

## Prevention of Money Laundering and Terrorist Financing Policy

### Policy Statement

The Trust has considered situations in which money laundering/terrorist financing could potentially occur, taken measures to prevent the charity and its trustees being exposed to money laundering or terrorist financing, and taken measures to comply with the relevant legal and regulatory requirements. Money comes into the Trust through the External Lottery Manager. The Trust requires the External Lottery Manager to comply with its own Prevention of Money Laundering and Terrorist Financing Policy in respect with the money ingathered and paid out in prizes for the lottery, and circumstances falling to be dealt with under that policy are not also to be dealt with under this policy.

### Policy Headline: Safeguards are in place to prevent funds being used for criminal and terrorist activity

#### What is Money Laundering/Terrorism financing?

In general terms, money laundering is the process by which the proceeds of crime are changed so that the proceeds appear to come from a legitimate source. There are three acknowledged phases to money laundering:

- **Placement** - where money generated from crime is placed in the financial system,
- **Layering** - where the money passes through transactions designed to obscure the origin of the money, and
- **Integration** - where the funds appear in the financial system as apparently legitimate.

The following acts are defined as money laundering offences:

- Concealing, disguising, converting, or transferring criminal property or removing criminal property from the UK.
- Entering into, or become concerned in, an arrangement which you know or suspect will assist the acquisition, retention, use or control of criminal property or on behalf of another person.
- Acquiring, using or possessing criminal property.

These are primary money laundering acts. Two secondary offences are also defined which relate to the failure to disclose any of the three primary acts, and tipping off. Tipping off is where someone informs a person or persons involved in, or suspected to be involved in money laundering acts, in such a way as to reduce the likelihood of their being investigated.

Under the Terrorism Act 2000 it is an offence to make funds available to a person you know, or reasonably suspects, will or may use such funds for the purposes of terrorism.

#### The Money Laundering Reporting Officer (MLRO)

The officer nominated to receive disclosures about money laundering activity is the MLRO. The MLRO will deal with all disclosures confidentially and make decisions on reporting the activity to the National Crime Agency (NCA) in the appropriate manner.

## Policy Context

The Trust's sole revenue stream is from funds generated through its society lottery operations. Our lottery is managed on our behalf by PLL and this policy should be read in conjunction with their policy and process approach. Activities arising from the operation of the society lottery for which PLL operates as ELM should be reported to PLL's Money Laundering Reporting Officer or Deputy Money Laundering Reporting Officer.

The policy applies to all trustees and externally contracted staff employed under our services agreement, and sets out procedures for the reporting of suspected money laundering/terrorist financing activities with the aim of avoiding such criminal activity.

Through the Services Agreement with the PLL, the administration team is bound by their employee policies including Prevention of Money Laundering and Terrorist Financing Policy, Whistleblowing Policy and Anti-Fraud and Corruption Policy. Failure of an employee to comply with the procedures defined within this policy may lead to disciplinary action in line with PLL's Disciplinary Policy Procedures. This policy should therefore be read in conjunction with PLL's employee policies.

The risk assessment of the gambling industry published by the Gambling Commission on 31 October 2016 entitled '*Money laundering and terrorist financing risk within the British gambling industry*', rated the risk of money laundering and terrorist financing in the lotteries sector as a whole as "lower". As a promoting society, the Trust is not, however, complacent about the potential for money laundering or terrorist financing taking place, and we have carefully considered the contents of this risk assessment.

### Legal requirement:

Charity trustees must ensure they and their charity comply with the general law including those associated with fraud and financial crime. Charity trustees must take all necessary steps to ensure there is no misuse of charity funds or assets. This is part of their general duty of care under charity law, and of their duty to comply with the law on fraud and financial crime. The use of charity money or property for unlawful purposes cannot in any circumstances be regarded as a proper use, and is in breach of charity law.

In charity law the term 'material significance' is used to determine which matters should be reported to the charity regulators. Auditors and independent examiners must report any matters of material significance which they become aware of during their appointment. These material incidences include dishonesty and fraud, governance failure, money laundering and criminal activity and support of terrorism as outlined in the Notifiable Events Reporting Policy.

### **Obligations and risk based controls taken by the Trust to mitigate the risks of money laundering/terrorist financing**

The Proceeds of Crime Act 2002 (POCA) and the Terrorism Act 2000 place obligations on PPL and its employees with respect to suspected money laundering. The key points are:

- i. Employees must be vigilant for the signs of money laundering.
- ii. Any employee who suspects money laundering activity **must** report this promptly.

## Approach

The Trust takes a four point approach:

1. **Deter** To ensure that potential partners are appropriate we undertake:
  - a. Due Dilligence: the appropriate checks are undertaken of prospect fundees, and third party contractors. Using a risk-based proportionate approach, where the risks are high – such as in areas where it is well known or likely that proscribed and other terrorist organisations are known to operate – then processes and checks must be sufficiently robust.
  - b. Awareness: Trustees and administration team will stay up to date with general risks affecting the industry. It is the responsibility of every employee to be vigilant and act promptly in all suspected cases.
  - c. or terrorism
2. **Prevent** When using funds to support charitable activity, trustees will ensure they take reasonable steps, taking account of the particular circumstances, to protect the funds from being abused, including for criminal and terrorist purposes; This is done by:
  - a. Grantees
    - i. good governance and control over their charity's financial affairs and act prudently in choosing their partners.
    - ii. Proper and adequate records for both the receipt and use of funds and audit trails of decisions.
    - iii. Records relating to funds expended must be sufficiently detailed to show that funds have been spent properly as intended and in a manner consistent with the purpose and objectives of the organisation.
    - iv. Grants made to other organisations must be disclosed in Annual Financial Statement of Accounts.
    - v. Funding agreements include clear statement relating to appropriate use of funds
  - b. Managing third party contracts
    - i. Undertaking vendor vetting process for new contractors
    - ii. Ensuring that robust contracts are in place
    - iii. Undertaking contract reviews and regular reporting.
3. **Detect** In order to ensure that suspicious activity is identified we undertake
  - i. Regular reviewing and monitoring of fundees
  - ii. spot check investigations where funding may have a higher risk category
  - iii. contract reviews and reporting
  - iv. to ensure responsible people are adequate checked in key functions or which significant access to key areas
  - v. to encourage the team and trustees to have awareness of how to detect criminal activity through on-going training
4. **Respond** should a suspicious activity be exposed, the following would be undertaken:

### Arising from the operation of the society lottery for which PPL is ELM

- (i) Any employee who suspects money laundering/terrorist financing activity should report their suspicions immediately to the PLL's MLRO, or in their absence the deputy MLRO, using the Suspicious Activity Reporting form.
- (ii) Upon receipt of the report the MLRO (or deputy) may contact you directly to discuss the content of the report as required.
- (iii) No further enquiries should be made about the suspected money laundering/terrorist financing activity after reporting it to the MLRO (or deputy) for action. No further steps in any transaction relating to the suspected money laundering/terrorism financing activity should be made without authorisation from the MLRO (or deputy).
- (iv) No disclosure should be made to others that would indicate suspicions of money laundering/terrorist financing. Any employee reporting their suspicions to the MLRO (or deputy) should not discuss the matter with others or note on file that a report has been made to the MLRO (or deputy) as this may result in the suspect becoming aware of the situation.
- (v) The MLRO (or deputy) will promptly evaluate any Disclosure Report to determine whether it should be reported to the National Crime Agency (NCA)..
- (vi) The MLRO (or deputy) will, if necessary, promptly report the matter to NCA on the standard electronic report form in the prescribed manner via [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk).
- (vii) POCA creates an offence of failing to report suspicious activities. All disclosures will be retained on file for five years.

### Anything else, for example funding or contract-related

- (i) Any contracted team member or trustee who suspects money laundering/terrorist financing activity should report their suspicions immediately to the Trust's MLRO, or in their absence the deputy MLRO, using the **Suspicious Activity Reporting** form. [Does the Trust actually have a MLRO though? I don't think it is obliged to, though the GC did issue guidance suggesting having a MLRO would be good practice. I think the Trust, along with MacRoberts, needs to consider how they would actually approach this, if eg suspected Trust had given money to someone on list of terrorist financiers.
- (ii) Upon receipt of the report the MLRO (or deputy) may contact you directly to discuss the content of the report as required.
- (iii) No further enquiries should be made about the suspected money laundering/terrorist financing activity after reporting it to the MLRO (or deputy) for action. No further steps in any transaction relating to the suspected money laundering/terrorism financing activity should be made without authorisation from the MLRO (or deputy).
- (iv) No disclosure should be made to others that would indicate suspicions of money laundering/terrorist financing. Any one reporting their suspicions to the MLRO (or deputy) should not discuss the matter with others or note on file that a report has been made to the MLRO (or deputy) as this may result in the suspect becoming aware of the situation, in line with 'Tipping Off' offences.

- (v) The MLRO (or deputy) will promptly evaluate any Disclosure Report to determine whether it should be reported to National Crime Agency (NCA) and any other regulators such as OSCR.
- (vi) The MLRO (or deputy) will, if necessary, promptly report the matter to NCA on the standard electronic report form in the prescribed manner via [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk).
- (vii) The MLRO (or deputy) will, if necessary, following the Notifiable Events Reporting Policy report to OSCR and submit a key event to the Gambling Commission.
- (viii) POCA creates an offence of failing to report suspicious activities. All disclosures will be retained on file for five years.

### **Review**

This policy will be reviewed every year by the Board. PLL's policies are reviewed annually.

**Last updated:** March 2019