



## Anti-Money Laundering Policy and Sanctions

### Rationale

Money laundering is the process by which the proceeds of criminal or illegally activity (Illicit Funds) are processed or 'layered' to mask its true origin and to create the appearance that the Illicit Funds have come from a legal source. The term 'money laundering' covers several offences each of which relate to the improper handling of Illicit Funds so that they appear to come from a legitimate source. Money laundering underpins most forms of organised crime, allowing criminals to further their operations. However, it can also benefit individuals engaging in bribery or dishonest activities such as receiving stolen goods or tax evasion.

Although most schools are not required to comply with the complex anti-money laundering requirements that apply to financial services businesses, the legislation governing the money laundering offences under legislation such as the Proceeds of Crime Act 2002 (POCA), the Terrorism Act 2002, The Criminal Finances Act 2017, Bribery Act 2010 [and sanctions legislation] do apply to schools and the Terrorism Act 2002 do apply to school.

Money laundering can take many forms, but in the independent school sector is most likely to occur in relation to:

- the payment of fees;
- the payment of fees by third parties;
- the donation of sums to projects for which an appeal is being run;
- the donation of sums for no obvious reason;
- the payment in advance of fees; and/or
- the requested return of a donation or fees paid in advance.

The school is potentially vulnerable to this threat and the consequences of being involved in an instance of money laundering may have severe impact on the school's reputation.

### Objectives

To satisfy the core elements of due diligence Governors must take reasonable steps to ensure that procedures are in place to ensure that the school;

1. "Identify" the person or persons with whom the school is entering into a financial transaction.
2. "Verify" where reasonable and, if the risks are high, the identity of said person or persons.
3. "Know what the business of said person or persons is and can be assured that it is appropriate for the charity to be involved with the business.

4. "Watch out" for unusual or suspicious activities, conducts or requests.

The school should know, at least in broad terms, where the money they are given comes from. Governors should ensure procedures are in place such that the school is able to identify and be assured of the provenance of substantial payments. The Finance Director would, therefore and as soon as possible, let all members of the F&GP committee know if a large amount of money is transferred in the School bank account and what measures have been taken to ensure the money received does not give cause for concern.

### Success Criteria

The school will be confident that all money received, mostly fees and donations, do not come from any illegal or inappropriate sources.

All parents pay using either bank transfer or cheque payments.

### Methodology

#### 1. Implementation

Parents would have been informed that the school only accepts bacs payments to cover fees or extra charges when accepting the place through the "Terms and Conditions", on all termly invoices and on letters advertising trips.

The fee invoice will not mention the possibility of paying cash in the school bank account.

Parents will be made aware that the school will operate within the guidelines of this policy and that should the school suspects that money laundering may be taking place, it can submit a Suspicious Activity report (SAR) to the National Crime Agency.  
[www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk).

The decision to accept a large sum of money (above the value invoiced termly) will lie with the school following the completion of a risk assessment which will assist in composing a view of the cash/fund being offered to the school.

The risk assessment will try to identify the various risks faced by the school which comprise but are not limited to:

**Geographical location:** if a person is resident in a country that is perceived to have a lower standard of anti-money laundering regulation or measure to prevent corruption,

**Politically exposed person (PEP):** a politically exposed person may be more at risk of being involved in money laundering.

**Secrecy:** if a person is unusually secretive, for example if he or she is reluctant to meet face to face in circumstances where that would be the norm.

**Sanctioned or proscribed organisations:** whenever the person is subject to sanctions or designated as, or associated with, a proscribed organisation.

**Nature of transactions:** some transactions represent an inherent risk such as, but not limited to:

- Large cash payment
- Cancellation, reversal or requests for refunds of earlier transactions
- The payment in advance of fees, and/or
- The requested return of fees paid in advance
- The donation of sums with unusual conditions attached

- Time limited donations or interest free loan to the school
- The donation of sums for no obvious reason
- Unusual patterns of payment
- Complex payment arrangements
- Payment by third parties

If any suspicion, the School will be asking the payer to provide various information or perform some due diligence checks such as but not limited to:

- Checking various indices including the Transparency International Corruption Perception Index and the Financial Action Tax Force risk register,
- Checking their identity (ie: Passport/driving licence, meeting),
- Checking Bank Account details (ie: bank statements),
- Checking proof of residency (ie utility bills),
- Checking relationship to the pupils,
- Checking legal documents proving where the funds are coming from (ie inheritance, sales of large amount of equity, re-mortgage papers.)

If the parent (or payer) or donor is not able to provide a satisfactory explanation or where there are other factors (for example adverse media publicity) that cause the Finance Director to have a reasonable suspicion or knowledge that the funds being used to make the payment may be Illicit Funds (movement of money that is illegal in its source, transfer or use, ie corruption, smuggling, tax evasion or terrorist financing) the Finance Director will make a suspicious activity report (SAR) to the NCA and, where appropriate request consent to proceed with the transaction.

If the School has requested a defence against a money laundering offence (DAML) in the SAR the School should not accept, pay away, return or otherwise use the suspicious payment for any purpose until the time limit for the NCA to respond to the SAR has expired.

The Finance Director will also consider whether the incident needs to be reported also to the Charity Commission.

## **2. Monitoring**

The School will monitor that no cash has been deposited into our bank account without our knowledge.

The School will ensure that it follows the guidelines given by this Policy as and when they are revised.

## **Evaluation**

It is the responsibility of the Headmistress and the Finance Director to evaluate the effectiveness of this policy on an ongoing basis. However, anyone with a concern about money laundering can raise this with the Headmistress or the Finance Director at any time.

## **Training**

The School will train its staff from time to time on how to limit the money laundering risks faced by the School, by enabling staff to spot potential 'red flags' and what steps they must take if a potential risk factor for the school is identified.

If any member of staff has any concerns or would like further information on what they should do in the event of a concern about money laundering the member of staff should contact the Finance Director in the first instance.



## Appendix A (internal document)

### Checklist for identifying potentially suspicious transactions

You must consider the following questions in relation to each high-risk payment. If any of the answers to the questions are "yes", you must refer the payment to the Bursar for further consideration. This list is not exhaustive. Even if all the answers to the questions are "no" if something seems unusual you must raise your concern with the Bursar.

	Potential red-flags	Ask...	Yes/ No
1.	<b>Transactions</b>	<p>Are payments to the School unusual because of their size, frequency or the manner of their execution?</p> <p>For example:</p> <p>Is the parent unexpectedly or unusually making lots of small payments from several different accounts?</p> <p>Are the payments unexpectedly being paid from a different account?</p>	
2.	<b>Bank account:</b>	Is the payment being made from an account that is not in the same name as the payer?	
3.	<b>Arrangements</b>	<p>Does the payment involve complex or illogical arrangements that make it unclear who is making the payment? For example:</p> <p>Is the payment coming from a variety of sources or payers?</p> <p>Is the payer seemingly unconnected to the pupil, parent or donor?</p>	
4.	<b>Third party payments</b>	<p>If the payment is from an account that is not the parent's account is the connection between the third-party making the payment and the pupil unclear?</p> <p>For example, is the payment from someone who is not the parent's employer or a known relative of the pupil?</p>	
5.	<b>Internet search</b>	Are there any adverse media articles about the payer suggesting an involvement in criminal activities?	
6.	<b>Erroneous payments</b>	<p>Has the School been asked to reverse a payment made because the payment was made in error?</p> <p>Has the School been asked to send a repayment to a person that is different to the original payer?</p>	
7.	<b>Country of residency</b>	<p>Is the parent resident in or have they recently relocated from, a high-risk country?</p> <p>You should ask the Bursar for the current list of high risk countries.</p>	

<b>8.</b>	<b>PEP (Politically Exposed Person – broadly an individual who is performing a prominent public function)</b>	Are either of the parents or the person paying the fees (where different) a PEP?  If the parent is a PEP, is their business activity unusual given the public role they hold?	
<b>9.</b>	<b>Assets:</b>	Does it seem that a parent’s assets are inconsistent with their known legitimate income?	
<b>10.</b>	<b>Resources</b>	Are the funds being used bearer's cheques or cash?	
<b>11.</b>	<b>Identity</b>	Is the payer difficult to identify?	
<b>12.</b>	<b>Early or quick payments</b>	Is the parent unusually anxious to make a payment?  Is the parent unable to justify why they need to make the payment quickly or early?	
<b>13.</b>	<b>False documents</b>	Do any documents appear to be falsified?	
<b>14.</b>	<b>Representative</b>	Have you, or other professionals involved been instructed at a distance, asked to act outside of your usual specialty, or offered an unusually high fee?	