed by the university perform work in return for a payment in kind e.g. travel to a conference or use of facilities, knowing that no tax will be paid on the payment.
14. A budget holder knowingly allows a benefit in kind to a member of staff without notifying the staff member or the Finance Department of the tax liability, which arises.
15. A budget holder knowingly allows a member of staff to provide false information on their expense claim, to evade tax.

In the above examples, where there is knowledge, awareness or collusion, the employee or associate is committing a criminal offence of assisting criminal tax evasion. The University would automatically be charged with facilitating criminal tax evasion. Penalties are substantial.