

## 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 Trust and its Trustees being exposed to money laundering or terrorist financing, and taken measures to comply with all relevant legal and regulatory requirements. Funds comes into the Trust through the External Lottery Manager (“ELM”). The Trust requires the ELM to comply with its own Prevention of Money Laundering and Terrorist Financing Policy (“ELM Policy”) in respect of undertaking activities for which it is regulated as an External Lottery Manager for the Trust by the Gambling Commission, for example ingathering proceeds and paying out prizes for the lottery. **This policy applies to the work of the Trust in determining what it will do with the proceeds of the lottery.**

**Policy Headline: Safeguards are in place to prevent funds being used for criminal and terrorist activities.**

### What is money laundering/terrorist financing?

In general terms, money laundering is the process by which the proceeds of crime are changed to appear as coming from a legitimate source so as to disguise their criminal origins i.e. “dirty” money is laundered into “clean” money. Money laundering offences can be committed by a number of different individuals coming into contact with the proceeds of crime. By way of example proceeds of crime could be monies or goods received from the sale of drugs or stolen goods, from relatively minor crimes, from regulatory breaches, tax evasion or fraud.

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 (potentially complex) transactions designed to obscure the origin of the money; and
- **Integration** - where the funds appear in the financial system as apparently legitimate. This is usually the most difficult stage of money laundering to detect.

### What is the law?

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The law on anti-money laundering in the UK is contained in:

1. Proceeds of Crime Act 2002 (“**POCA**”) which sets out the substantive money laundering offences;
2. Terrorism Act 2000 (“**Terrorism Act**”) which sets out substantive offences in relation to the funding of terrorism; and
3. Money Laundering Regulations 2007 (“**the Regulations**”) which set out administrative and regulatory requirements (e.g. due diligence checks) for firms within the “regulated sector” in relation to money laundering.

## POCA

There are three primary money laundering offences under POCA:

- concealing, disguising, converting, or transferring the proceeds of crime or removing the proceeds of crime from the UK;
- entering into or becoming concerned in an arrangement which the Trust know or suspect will facilitate (by whatever means) the acquisition, retention, use or control of the proceeds of crime; and
- acquiring, using or possessing the proceeds of crime.

All three offences require either a “knowledge” or “suspicion” of money laundering. For offences committed in the UK there is no limitation on the amount of money or level of conduct that can lead to prosecution under POCA.

There is also a secondary offence under POCA known as the “**prejudicing the investigation**” offence. This occurs when a person knows or suspects that a money laundering investigation has or is about to be commenced in respect of another party and he / she makes a material disclosure to any other person which is likely to prejudice the investigation or interferes with material relevant to such investigation and/or the investigation as a whole.

## Terrorism Act

Terrorism financing is the raising, moving, storing and using of financial resources for the purposes of terrorism. Under sections 15 to 18 of the Terrorism Act it is an offence to:

1. raise, receive or provide money or other property for the purpose of terrorism;

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2. possess or use money for the purposes of terrorism;
3. become involved in an arrangement to make money available for the purposes of terrorism; and
4. facilitate the laundering of terrorist money.

A person is guilty of an offence if he / she “knows”, “intends” or has “reasonable cause to suspect” that the relevant financial resources may be used for the purposes of terrorism.

There is also a positive legal obligation on persons to report to the police if he / she suspects the commission of any of the offences above, and it is a criminal offence not to do so.

### Money Laundering Regulations

The Trust does not fall within the definition of a “regulated sector” and therefore the Money Laundering Regulations and the additional obligations set out in the Money Laundering Regulations do not apply to the Trust.

Therefore, the Trust is not legally obliged to appoint a Money Laundering Reporting Officer (“**MLRO**”) or a Nominated Person as outlined in the Gambling Commission guidance. However, the Trust have appointed a point of contact (“**Contact Person**”) for any queries, advice and/or assistance that is required by the Trusts who is the Executive Manager.

### Policy Context

The Trust’s sole revenue stream is from funds generated through its society lottery operations. The Trust’s lottery is managed on the Trust’s behalf by the ELM and this policy should be read in conjunction with the ELM Policy. Activities arising from the operation of the society lottery for which the ELM is responsible should be considered under the ELM Policy.

Where any queries/issues relate to considerations of what the Trust should do with the proceeds generated through its society lottery operations, the Trust has appointed the Contact Person who will be the contact person for any queries/assistance the Trust requires, for example in relation to its own funding/grant arrangements.

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The policy applies to all Trustees and those acting on behalf of the Trust and sets out procedures for the reporting of suspected money laundering/terrorist financing activities with the aim of avoiding the Trust being associated with such criminal activity.

The risk assessment of the gambling industry published by the Gambling Commission most recently in March 2018 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" risk. 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

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

Please refer to the Trust's Notifiable Events Reporting Policy which is available if you become aware of an event and/or situation which may have a significant impact on the Trust.

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

POCA and the Terrorism Act place obligations on the Trust with respect to remaining vigilant to suspected money laundering and terrorist financing. In order to uphold these obligations, the Trust has the following procedures in place:

- i. Those working on behalf of the Trust must be vigilant for the signs of money laundering.
- ii. Any individual working on behalf of the Trust who suspects money laundering activity **must** report this promptly.

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## Approach

The Trust takes a four point approach:

1. **Deter.** To ensure that those we are working with, supporting and/or funding through our work are appropriate for the Trust to engage with we undertake:
  - i. **Due Diligence:** to undertake appropriate checks of prospective fundees. Using a risk-based proportionate approach and 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.

The Trust's due diligence process is as follows:

1. **Identifying** the person and/or organisation we are giving funds to. Identification is simply being told or coming to know identifying details, such as their name and address.
2. **Verifying** the identity of the person and/or organisation we are giving funds to on the basis of documents, data or information obtained from a reliable and independent source. Verification is obtaining some evidence which supports this claim of identity.

We must:

- determine the required extent of due diligence measures on a risk-sensitive basis depending on the type of funds being given out by the Trust; and
- be able to demonstrate that we took appropriate measures in view of the risks of money laundering and terrorist financing.

Verification can be completed on the basis of documents, data and information which come from a reliable and independent source. This means that there are a number of ways we can verify identity including:

- obtaining or viewing original documents;

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- conducting electronic verification; and
  - obtaining information from regulated persons.
3. Identifying the beneficial owner(s) (for charitable organisations the “beneficial owners” would be the Trustees) and taking adequate measures, on a risk-sensitive basis, to verify the beneficial owner’s identity so that the Trust is satisfied who the beneficial owner(s) is/are. This includes understanding the ownership and control structure of a legal person, trust or similar arrangement. As a general rule, the beneficial owner is the person behind the person and/or organisation the Trust is giving funds to and the person who owns or controls the person and/or organisation the Trust are giving funds to.
  4. Know the type of business of the organisation or individual to which/whom the Trust is giving funds and be assured it is appropriate for the Trust to give this funding to this business. Ask yourself whether any adverse publicity about the person and/or organisation we are giving funds to would have a damaging effect on the Trust. Verification can be completed on the basis of documents, data and information which come from a reliable and independent source. This means that there are a number of ways we can verify identity including:
    - obtaining or viewing original documents;
    - conducting electronic verification; and
    - obtaining information from regulated persons.
2. **Awareness:** Trustees will stay up to date with general risks affecting the industry. It is the responsibility of every Trustee and person acting on behalf of the Trust to be vigilant and act promptly in all suspected cases.
  3. **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 used in an illegal way or in a way which does not correspond with the Trust’s purposes, including use for criminal and terrorist purposes. This is managed in the following ways.
    - a. **Grantees**
      - i. Having in place good governance practices and control over the Trust’s financial affairs and acting prudently in choosing partners.
      - ii. Maintaining proper and adequate records for both the receipt and use of funds and audit trails of decisions and funding payments.

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- iii. Grantees are obliged to retain records relating to funds expended which are sufficiently detailed to show that funds have been spent properly as agreed with the Trust and in a manner consistent with the purpose and objectives of the grantee, the Trust and the relevant funding terms and/or agreement.
- iv. Grants made to other organisations are disclosed in annual 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.

#### **4. Detect.** In order to ensure that suspicious activity is identified we undertake the following steps.

- i. Regular reviewing and monitoring of fundees;
- ii. Spot check investigations where funding may have a higher risk category;
- iii. Contract review and reporting and
- iv. Encourage the Trustees and those acting on behalf of the Trust to have awareness of how to detect criminal activity through on-going training.

#### **5. Respond.** Should a suspicious activity be exposed, the following steps must be undertaken.

Any team member acting on behalf of the Trust who suspects money laundering/terrorist financing activity in respect of a situation where the ELM's Prevention of Money Laundering and Terrorist Financing Policy applies (for example in relating to ingathering the proceeds of the lottery or paying out prizes) should follow the steps set out in with the ELM policy.

Any team member acting on behalf of the Trust or Trustee who suspects money laundering/terrorist financing activity in respect of activities for which the Trust policy applies (for example in the work of the Trust in determining what it will do with the proceeds of the lottery) should report their suspicions immediately to the Contact Person, or in their absence the Deputy Executive Manager. In such circumstances, the following process should be followed:-

- (i) Upon receipt of the report the Contact Person may contact the reporting individual directly to discuss the content of the report as required.
- (ii) No further enquiries should be made about the suspected money laundering/terrorist financing activity after reporting it to the Contact Person for action. No further steps in any transaction relating to the suspected money laundering/terrorism financing activity should be made without authorisation from the Contact Person.

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- (iii) No disclosure should be made to others that would indicate suspicions of money laundering/terrorist financing. Any one reporting suspicions to the Contact Person should not discuss the matter with others or note on file that a report has been made to the Contact Person as this may result in the suspect becoming aware of the situation, in line with 'Tipping Off' offences.
- (iv) The Contact Person will promptly evaluate any Suspicious Activity Report to determine whether it should be reported to the National Crime Agency ("NCA") and any other regulators such as OSCR.
- (v) The Contact Person will, if necessary, promptly report the matter to the NCA on the standard electronic report form in the prescribed manner via [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk).
- (vi) The Contact Person will, if necessary, following the Notifiable Events Reporting Policy report to OSCR and submit a key event to the Gambling Commission.
- (vii) 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 annually by the Board of Trustees.

**Last updated:** October 2020

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[www.postcodeanimaltrust.org.uk](http://www.postcodeanimaltrust.org.uk)