



EPSOM

COLLEGE

Anti-Money Laundering Policy

The College could be used as a vehicle through which criminals seek to launder the proceeds of crime (Illicit Funds). Additionally, the College, or a member of staff, is at risk of committing a money laundering offence if they accept Illicit Funds in circumstances where they have knowledge or a reasonable suspicion that the payment is from Illicit Funds.

Members of staff need to be vigilant to the risk of accepting Illicit Funds and play their role in assisting law enforcement agencies in combatting money laundering. The Proceeds of Crime Act 2002 (POCA) (as amended from time to time) imposes obligations on the College and you personally, in respect of money laundering and associated activities. The purpose of this policy is to:

- assist staff with identifying red flags that may be indicative of money laundering activities;
- reduce the risk of the College being used as a vehicle through which criminals can launder Illicit Funds; and
- let staff know what they should do if they have a concern that the College is at risk of accepting Illicit Funds.

Linked to this, there are charity law requirements to ensure that reasonable skill and care are used when making decisions about procedures for the receipt and use of the College's funds.

What is money laundering?

Money laundering is the process by which Illicit Funds are processed or spent to create the appearance that the Illicit Funds have come from a legal source. Although cash-based money laundering continues to be a major method of laundering Illicit Funds in the UK, stricter rules have made it more difficult for criminals to introduce Illicit Funds into the UK banking system. Consequently, criminals are using more inventive methods to disguise the origins of their cash and staff should be alert to practices and payments that they consider to be suspicious, including payments made to the College via bank transfer.

The term 'money laundering' covers several offences each of which relate to the improper handling of Illicit Funds so that they appear to come from a legitimate source. Money laundering underpins most forms of organised crime, allowing criminals to further their operations. However, it can also benefit individuals engaging in bribery and dishonest activities such as receiving stolen goods or tax evasion.

Money Laundering is described as:

“a scheme in which criminals try to disguise the identity, original ownership, and destination of money that they have obtained through criminal conduct. The laundering is done with the intention of making it seem that the proceeds have come from a legitimate source”.

Risks to the College

The College is potentially vulnerable to being used as vehicle through which a criminal may seek to launder Illicit Funds, for example a criminal may use their Illicit Funds to pay fees or make a donation. Although fee payments are clearly an area of risk, as a member of staff you should remain alert to all payments and if a payment seems unusual, for example where it involves complex banking and transfer arrangements or payments from seemingly unconnected third parties you should refer the payment to the Bursar.

Whilst the College is unlikely to have satisfied the threshold for committing a money laundering offence where the College or member of staff was unaware that a payment was made from Illicit Funds, as a member of staff you must not turn a blind eye. Where there are factors, ‘red flags’, that indicate a higher risk of potential money laundering activity, you must refer the concern to the Bursar who will consider what further steps or investigations are required before accepting the payment.

Even if the College has not committed a money laundering offence, if criminals use Illicit Funds to make payments to the College, being involved in an instance of money laundering may have a severe impact on the College’s reputation.

Cash payments

Criminals are increasingly inventive in finding ways to introduce Illicit Funds into the banking systems and although payments made through a bank transfer cannot guarantee that the funds are not from Illicit Funds the risk to the College is increased where the College accepts payments in cash. Accordingly, it should be the exception that cash payments of more than £100 are accepted.

In exceptional cases the College may allow a larger payment to be made in cash. Before agreeing to accept a large cash payment, the Bursar will consider the circumstances relating to the payment. The Bursar must obtain evidence to satisfy the College that the payment is being made from a legitimate source. Such enquiries might include asking the parent for:

- an explanation of why the payment is being made in cash;
- information on how the cash was obtained; and
- proof of this.

The Bursar must consider the explanation and information provided by the parent and decide whether the College is able to accept the cash payment. In each case, the Bursar will make and retain a record of the decision made and the supporting evidence. Where the parent is not able to provide a satisfactory explanation, the College must not accept the cash payment.

If the Bursar is not satisfied that the funds are clean, the Bursar must consider whether, in the circumstances the College should:

- make a suspicious activity report (SAR) to the National Crime Agency (NCA); and
- make a report to the Charity Commission.

Key areas of risk for the College

Money laundering can take many forms, but in relation to the College it could involve, but will not be limited to:

- the payment of fees;
- the payment of fees from third parties;
- the donation of sums to projects for which an appeal is being run;
- the donation of sums for no obvious reason;
- the payment in advance of fees; and
- the requested return of donation or fees paid in advance.

These examples are not exhaustive, and as a member of staff you should remain vigilant in relation to all payments the College receives.

Donations

Donations are a particular area of potential risk faced by the College. To mitigate the risk the College should know, at least in broad terms, where the money it is being given comes from and should be able to identify and be assured of the provenance of substantial donations. A good, open and transparent relationship between the College and its donors is essential for building trust and confidence. This policy should be read in conjunction with the College's Code of Ethical Fundraising.

Good due diligence will help to:

- assess any risks to the College that may arise from accepting a donation or types of donations;
- ensure that it is appropriate for the College to accept money from the particular donor;
- give the College reasonable assurance that the donation is not from any illegal or inappropriate source; and
- ensure that any conditions that may be attached the donation are appropriate and can be accepted.

Where a donation is being made the relevant member of staff should review what they know about the donor and the proposed payment using the checklist in the Annex A to this policy. The completed checklist must be provided to the Bursar who will keep a record of the findings.

If when, completing the checklist, the member of staff identifies any red-flags, the member of staff must report the concern to the Bursar immediately.

Requests for repayments

The College's policy is that any refunds or repayments of sums paid to the College can only be remitted to the bank account that made the payment. If a parent or donor asks for a refund to be made to a different account, in particular one that belongs to someone other than the original payer, you must refer this to the Bursar promptly.

Charity Commission

When accepting payments or donations the College needs to be confident that it knows both:

- who is making the payment or donation; and
- the source of funds that are being used to fund the payment.

The College will also use the following Charity Commission advice to assess the risk of money laundering:

- **'identify'** who the College is dealing with;
- **'verify'** where reasonable, and if the risks are high, verify identities;
- **'know what the organisation's or individual's business is'** and be assured this is appropriate for the College to be involved with;
- **'know what their specific business is with the College'** and have confidence that they will deliver what we want them to; and
- **'watch out'** for unusual or suspicious activities, conducts or requests.

If the College is not satisfied with the explanation or evidence provided to support these factors the College should obtain further information from the parent or donor. The section below **"What warning signs should staff be alert to?"** provides an indication of the circumstances when the College must carry out further investigations about the payer.

What warning signs should staff be alert to?

Annex B to this policy provides members of staff with a non-exhaustive checklist of potential 'red flags' that may indicate a higher risk of potential money laundering. These questions form part of the College's risk assessment when accepting payments. They are potentially relevant to all transactions and payments accepted by the College.

The College is not expected to consider every payment in detail against the red flag checklist and will consider payments on a risk basis. The Bursar has identified the payments listed below as being payments that may expose the College to a higher risk of money laundering. If a proposed payment is within one of the specified risk categories, you must complete the 'red flag' checklist before the College can accept the payment:

- donations
- cash payments over £100
- payments from high-risk countries
- payments from Politically Exposed Persons (PEPs)

The Bursar has identified countries that it considers to be high-risk countries and will review and update this list on a regular basis. You should ask the Bursar for the most recent list of countries when you are considering whether a payment is a potentially high-risk payment.

Where payments are within one of the risk categories listed above members of staff must consider the payment against the red flag checklist before the payment can be accepted by the College. You must promptly report any concerns to the Bursar.

All staff, but particularly those staff who in the course of their day-to-day work are likely to deal with financial transactions, including the payments of fees and donations, must ensure that they are familiar with the checklist and understand the nature of the red flags that should be reported to the Bursar. If you identify a red flag in relation to any payment or proposed payment you must report your concerns to the Bursar immediately.

Where you make a report to the Bursar you must not discuss your concerns with any other person, including other members of staff, pupils, parents or a donor as this could result in you, or the College, committing a secondary offence of prejudicing an investigation.

What must the Bursar do where a payment seems suspicious?

Where a member of staff identifies a red flag in relation to a payment the Bursar must consider the relevant circumstances relating to the transaction that has raised the concern. The enquiries the Bursar will make will depend on the circumstances, but could include:

- asking the payer to explain who is making the payment where this is not clear;
- asking for an explanation of why the payment is being made in a particular way, for example, where payments are being made from a variety of sources or accounts;
- asking the payer for proof of the source of the funds; or
- carrying out a google or other internet search to establish that the payer is not involved in alleged criminal activities.

After having made appropriate enquiries, the Bursar will decide whether:

- the payment can be accepted;
- further explanation or evidence as the legitimacy of the funds is required;
- the College should submit a SAR; and
- the College should make a report to the Charity Commission.

The Bursar will keep a record of the decision made in relation to the payment and the evidence supporting the decision.

Reporting to the National Crime Agency and Charity Commission

If the parent (or payer) or donor is not able to provide a satisfactory explanation or where there are other factors (for example adverse media publicity) that cause the Bursar to have a reasonable suspicion or knowledge that the funds being used to make the payment may be Illicit Funds the Bursar must make a suspicious activity report (SAR) to the NCA and, where appropriate request consent to proceed with the transaction.

If the College has requested a defence against a money laundering offence (DAML) in the SAR the College should not accept, pay away, return or otherwise use the suspicious payment for any purpose until the time limit for the NCA to respond to the SAR has expired.

The Bursar will also consider whether the incident needs to be reported also to the Charity Commission.

Training

The College will train its staff from time to time on how to limit the money laundering risks faced by the College, by enabling staff to spot potential 'red flags' and what steps they must take if a potential risk factor is identified.

If any member of staff has any concerns or would like further information on what they should do in the event of a concern about money laundering the member of staff should contact the Bursar in the first instance.

July 2023

Annex A

Checklist for identifying potentially suspicious transactions

You must consider the following questions in relation to each high-risk payment. If any of the answers to the questions are "yes", you must refer the payment to the Bursar for further consideration. This list is not exhaustive. Even if all the answers to the questions are "no" if something seems unusual you must raise your concern with the Bursar.

	Potential red-flags	Ask...	Yes/ No
1.	Transactions	<p>Are payments to the College unusual because of their size, frequency or the manner of their execution?</p> <p>For example:</p> <p>Is the parent unexpectedly or unusually making lots of small payments from several different accounts?</p> <p>Are the payments unexpectedly being paid from a different account?</p>	
2.	Bank account:	Is the payment being made from an account that is not in the same name as the payer?	
3.	Arrangements	<p>Does the payment involve complex or illogical arrangements that make it unclear who is making the payment?</p> <p>For example:</p> <p>Is the payment coming from a variety of sources or payers?</p> <p>Is the payer seemingly unconnected to the pupil, parent or donor?</p>	
4.	Third party payments	<p>If the payment is from an account that is not the parent's account is the connection between the third-party making the payment and the pupil unclear?</p> <p>For example, is the payment from someone who is not the parent's employer or a known relative of the pupil?</p>	

5.	Internet search	Are there any adverse media articles about the payer suggesting an involvement in criminal activities?	
6.	Erroneous payments	Has the College been asked to reverse a payment made because the payment was made in error? Has the College been asked to send a repayment to a person that is different to the original payer?	
7.	Country of residency	Is the parent resident in or have they recently relocated from, a high-risk country? You should ask the Bursar for the current list of high risk countries.	
8.	PEP (Politically Exposed Person - broadly an individual who is performing a prominent public function)	Are either of the parents or the person paying the fees (where different) a PEP? If the parent is a PEP, is their business activity unusual given the public role they hold?	
9.	Assets:	Does it seem that a parent's assets are inconsistent with their known legitimate income?	
10.	Resources	Are the funds being used bearer's cheques or cash?	
11.	Identity	Is the payer difficult to identify?	
12.	Early or quick payments	Is the parent unusually anxious to make a payment? Is the parent unable to justify why they need to make the payment quickly or early?	
13.	False documents	Do any documents appear to be falsified?	
14.	Representative	Have you, or other professionals involved been instructed at a distance, asked to act outside of your usual specialty, or offered an unusually high fee?	

Annex B

Schedule 3ZA of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 provides a list of high-risk countries. The list mirrors the Financial Action Task Force's (FATF) jurisdictions under increased monitoring and high-risk jurisdictions subject to a call for action. Schedule 3ZA consolidated these lists into a single list of countries, as all countries included in either of the FATF's lists have significant shortcomings in their anti-money laundering, counter-terrorist financing and counter-proliferation financing controls.

The FATF lists were updated in February 2023 and the UK is yet to update Schedule 3ZA accordingly. The additional countries which the FATF identifies as jurisdictions under increasing monitoring, but which are not yet on the UK list, are Nigeria and South Africa.

The high-risk third countries (as at Feb 2023) are:

- Albania
- Barbados
- Burkina Faso
- Cayman Islands
- Democratic People's Republic of Korea (DPRK)*
- Democratic Republic of the Congo
- Gibraltar
- Haiti
- Iran*
- Jamaica
- Jordan
- Mali*
- Mozambique
- Myanmar*
- Panama
- Philippines
- Senegal
- South Sudan*
- Syria*
- Tanzania
- Turkey
- Uganda
- United Arab Emirates
- Yemen*

*The Democratic Republic of the Congo, Gibraltar, Mozambique and Tanzania have been added to the list and Malta, Nicaragua and Pakistan have been removed.

*These jurisdictions are subject to financial sanctions measures, which require firms to take additional measures.