

1. INTRODUCTION

1.1 The purpose of this document is to assist employees and Committee members of Lister to understand:

- The Co-operative's anti-money laundering policy
- The Co-operative's anti-money laundering procedures
- How to report possible money laundering.

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

2. OUR POLICY

2.1 It is our policy that:

- Lister will embrace the underlying principles behind the money laundering legislation and regulations and put in place anti-money laundering policies, procedures and reporting arrangements, appropriate to our activities.
- Customer identification 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 and will not proceed without consent from NCA.
- The Money Laundering Reporting Officer (MLRO) - at Lister, the Housing Officer, will be responsible for the implementation and compliance with the policy and procedure.
- This policy supports the Anti-fraud, Bribery and Corruption Policy and the Whistleblowing Policy.

3. POLICY OUTCOMES

3.1 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 Lister services from being used for money laundering purposes.
- Set out the procedures which must be followed to enable Lister and its staff to comply with their legal requirements

3.2 Lister will do all it can to:-

- Prevent Lister 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.

3.3 All employees are required to:-

- Report promptly all suspicions of money laundering activities to the Money Laundering Reporting Officer (MLRO) by using the form provided in the procedures at Appendix B.
- Follow any subsequent directions of the MLRO.
- Failure to carry out the above obligations could result in the employee committing a Money Laundering Offence.

4. WHAT IS MONEY LAUNDERING?

- 4.1 Money laundering is where money obtained as a result of a crime, is used to pay for services or goods. 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.
- 4.2 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.
- 4.3 In the UK the most popular method of money laundering is thought to be the purchase of property, followed by investment in front companies, or high cash turnover businesses (often legitimate businesses) or by funding a lavish lifestyle. After property, the most significant assets bought by criminals are jewellery, artwork, antiques, cars and boats.
- 4.4 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.
- 4.5 Examples of money laundering can include: -
- large cash payments
 - asking for cash refunds on credit card payments
 - overpaying bills e.g. council tax, rents or rates then asking for cash refunds.
- 4.6 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 Proceeds of Crime Act and Terrorism Legislation carry severe penalties. It is the policy of the Co-operative to report all suspicious activity to the National Crime Agency where required.

5. PROCEDURE FOR REPORTING

- 5.1 Any member of staff who knows, or has reasonable grounds to suspect that a customer is engaged in money laundering or terrorist activity will report those suspicions to the MLRO. This would include any suspicious approaches even when no business is conducted.
- 5.2 If you are suspicious, the Co-operative requires that you report it. You do this by making a report to the MLRO using the internal report form shown at (Appendix B). At no stage must the customer be given any details or in any way be alerted to the fact that suspicion has arisen. 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 NCA; your name will be removed.

6. WHAT IS SUSPICION?

- 6.1 Suspicion is not defined in the Proceeds of Crime Act. 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. The dictionary definition of suspicion may help: *“An act of suspecting, the imagining of something without evidence or on slender evidence, an inkling, mistrust.”*
- 6.2 Recognising suspicious activity - please do not hesitate to contact the MLRO if you in any way suspect a customer is involved in criminal activity. The MLRO will make a decision on what to do next based upon what you tell them and any other information they may have.
- 6.3 Some parts of the Co-operative 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 the Co-operative to try to 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 the Co-operative may be considered to be the proceeds of crime.
 - If a property has been used for prostitution or even as cannabis farms and although those may be issues that the local police are aware of, you need to tell the MLRO about what is happening as they may need to make a report to the National Crime Agency.
 - 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 usually 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 may have been occasions where a client has deliberately made large overpayments of rent and then asked for a refund by way of cheque. This is a common method used by money launderers. The Co-operative has made a decision not to accept very large cash payments (unless those match existing large known arrears) which mitigates the risk in this area.
 - Some clients may also make 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. The Co-operative does give occasional 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. These cases would not be considered money laundering, however, we will do spot checks of our cheque refunds to mitigate risk in this area.

- Lister is not involved in property purchase and shared ownership schemes, so these risk areas are not present.
- 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:
 - a checking a new customer's identity is difficult.
 - b there is reluctance from a new customer to provide details of their identity.
 - c 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.
 - d the financial circumstances of an existing customer has changed dramatically.
 - e 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.
 - f the customer wants to pay a large sum in cash.
 - g a customer who puts pressure on you to accept his business before you can carry out the necessary checks.

6.4 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.

7. ILLEGAL MONEY LENDING

7.1 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.

7.2 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.

7.3 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.

7.4 If a customer of Lister is identified by Co-operative staff as experiencing difficulties with debts which are exacerbated by illegal borrowing the customer should be given support .

8. CONSENT

8.1 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 National Crime Agency and this may take a few days. It may be that the customer has to be told that there are some delays in processing documentation internally and the matter will be dealt with as soon as possible.

9 OUR POLICY AND PROCEDURE ON CUSTOMER IDENTIFICATION

- 9.1 Policy: It is the Co-operative'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 to confirm that they are not acting for someone else in any transaction. This will apply whether we are receiving money from individuals or companies.
- 9.2 Procedure: All new customers and parties in business relationships which involve an exchange of funds must be asked to provide two separate forms of identification, one confirming identity and the other address. This is done at the point of signing up for a tenancy.
- 9.3 If the customer is unable or unwilling to provide the necessary identification, the transaction should not be completed and the MLRO should 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.
- 9.4 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.

10. PROOF OF SOURCE OF FUNDS

- 10.1 The Co-operative 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.
- 10.2 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.

11. OUR POLICY AND PROCEDURE ON RECORD KEEPING

- 11.1 Policy - It is the policy of the Co-operative to maintain records of identification, transactions and consideration of money laundering issues for a period of two years following the termination of our business relationship with a client. Records of reports to NCA will be retained by the MLRO for a minimum of five years and for a further period at their discretion.

11.2 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.

12. OUR POLICY AND PROCEDURE ON INTERNAL CONTROL

12.1 Policy - It is the policy of the Co-operative to facilitate adequate internal controls to ensure compliance with the legislation.

12.2 Procedure - As mentioned previously, the Co-operative has appointed an MLRO. The MLRO will ensure implementation of procedures to ensure compliance and the responsibility to ensure the overall effectiveness of the Co-operative's anti money laundering regime rests with the MLRO.

12.3 All members of management and staff will be required to make internal reports when necessary using the appropriate form. (Appendix B)

13. OUR POLICY AND PROCEDURE ON COMMUNICATION & TRAINING

13.1 Policy - It is the policy of the Co-operative 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 the Co-operative's policies and procedures.

13.2 Procedure - All relevant members of management and staff where money laundering has been identified as a potential risk will be required to undertake training in the requirements of the UK anti money laundering regime. 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.

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LISTER HOUSING CO-OPERATIVE LTD

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 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 nos. 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 should discuss your concerns with the MLRO. This form should be submitted as soon as possible.	
Names of all other colleagues who have been involved with this customer's affairs.	
Signature	
To be completed by MLRO Refer to NCA Do not refer to NCA	
Reason for decision	
Signature. Date referred to NCA	