

ANTI MONEY LAUNDERING POLICY

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| Operational Owner: | Head of Financial Transactions |
| Executive Owner: | Chief Financial Officer |
| Effective date: | 01 November 2021 |
| Review Date: | 01 November 2024 |
| Related policies: | Treasury Management Policy, Criminal Finances Act Policy, Ethical Conduct Policy, Public Interest Disclosure Policy (Whistleblowing) |
| Policy history: | V1 |

Version History

| Version | Author | Revisions Made | Date |
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| 1 | Anna Mitchell | First Draft | 01 October 2021 |

Approval History

Committee Sign Off

| Version | Committee Name | Date of Sign Off |
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| 1 | Operations Committee | 19 October 2021 |

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| 1 | Introduction |
| | <p>Money laundering is the process of taking profits from crime and corruption and transforming them into legitimate assets. It takes criminally derived 'dirty funds' and converts them into other assets so they can be reintroduced into legitimate commerce. This process conceals the true origin or ownership of the funds, and so 'cleans' them.</p> <p>As the University receives significant amounts of funds from all over the world, for tuition, accommodation, and other services, as well as making thousands of payments globally, it is exposed to the risk of being unwittingly used to launder funds.</p> |
| 1.1 | Purpose |
| | <p>This policy supports the University in its aim to comply fully with all UK legislation and all relevant overseas legislation in relation to Anti Money Laundering and to ensure it minimises the risk of money-laundering taking place in its operations.</p> <p>For the avoidance of doubt, the University will not do business with anyone whom it is suspects of taking part in any activity, knowingly or unknowingly, which it regards as linked with potential money-laundering.</p> |
| 1.2 | Scope |
| | <p>This policy applies to all staff who are engaged in financial transactions for or on behalf of the University. Any failure to adhere to this policy may be dealt with under the University's disciplinary procedures, as appropriate. Note that any such failure will also expose the individual concerned to the risk of committing a criminal offence under relevant UK or overseas money laundering legislation.</p> |
| 1.3 | Legislative context |
| | <p>The law concerning money laundering is complex and is increasingly actively enforced. It can be broken down into three main types of offences:</p> <ul style="list-style-type: none"> i. the principal money laundering offences under the Proceeds of Crime Act 2002; ii. the prejudicing investigations offence under the Proceeds of Crime Act 2002; and iii. offences of failing to meet the standards required of certain regulated businesses, including offences of failing to disclose suspicions of money laundering and failing to comply with the administrative requirements of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. <p>The University is required to comply with the Proceeds of Crime Act 2002. The University is not authorised or regulated by the Financial Conduct Authority. It therefore does not have to comply with Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, but it is considered best practice for it to do so.</p> |
| 2 | Policy |
| 2.1 | Principles |
| 2.1.2 | Requirements of the University |
| | <p>In the UK, severe penalties can be imposed on both the University and its employees (as individuals) connected with any stage of laundering money.</p> |

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| | <p>The University therefore has to consider the risks that its business activities will expose it to potential money laundering, and devise suitable controls that protect it and its employees against being the victim of money laundering. It has to document these risks and monitor them on a regular basis. The University also has to consider how it trains its staff to spot potential signs of money laundering activity, and how to report it according to UK law.</p> <p>The University also needs to ensure it complies with all local money laundering regulations when it operates overseas.</p> |
| 2.1.2 | Risk Areas |
| | <p>There are three stages in money laundering: placement, layering and integration.</p> <ul style="list-style-type: none"> - Placement is where the proceeds of criminal activity enter into the financial system - Layering distances the money from its illegal source through layers of financial transactions - Integration involves the re-introduction of the illegal proceeds into legitimate commerce by providing an apparently genuine explanation for the funds. <p>There are many types of risk. Overseas payments often pose higher risk as they can often be made via a third party, can involve the movement of money through multiple bank accounts or involve high risk countries as outlined in 2.1.3. The University has identified the following key areas which could be exploited by those trying to carry any or all of the three stages of money laundering, above.</p> <ul style="list-style-type: none"> - Receiving tuition and accommodation fees from overseas - Receiving tuition and accommodation fees from sponsors based overseas - Receiving funds from potentially criminal business entities - Making refunds to students, and third parties (parents and sponsors) - Receiving cash transactions (if applicable) - Receiving donations - Overseas operations |
| 2.1.3 | Money Laundering Warning Signs |
| | <p>It is not possible to give a definitive list of ways to spot money laundering. The following are types of risk factors which may, either alone or collectively, suggest the possibility of money laundering activity.</p> <ul style="list-style-type: none"> - A new customer, business partner or sponsor not known to the University - A customer from a country known to carry a high level of risk (such as a sanctioned country, or country with known high levels of financial fraud or corruption) - A secretive person or business e.g. that refuses to provide requested information without a reasonable explanation. - A request to pay a substantial sum in cash to the University - 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, and requests to pay the difference back to a third party - Absence of any clear legitimate source for the funds received. - Significant changes in the size, nature, frequency of transactions with a customer that are 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 - Receipt of a payment for which the University has not issued an invoice - A receipt of fees from an unconnected third party (i.e. not a student, family member or sponsor) - Any other facts which tend to suggest that something unusual is happening and give reasonable suspicion about the motives of individuals. |

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| 2.2 | Controls |
| 2.2.1 | Due Diligence |
| | <p>Due diligence is the process by which the University assures itself of the provenance of funds it receives and that it can be confident that it knows the people and organisations with whom it works. In this way the University is better able to identify and manage risk.</p> <p>Due diligence should be carried out before the funds are received. Funds must not be returned before due diligence has been carried out.</p> <p>In practical terms this means:</p> <ul style="list-style-type: none"> i) identifying and verifying the identity of a payer or a payee, typically a student or a donor; ii) where the payment is to come from or to be made by a third party on behalf of the student or donor, identifying and verifying the identity of that third party; iii) identifying and verifying the source of funds from which any payment to the University will be made; and iv) identifying and in some circumstances verifying the source of wealth from which the funds are derived. <p>Source of funds refers to where the funds in question are received from. The most common example of a source of funds is a bank account. Source of wealth refers to how the person making the payment came to have the funds in question. An example of a source of wealth is savings from employment.</p> |
| 2.2.2 | Transactional Controls |
| | <p>The University has a robust "know your customer" process for students and other customers, especially overseas students.</p> <p>Student ID is checked during enrolment, including checks that valid visas are in place where required. Credit checks are performed on sponsors or commercial sponsors via an external credit rating agency (currently Creditsafe) prior to being approved as a customer or sponsor.</p> <ul style="list-style-type: none"> - No cash is accepted for tuition or accommodation fees - Suspicious payment reports from the University's card payment gateway provider (WPM) are monitored daily and investigated where necessary - No refunds can be made other than to the original payer - Unallocated payments purporting to be from students are returned to source where no registered student ID is provided - Other than in exceptional circumstances, refunds are only made using the original mode of payment - Any potential breaches of this policy must be flagged up to the University's Money Laundering Reporting Officer as outlined below in 2.3.1 |
| 2.2.4 | Training |
| | <p>On joining the University any staff whose duties will include undertaking a finance function will receive appropriate anti-money laundering training as part of their induction process. This may include training provided by the British Universities Finance Directors Group (BUFDG) and one to one training from suitably experienced staff.</p> <p>All staff undertaking a finance function will receive annual refresher anti-money laundering and counter-terrorist finance training.</p> <p>The University's anti-money laundering training will include the applicable law, the operation of this policy and the circumstances in which suspicions might arise.</p> |

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| | The University will make and retain for at least five years records of its anti-money laundering training. |
| 3 | Reporting |
| 2.3.1 | Internal Reporting |
| | <p>It is best practice for Universities to appoint a nominated officer or Money Laundering Reporting Officer (MLRO) to be aware of any suspicious activity in the business that might be linked to money laundering or terrorist financing, and if necessary to report it through channels described below. The nominated officer at the University of Surrey is the Chief Financial Officer.</p> <p>Where a member of staff knows or suspects that money laundering activity is taking, or has taken place, or becomes concerned that their involvement in a transaction may amount to a breach of the regulations, they must disclose this immediately to their line manager. If in consultation with their line manager reasonable suspicion is confirmed a disclosure report must be made to the MLRO. This disclosure should be made by email and should be completed as soon as possible after the information came to their attention.</p> <p>The report should include as much detail as possible including:</p> <ul style="list-style-type: none"> - Full available details of the people, companies or other entities involved, including the individual making the disclosure and other members of staff if relevant. - Full details of transaction and nature of each person's involvement in the transaction. - Suspected type of money laundering activity with exact reasons as to why the individual making the disclosure is suspicious. - The dates of any transactions, where they were undertaken, how they were undertaken and the likely amount of money or assets involved. - Any other information that may help the MLRO judge the case for knowledge or suspicion of money laundering and to facilitate his or her report to the relevant authorities. <p>Once this suspicion has been reported to the MLRO any instructions provided by the MLRO must be followed.</p> <p>Further enquires must not be made unless instructed to do so by the MLRO. At no time and under no circumstances should any suspicions be voiced to the person(s) suspected of money laundering.</p> <p>If appropriate the MLRO will refer the case to the UK authorities who will undertake any necessary investigation. This may include consent to continue with a particular transaction and care should be taken not to 'tip off' the individuals concerned, otherwise this may be committing a criminal offence.</p> <p>Reports made by a member of staff to the MLRO under the above procedures will be considered for treatment as a disclosure under the University's Public Interest Disclosure Policy.</p> |
| 2.3.2 | External reporting |
| | <p>On receipt of a disclosure report the MLRO will:</p> <ul style="list-style-type: none"> - 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 enquires necessary to decide if a report should be made to the National Crime Agency (NCA). <p>Once the MLRO has evaluated the case a timely determination will be made as to whether:</p> <ul style="list-style-type: none"> - 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. |

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| | <p>Where the MLRO concludes that the case should be disclosed to NCA this needs to be done:</p> <ul style="list-style-type: none"> - In a timely manner - In the prescribed manner on a standard report format provided by NCA <p>Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then consent will be given for transactions to proceed and the disclosure report will be marked accordingly.</p> <p>Where the MLRO considers a potential breach has taken place, the University may be obliged to report serious incidents to the Office for Students.</p> <p>Details of the reporting to the NCA can be found at:</p> <p>https://www.gov.uk/guidance/money-laundering-regulations-report-suspicious-activities</p> |
| 2.4 | Monitoring |
| | To enable monitoring to be conducted and compliance with this policy to be evidenced, the University will retain all anti-money laundering and counter-terrorist finance records securely for a period of at least five years. |
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| 3 | Governance Requirements |
| 3.1 | Responsibility |
| | The Chief Financial Officer has overall responsibility for this policy. The Head of Financial Transactions is responsible for the effective operation of anti-money laundering procedures. Staff are expected to be familiar with this policy and to contribute to its effective implementation. |
| 3.2 | Implementation / Communication Plan |
| | Staff will be notified of the policy through the weekly bulletin and the policy will be available on the policies page of the University website. |
| 3.3 | Exceptions to this Policy |
| | Any exceptions to this policy require approval from the Chief Financial Officer |
| 3.4 | Review and Update |
| | Minor changes such as change of a role title or other titles or name which do not change the meaning of the policy may be made by the operational owner. Major changes which alter the meaning of the policy or are substantial re-writes will be submitted via the full approval route. |