

# Anti-Money Laundering Policy

## The Rotary Club of Great Aycliffe

September 2023

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### Introduction

The Club could be used as a vehicle through which criminals seek to launder the proceeds of crime (**Illicit Funds**). Additionally, the Club, or a member of members, is at risk of committing a money laundering offence if they accept Illicit Funds in circumstances where they have knowledge or a reasonable suspicion that the payment is from Illicit Funds.

Members need to be vigilant to the risk of accepting Illicit Funds and play their role in assisting law enforcement agencies in combatting money laundering. The Proceeds of Crime Act 2002 (**POCA**) (as amended from time to time) imposes obligations on the Club and members of members personally,

in respect of money laundering and associated activities. The purpose of this policy is to:

- assist members with identifying red flags that may be indicative of money laundering activities;
- reduce the risk of the Club being used as a vehicle through which criminals can launder Illicit Funds; and
- let members know what they should do if they have a concern that the Club is at risk of accepting Illicit Funds.

Linked to this, there are charity law requirements to ensure that reasonable skill and care are used when making decisions about procedures for the receipt and use of the Club's funds.

### **What is Money Laundering?**

Money laundering is the process by which Illicit Funds are processed or spent to create the appearance that the Illicit Funds have come from a legal source. Although cash based money laundering continues to be a major method of laundering Illicit Funds in the UK, stricter rules have made it more difficult for criminals to introduce Illicit Funds into the UK banking system. Consequently, criminals are using more inventive methods to disguise the origins of their cash and members should be alert to practices and payments that they consider to be suspicious, including payments made to the Club via bank transfer.

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 from dishonest activities such as receiving stolen goods or tax evasion.

**Money Laundering is described as:**

***“a scheme in which criminals try to disguise the identity, original ownership, and destination of money that they have obtained through criminal conduct. The laundering is done with the intention***

***of making it seem that the proceeds have come from a legitimate source”.***

### **Risks to the Club**

The Club is potentially vulnerable to being used as a vehicle through which a criminal may seek to launder Illicit Funds, for example a criminal may use their Illicit Funds to pay fees or make a donation.

Although Fee payments are clearly a risk area, members should remain alert to all payments and if a payment seems unusual, for example where it involves complex banking and transfer

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Arrangements, or payments from seemingly unconnected third parties, members should refer the payment to the Treasurer.

Whilst the Club is unlikely to have satisfied the threshold for committing a money laundering offence where the Club or member of members was unaware that a payment was made from Illicit Funds, members of members must not turn a blind eye. Where there are factors, 'red flags', that indicate a higher risk of potential money laundering activity, concerns must be referred to the Treasurer who will consider what further steps or investigations are required before accepting the payment.

Even if the Club has not committed a money laundering offence, if criminals use Illicit Funds to make payments to the Club, being involved in an instance of money laundering may have a severe impact on the Club's reputation.

### **Cash payments**

Criminals are increasingly inventive in finding ways to introduce Illicit Funds into the banking systems and although payments made through a bank transfer cannot guarantee that the funds are not from Illicit Funds the risk to the Club is increased where the Club accepts payments in cash. Accordingly, it should be the exception that cash payments of more than £200 are accepted.

In exceptional cases the Club may allow a larger payment to be made in cash. Before agreeing to accept a large cash payment, the Treasurer will consider the circumstances relating to the payment.

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Treasurer must obtain evidence to satisfy the Club that the payment is being made from a legitimate source. Such enquiries might include asking the donor for:

- an explanation of why the payment is being made in cash;
- information on how the cash was obtained; and
- proof of this.

The Treasurer must consider the explanation and information provided by the donor and decide whether the Club is able to accept the cash payment. In each case, the Treasurer will make and retain a record of the decision made and the supporting evidence. Where the parent is not able to provide a satisfactory explanation, the Club must not accept the cash payment.

If the Treasurer is not satisfied that the funds are clean, the Treasurer must consider whether, in the circumstances the Club should:

- make a suspicious activity report (**SAR**) to the National Crime Agency (**NCA**); and
- make a report to the Charity Commission.

### **Key areas of risk for the Club**

Money Laundering can take many forms, but in relation to the Club it could involve, but will not be limited to:

- the payment of fees
- the payment of fees from 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
- the requested return of fees paid in advance.

These examples are not exhaustive, and members should remain vigilant in relation to all payments the Club receives.

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### **Donations**

Donations are a particular area of potential risk faced by the Club. To mitigate the risk the Club should know, at least in broad terms, where the money it is being given comes from and should be able to identify and be assured of the provenance of substantial donations. A good, open and transparent relationship between the Club and its donors is essential for building trust and confidence.

Good due diligence will help to:

- assess any risks to the Club that may arise from accepting a donation or types of donations;
- ensure that it is appropriate for the Club to accept money from the particular donor;
- give the Club reasonable assurance that the donation is not from any illegal or inappropriate source; and
- ensure that any conditions that may be attached the donation are appropriate and can be accepted.

Where a donation is being made, the relevant member or members should review what they know about

the donor and the proposed payment using the checklist in the Annex to this policy. The completed checklist must be provided to the Treasurer who will keep a record of the findings.

If when, completing the checklist, the member of members identifies any red-flags, the member of members

must report the concern to the Treasurer immediately.

### **Requests for repayments**

The Club's policy is that any refunds or repayments of sums paid to the Club can only be remitted to the bank account that made the payment. If a donor asks for a refund to be made to a different account, in particular one that belongs to someone other than the original payer, members must

refer this to the Treasurer promptly.

## Charity Commission

When accepting payments or donations the Club needs to be confident that it knows both:

- who is making the payment or donation; and
- the source of funds that are being used to fund the payment.

The Club will also use the following Charity Commission advice to assess the risk of money laundering:

- **'identify'** who the Club is dealing with;
- **'verify'** - where reasonable and if the risks are high, verify identities;
- **'know what the organisation's or individual's business is'** and can be assured this is appropriate for the Club to be involved with;
- **'know what their specific business is with the Club'** and have confidence that they will deliver what you want them to; and
- **'watch out'** for unusual or suspicious activities, conducts or requests.

If the Club is not satisfied with the explanation or evidence provided to support these factors the Club should obtain further information from the parent or donor. The section below "**What warning signs should members be alert to?**" provides an indication of the circumstances when the Club

must carry out further investigations about the payer.

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### What warning signs should members be alert to?

The Annex to this policy provides members of members with a non-exhaustive checklist of potential 'red flags' that may indicate a higher risk of potential money laundering. These questions form part of the Club's risk assessment when accepting payments. They are potentially relevant to all transactions and payments accepted by the Club.

The Club is not expected to consider every payment in detail against the red flag checklist and will consider payments on a risk basis. The Treasurer has identified the payments listed below as being payments that may expose the Club to a higher risk of money laundering. If a proposed payment is within one of the specified risk categories, members must complete the 'red flag' checklist before the Club can accept the payment:

- donations
- cash payments over £200
- payments to / from high-risk countries
- payments from PEPs (Politically Exposed Persons – broadly an individual who is performing a prominent public function)

The Treasurer has identified countries that they consider to be high-risk countries as being those with a

score of 39 or less on the most recent version of the [Transparency International Corruptions Perceptions Index](#).

Where payments are within one of the risk categories listed above, members of members must consider the payment against the red flag checklist before the payment can be accepted by the Club. Members must promptly report any concerns to the Treasurer.

All members, but particularly those members who in the course of their day-to-day work are likely to deal with financial transactions, including the payments of fees and donations, must ensure that they are familiar with the checklist and understand the nature of the red flags that should be reported to the Treasurer. If a red flag is identified in relation to any payment or proposed payment, members must report their concerns to the Treasurer immediately.

Where a member of members makes a report to the Treasurer **they must not discuss their concerns** with any other person, including other members of members, pupils, parents or a donor as this could result in them, or the Club, committing a secondary offence of prejudicing an investigation.

## **What must the Treasurer do where a payment seems suspicious?**

Where a member of members identifies a red flag in relation to a payment, the Treasurer must consider the relevant circumstances relating to the transaction that has raised the concern. The enquiries the Treasurer will make will depend on the circumstances, but could include:

- asking the payer to explain who is making the payment where this is not clear;
- asking for an explanation of why the payment is being made in a particular way, for example, where payments are being made from a variety of sources or accounts;
- asking the payer for proof of the source of the funds; or
- carrying out a google or other internet search to establish that the payer is not involved in alleged criminal activities.

After having made appropriate enquiries, the Treasurer will decide whether:

- the payment can be accepted;
- further explanation or evidence as the legitimacy of the funds is required;
- the Club should submit a **SAR**; and
- the Club should make a report to the Charity Commission.

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The Treasurer will keep a record of the decision made in relation to the payment and the evidence supporting the decision.

## **Reporting to the National Crime Agency and Charity Commission**

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 Treasurer to have a reasonable suspicion or knowledge that the funds being used to make the payment may be Illicit Funds the Treasurer must make a SAR to the NCA and, where appropriate request consent to proceed with the transaction.

If the Club has requested a defence against a money laundering offence (**DAML**) in the SAR the Club 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 Treasurer will also consider whether the incident needs to be reported also to the Charity Commission.

## **Training**

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

If any member of members 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 members should contact the Treasurer in the first instance.

## **Version Control**

**Authorised by John Burrows**

On behalf of the Rotary Club of Great Aycliffe

**Effective Date** 25 September 2023

**Date of next review** June 2024 (or earlier if required)

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## **Annex - Checklist for identifying potentially suspicious transactions**

Members must consider the following questions in relation to each high-risk payment. If any of the answers

to the questions are "yes", they must refer the payment to the Treasurer for further consideration. This

list is not exhaustive. Even if all the answers to the questions are "no" if something seems unusual, members must raise their concern with the Treasurer.

## **Potential red-flags Ask... Yes/ No**

**1. Transactions** Are payments to the Club unusual because of their size, frequency or the manner of their execution?

For example:

Is the parent unexpectedly or unusually making lots of small payments from several different accounts?

Are the payments unexpectedly being paid from a different account?

**2. Bank account:** Is the payment being made from an account that is not in the same name as the payer?

**3. Arrangements** Does the payment involve complex or illogical arrangements that make it unclear who is making the payment?

For example:

Is the payment coming from a variety of sources or payers?

Is the payer seemingly unconnected to Club

**4. Third party payments** If the payment is from an account that is not known to the Club, is connection between the third-party making the payment and the Club unclear?

For example, is the payment from someone who is not known to the Club?

**5. Internet search** Are there any adverse media articles about the payer suggesting an involvement in criminal activities?

**6. Erroneous payments** Has the Club been asked to reverse a payment made because the payment was made in error?

Has the Club been asked to send a repayment to a person that is different to the original payer?

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**7. Country of residency** Is the donor in or have they recently relocated from, a high-risk country? You should ask the Treasurer for the current list of high risk countries.

**8. PEP (Politically Exposed Person – broadly an individual who is performing a prominent public function)**

Is the person donating (where different) a PEP?

If the person is a PEP, is their business activity unusual given the public role they hold?

**9. Assets:** Does it seem that a person's assets are inconsistent with their known legitimate income?

**10. Resources** Are the funds being used bearer's cheques or cash?

**11. Identity** Is the payer difficult to identify?

**12. Early or quick payments**

Is the person unusually anxious to make a payment?

Is the person unable to justify why they need to make the payment quickly or early?

**13. False documents** Do any documents appear to be falsified?

**14. Representative** 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?