

Anti- Money Laundering Policy

Owner : Associate Director Financial Accounting

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Introduction

London Metropolitan University is committed to the highest standards of ethical conduct and integrity in their business activities in the UK and overseas. This Policy outlines the University's position on preventing money laundering, in accordance with the.

- [Proceeds of Crime Act 2002](#)
- [The Money Laundering, Terrorist Financing regulation 2019](#)
- [The Criminal Finances Act 2017](#)

It aims to ensure that the University and its employees comply with the legislation and that the highest standards of due diligence are applied in relation to 'know your customer' principles.

Legislation has broadened the definition of money laundering and the range of activities where this can apply. So, it is not just a concern for banks and the financial sector but now applies to all companies and institutions including Universities. This policy therefore sets out the procedure to be followed if money laundering is suspected and defines the responsibility of individual employees in the process.

What is money laundering?

Money laundering is the process of taking money generated from crime and corruption and transforming it into apparently legitimate assets. Money laundering 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. It also covers money which is used to fund terrorism.

There are three stages in money laundering:

- placement – where the proceeds of criminal laundering enter into the financial system;
- layering – distancing the money from its illegal source through layers of financial transactions;
- integration – reintroduction of illegal proceeds into legitimate commerce by providing an apparently genuine explanation for the funds.

In the UK, severe penalties are imposed on individuals connected with any stage of laundering money, including unlimited fines and/or terms of imprisonment ranging from 6 months to 14 years. 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; and
- recklessly making a false or misleading statement in the context of money laundering.

In practice, an apparently legitimate and regular transaction - such as the payment of student fees and their subsequent refund - can disguise money laundering and it is essential that the London Metropolitan University deploys a range of policies and procedures to ensure it does not become involved in money laundering by inadvertently legitimising suspected individuals or transactions

University obligations

The intention is for Money Laundering Regulations 2019 to improve upon and close off some of the shortcomings in the old Money Laundering Regulations 2007. The Money Laundering Regulations 2019 sets out the requirement for relevant businesses to establish and maintain appropriate and risk-sensitive policies and procedures relating to:

- customer due diligence
- reporting
- record keeping
- internal control
- risk assessment and management
- preventing new methods of terrorist financing, including prepaid cards;
- the monitoring and management of compliance, and
- the internal communication of such policies and procedures, in order to prevent activities related to money laundering and terrorist financing.

The University has a responsibility to:

- Appoint a Money Laundering Reporting Officer (MLRO) to receive, consider and report as appropriate, disclosure of suspicious activity reported by employees
- Implement a procedure to enable the reporting of suspicious activity, such as complex or unusually large transactions, or unusual patterns of transactions which have no apparent economic or visible lawful purpose
- Maintain customer identification procedures to 'know your customer,' in relevant circumstances
- Maintain adequate records of transactions.

A key difference is that the London Metropolitan University is now required to adopt a more risk-based approach towards anti-money laundering, and in how it conducts its due diligence. Determining the appropriate level of due diligence is set out in Money Laundering Regulations 2019. The London Metropolitan University now must:

- produce a written Anti Money Laundering risk report addressing its customers and regularly translate findings into written policies;
- ensure its risk policies are proportionate to the risks identified and obtain approval from the University Council
- ensure sufficient due diligence for customers which takes into account customer and geographical risk factors; consult a list of high-risk jurisdictions which, if involved in a transaction, makes enhanced due diligence and additional risk assessment compulsory;
- still rely on customer due diligence performed by a third-party if that third-party is either subject to the Money Laundering Regulations 2019 or equivalent, but the third-party must effectively provide the customer due diligence information it has obtained; and
- ensure it performs enhanced due diligence on both foreign and local Politically Exposed Persons, i.e., those who are trusted with prominent public functions such as Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials.

Employee obligations

Money laundering legislation applies to ALL employees. Potentially any member of staff could be committing an offence under the money laundering laws if they suspect money laundering or if they become involved in some way and do nothing about it.

All new members of the University's Treasury team must receive training in this policy as part of their induction and a signed record from every member of that team must be kept to verify that they have read and understood the policy. Refresher training will take place at each revision of the policy, at which point all staff will be asked to update their signed record. The policy must be drawn to the attention of other University staff involved in student ID and finance checks at enrolment as part of the training organised by Academic Registry.

If any individual suspects that money laundering activity is or has taken place or if any person becomes concerned about their involvement it must be disclosed as

soon as possible to the MLRO. **Failure to do so may result in you being personally liable to prosecution.**

Guidance on how to raise any concerns is included in this policy document.

Relevant circumstances

Money laundering regulations apply to **cash transactions** however the University currently operates a cashless office. The Proceeds of Crime Act however applies to **all transactions** and can include dealings with agents, third parties, property or equipment, cheques, cash or bank transfers.

Particular rules apply to foreign students and the immigration service needs to be notified if a student with a visa discontinues their study. These cases should be dealt with by Academic Registry in the normal course of business. 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. Other than in exceptional circumstances, refunds must be made only to the person who initially made the payment and through the same medium the payment was paid.

Foreign students in particular must be made aware of fraudsters making third party fee payments on student accounts using fraudulent funds. This may be supporting money laundering which can affect their right to study in the UK and may mean funds received cannot be allocated to student debt.

Precautions should also be taken in respect of refunds requested following a payment by credit card or bank transfer. In these cases, refunds must only be made by the same method to the same account. In the event of an attempted payment by credit or debit card being rejected the reason should be checked prior to accepting an alternative card. If in any doubt about the identity of the person attempting to make a payment the transaction should not be accepted.

Anti Money Laundering Risk Assessment

The London Metropolitan University must undertake risk assessments in accordance with Money Laundering Regulations, and evidence must be kept to show this was carried-out and has been/will be kept up to date. The London Metropolitan University has undertaken a risk assessment of its current activities. The University's Anti Money Laundering controls and processes have to be in proportion to the financial crime risks and the typical risks are shown below.

Typical risks

Product/Service - Risk

The London Metropolitan University may become involved in a range of financial arrangements, often involving mainstream lenders such as banks and new innovative student lending vehicles, particularly in relation to overseas students. However, promoting a financial product without the necessary authorisation is an offence under the Financial Services & Markets Act 2000.

Under the Financial Services & Markets Act 2000 it is a criminal offence for any person (including entities such as universities) to continue a regulated activity in the UK unless they are an authorised person. In respect of consumer credit activities, such authorisation is now granted by the Financial Conduct Authority. Once fully authorised, the London Metropolitan University remains subject to the rules and regulations found in the Financial Conduct Authority Handbook and are subject to scrutiny and ongoing monitoring of their compliance with them.

Product/Service - Mitigation/Control

Most risks are mitigated as a result of the funds being paid direct to the University as a course provider. Third-party payments are only accepted under limited circumstances, such as where the third parties have been authorised by the student and are closely related to the student. However, additional electronic due diligence checks will be performed where the third-party is unrelated. In addition, it should be recognised that there are fraud and Anti Money Laundering risks associated with refunds and similar activities, and ongoing vigilance will be required.

Jurisdiction - Risk

The current jurisdiction for the University covers both UK and overseas activities, with some of those overseas activities being undertaken in potentially higher-risk locations.

Jurisdiction - Mitigation/Control

There is a presumption of low risk to certain jurisdictions unless the University's experience with certain types of customers within these jurisdictions calls for a higher risk factor to be applied.

Customer/Third-Party – Risk

Most of the University's customers are residents in either UK or EEA countries. However, some students will come from overseas with some of these countries potentially being higher risk. In addition, the University may

partner with overseas organisations during research and other teaching related activities.

Customer/Third-Party - Mitigation/Control

Customer Due Diligence procedures have been implemented to mitigate the potential customer risk. Verification of individuals is undertaken using standard due diligence procedures, supported by further 'high-risk' (sanction) checks. The former is performed routinely and automatically, whereas the latter is a manual check. It is considered that an Anti-Money Laundering-type risk is unlikely to occur in the University's activities, and any such risk would additionally be mitigated by the university's third-party controls.

Distribution – Risk

The London Metropolitan University faces many risks associated with how we undertake business, particularly where it is at a distance, or digital/online and telephonic only. Whilst we have minimised the number of indirect relationships (e.g., via an agent, third-party or representative), those relationships still exist and present a risk.

Distribution - Mitigation/Control

The University is fully regulated by the Financial Conduct Authority and even where an agent, third-party or representative is involved, the business relationship is only confirmed once the university has followed due process. If due process fails, then decisions will be taken as to whether the relationship should be further pursued, and what additional mitigations would be required in order to do so. The university has extensive international supplier/vendor relationships, and it is here that the greatest risk arises.

'Know your customer'

It is important that controls are in place to identify the student, customer or other party dealing with the University. This is done during enrolment checks by Academic Registry, so checking identity to a valid University ID card is considered adequate evidence of identity for making payments to the University. Where a payment is made on behalf of a student, then evidence of the payer's identity and relationship to the student concerned must be obtained.

If a person or an organisation is not known to the University look for letterheaded documents, check websites, request credit checks or aim to meet or contact key sponsors as 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 2.

The UK government [publishes frequently-updated guidance on financial sanctions targets, which includes a list of all targets](#). This guidance can be found at:

Corporate Criminal Offence 2017

This statement has been published in accordance with legislation as outlined by the Criminal Finance Act 2017 (CFA 2017). It outlines the commitment of London Metropolitan University to preventing persons associated with the University from engaging in the criminal facilitation of tax evasion

What is tax evasion?

Tax evasion is when individuals or businesses deliberately omit, conceal or misrepresent information to reduce their tax liabilities. Organisations can be used by associated individuals or businesses to facilitate taxpayer evasion in the UK or overseas.

London Metropolitan University is committed to preventing the facilitation of tax evasion by associated individuals or businesses anywhere within its operations. We do this through the development of reasonable prevention procedures, conducting regular due diligence and risk assessments of our activities and creating awareness and a culture of compliance throughout the University. We also use our strategic planning processes to identify possible risks for future activity, possible changes in legislation and through efficient and effective contract management.

Risk Assessment and Implementation of Prevention Procedures

The University is committed to embedding processes which will help eliminate the opportunities for the criminal facilitation of tax evasion.

The University undertakes risk assessments of all operations to determine the nature and extent of exposure to the risk of any “associated persons” engaging in activity that could criminally facilitate tax evasion. Reasonable prevention procedures which are proportionate to the size, complexity and risk of the organisation has been implemented.

The University maintains a register of possible risks of the facilitation of tax evasion by its staff and associates, as well as listing controls to mitigate those risks, and any actions required to improve those controls. This register is regularly reviewed and updated, as and when required in relation to the nature of the specific risks.

Due Diligence

Due diligence on both customers and suppliers will be undertaken in order to ensure that the risk of potential interactions with the University being used by associated persons to engage in the criminal facilitation of tax evasion is clearly identified before any transactions take place. This due diligence will be proportionate to the identified risk.

Raising Awareness & Collaboration

As the strategic knowledge base for Tax the University’s Finance Department is committed to staying aware of developments, legislation and case studies in

regards to the prevention of the criminal facilitation of tax evasion. Eliminating the opportunities to facilitate tax evasion effectively requires improved traceability, increased transparency and collaboration between statutory agencies, civil society organisations and both public and private sector business.

We will work in collaboration with other University's and external bodies such as BUFDG, HMRC, LUPC, and HEFCE, to share and develop best practice in due diligence, prevention procedures and the elimination of the criminal facilitation of tax evasion. The University's Head of Procurement is responsible for supply chain management transparency and initiatives.

University staff are encouraged to speak to any of the nominated officers listed above if they have any questions or concerns about tax evasion. If any individual suspects that any person associated with the University is engaging in the criminal facilitation of tax evasion, it must be disclosed as soon as possible to one of the Key Officers named above. In cases where a member of staff believes that informing the Key Officers would be inappropriate, they should follow the procedures outlined in the Public Interest Disclosure setting out the University's 'whistleblowing' procedure.

Consequences of breaching CFA 2017 legislation

Consequences for any associated person breaching the University's commitment to zero tolerance towards the criminal facilitation of tax evasion.

Any staff member who fails to meet the University's commitment to zero tolerance towards the criminal facilitation of tax evasion, will be subject to disciplinary action under the University's Disciplinary Procedure including summary dismissal. The staff member may also be personally liable to criminal prosecution in the UK under existing tax evasion laws.

We use our best endeavors to challenge customers and suppliers that do not meet our standards regarding prevention of the criminal facilitation of tax evasion. Such customers or suppliers may also be liable to prosecution under the provisions of the Criminal Finance Act 2017.

In the supplier selection phase of the University's Procurement Process, we may remove suppliers that do not agree with the University's policies or who have poor supply chain practices in place.

In contract management, contracted suppliers will be required to take the necessary action to improve their service delivery and we will work with them to address any concerns. If the supplier does not improve the **University** may terminate the business relationship.

The Money Laundering Reporting Officer (MLRO)

The Chief Operating Officer is the Money laundering reporting officer (MLRO) nominated to receive disclosures in respect of suspected transactions or activity within the University. In the absence of the MLRO the Associate Director of Financial Reporting or the Associate director of Financial Management would deputise.

Disclosure Procedure to be followed by Individuals

Where you know or suspect that money laundering or tax evasion activity is taking or has taken place, or you become concerned that your involvement in a transaction may amount to a breach of the regulations, you must disclose this immediately to your line manager. If in consultation with your line manager reasonable suspicion is confirmed a disclosure report must be made to the MLRO. This disclosure should be made on the proforma report attached at Appendix 1 and should be completed on the same day the information came to your attention. **Should you not do so you may be personally liable to prosecution under the regulations. If you in good faith disclose suspicions of money laundering, the University's whistleblowing procedure protects you against detrimental treatment.**

Your report should include as much detail as possible including:

- Full available details of the people, companies involved including yourself 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 or use of proceeds of crime with exact reasons as to why you are 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 the report to the Serious Organised Crime Agency (SOCA)

Once you have reported your suspicions to the MLRO you must follow any instructions provided. You must not make any further enquiries unless instructed to do so by the MLRO. At no time and under no circumstances should you voice any suspicions to the person(s) you suspect of money laundering, because you may be committing a criminal offence by doing so.

If appropriate the MLRO will refer the case to the SOCA for further investigation. This may include consent to continue with a particular transaction and care should be taken not to 'tip off' the individuals concerned, since you may be committing a criminal offence by doing so.

Action and Disclosure by the MLRO (Money Laundering Reporting Officer)

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 as necessary to decide if a report should be made to the SOCA

The MLRO will decide if:

- There is actual or suspected money laundering taking place
- There are reasonable grounds to know or suspect that this is the case
- Consent is required from SOCA for a particular transaction to proceed

Where the MLRO concludes that the case should be disclosed to SOCA this needs to be done in timely manner and in a prescribed SOCA format.

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.

Record Keeping Procedure

All disclosure reports and relevant documents will be retained in a confidential file by the Finance Department for a minimum of six years.

Departments conducting relevant transactions must maintain records for at least six years of:

- Student / Customer identification evidence
- Details of financial transactions carried out.

In practice Departments will routinely create and retain records in the course of normal business and these will be sufficient for this purpose.

Conclusion

Instances of suspected money laundering are likely to be rare given the nature of services provided by the University. However, we must be aware of the legislative requirements, as failure to comply would have serious implications for both the University and individuals concerned.

Please take prompt action referring to the guidance in this policy and if you have any suspicions, please consult your line manager or the MLRO about your concerns.

An annual report on money laundering will be made to the Audit Committee.

Appendix 1

London Metropolitan University

Suspected Money Laundering - Report to the MLRO

From: School / Department:

Contact Details:

DETAILS OF SUSPECTED OFFENCE

This section should include:

- Name(s) and address(es) of person(s) involved including relationship with the University.
- Nature, value and timing of activity involved.
- Nature of suspicions regarding such activity.
- Details of any investigation undertaken to date.
- Discussions you have had with anyone about your suspicions and on what basis.
- Whether any aspect of the transaction(s) is outstanding and requires consent to progress.
- Any other relevant information that you consider may be useful.

Signed Date

To be completed by the MLRO

Date report received

Date receipt acknowledged

CONSIDERATION OF DISCLOSURE

Further Action Required.

Are there reasonable grounds for suspicion requiring a report be made to SOCA?

YES/NO

If YES Confirm date of report to SOCA

Notice period to

Moratorium period to

Any Further Details

Is consent required from SOCA to any on-going transactions?

YES/NO If YES confirm details & instructions

Date consent received

Date consent given to staff

If NO confirm reason for non-disclosure

Date consent given to staff

Signed Date

Appendix 2

London Metropolitan University Anti- Money Laundering

Policy Guidance Note: Possible signs of money laundering

It is not possible to provide a definitive list of ways to spot money laundering or how to decide whether to make a report to the MLRO. However, the following are types of risk factors included in HMRC guidance which may, either alone or collectively, suggest the possibility of money laundering activity:

Risk factors – customer types and behaviour

- Customers with businesses that handle large amounts of cash.
- Customers with complex business ownership structures with the potential to conceal underlying beneficiaries
- Customers who are in a public position which could create a risk of exposure to the possibility of corruption
- Customers based in or conducting business in, or through, a high-risk jurisdiction, or a jurisdiction with known higher levels of corruption, terrorism, organised crime or drug production/distribution
- Customers who are not local to the business
- New customers carrying out large transactions
- Customers carrying out regular large transactions
- A number of transactions below the amount requiring ID checks carried out by the same customer within a short space of time
- A number of customers sending payments to the same individual
- Non face-to-face customers
- Situations where the source of funds cannot be easily verified

Risk factors – product/transaction types

- Complex or unusually large transactions
- Unusual patterns of transactions which have no apparent economic or visible lawful purpose
- Uncharacteristic transactions which are not in keeping with the customer's known activities
- A sudden increase in business from an existing customer
- A high level of transactions for amounts just below the amount requiring ID checks
- Peaks of activity at particular locations or at particular times

Risk factors – delivery channels

- Large cash transactions
- Occasional or one-off transactions as opposed to business relationships

Risk factors – business organization /geographical area of operation

- Large number of branches
- Large number of agents
- Geographical locations of operation
- Number of employees and turnover of staff
- Money sent to or received from areas known to have high levels of criminality or terrorist activity.

For the University, more specific risks are considered to be:

- A new customer, business partner or sponsor not known to the University
- A secretive person or business e.g., that refuses to provide requested information without a reasonable explanation
- Concerns about fund received from a terrorist organization or a person linked with terrorism
- Concerns about funds received from countries under sanctions or embargoes
- 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.

Appendix 3

London Metropolitan University

Anti- Money Laundering Policy: Customer risk assessment and associated controls

Activity	Risk Assessment	Controls
Student fees	<p>Low: Payments are often made from bank accounts outside the UK and by parents or other sponsors.</p> <p>Note that some international students might originate from jurisdictions with known higher levels of corruption, as held on the Financial Task Force website. However, the ID checks carried out for all students are considered adequate to address the higher risk from those individuals.</p>	<p>ID checks at enrolment. Identity of any payer other than student confirmed with the student concerned.</p> <p>No refunds made to accounts other than original payment other than in exceptional circumstances, in which case record is kept of reason.</p> <p>No cash payments are accepted as we operate a cashless office</p>
Other international student-related items such as sponsorship or loans for living expenses	Medium, as payment must then be made by the University to the student	<p>Identity of any payer other than student confirmed with the student concerned.</p> <p>No payment accepted in excess of British Council guideline cost of living in London</p>
Research and other income-generating activity	Low	<p>Validation of funder or customer at pre-contract stage.</p> <p>Receipts</p>

		matched to invoices raised.
Miscellaneous income, such as printing or sports fees	Low	Scrutiny of any receipt over £500 not in payment of an invoice