



Anti-Money Laundering Policy

Version 2.1

Date agreed by the BCU Board of Directors: 20/11/24

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Signed

Chair, Bedfordshire Credit Union

DOCUMENT REVIEW

DATE	SECTION	COMMENTS	SIGNED
Aug 2022	All	Policy written for purposes of staff training.	
Nov 2024	All	Version 2 approved by the Board	
Nov 2024	Contents	Section 9 Contents page title changed to “Bedfordshire Credit Union’s report to MLRO” to reflect the body of the report	
Nov 2024	Section 12.3	Added “this section not relevant after 12/01/25 when Engage withdraws their services” to Contents page 12.3 and Section 12.3 in the main body of the report.	
Jan 2024	Section 12	Version 2.1: removed section 12.3 (which contained reference to a previous supplier) and updated contents page	

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1. Purpose

This policy is designed to help all **Bedfordshire Credit Union** employees prevent and detect potential money laundering or terrorist financing activity.

It sets out the required procedures that should be followed for reporting suspicions of money laundering activity to enable **Bedfordshire Credit Union** to comply with its legal obligations.

This Policy sets out how any money laundering concerns should be raised and how to report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO).

Bedfordshire Credit Union is committed to:

- preventing **Bedfordshire Credit Union** and its employees being exposed to money laundering
- identifying the risks where they may occur and
- complying with legal and regulatory requirements, especially with regards to reporting suspected cases

2. Scope

This policy applies to all employees and volunteers of **Bedfordshire Credit Union**. In this document the term 'employee' shall be interpreted to include volunteers, directors and any staff working under contract to Bedfordshire Credit Union.

Failure by a **Bedfordshire Credit Union** employee to comply with the procedures set out in this policy may lead to disciplinary action up to and including dismissal.

3. What is Money Laundering?

Money laundering is the process that turns dirty money into funds that appear lawful and can therefore be spent as if they were from legal sources. Money laundering legitimises the proceeds of crime. Examples of money laundering offences include tax evasion, theft, fraud, bribery, corruption, smuggling, modern slavery, human trafficking, drug trafficking and illegal arms sales.

Money laundering typically includes three stages: placement, layering and integration.

• Placement

Placement is the process of moving money into a legitimate source via financial institutions, casinos, financial instruments (cheques, shares, stocks) etc. and at the same time, hiding its source.

• Layering

Layering breaks the funds into small transactions making it difficult to detect and find out about the laundering activity. Examples of layering:

- ✓ Transferring funds electronically between countries and into and out of offshore bank accounts
- ✓ Moving funds between multiple banks or financial institutions or between accounts within the same institution
- ✓ Converting cash into financial instruments such as money orders, wire transfers, life insurance, stocks
- ✓ Reselling high-value goods, such as artwork, or any type of stored-value product, such as jewellery or prepaid cards

- **Integration**

Integration is the final stage of money laundering, in which the money is returned to the criminals legitimately after it has been placed in the financial system. Criminals can now retrieve the funds in a legal way and are able to use them for any purpose e.g., buying luxurious assets like properties, jewellery etc.

4. Money Laundering Offences & Penalties

Offences	Penalties
Money Laundering	14 years imprisonment and/or an unlimited fine
Tipping-off	5 years imprisonment and/or an unlimited fine
Destroying or disposing of relevant documents	5 years imprisonment and/or an unlimited fine
Failing to make a report of suspected money laundering	5 years imprisonment and/or an unlimited fine

5. Legislation. Rules and Regulations

In 1989 the International body called The Financial Action Task Force (or F.A.T.F.) was created to support the major financial nations of the world to combat money laundering. They are responsible for setting the standards for preventing money laundering, ensuring consistency from nation to nation.

In the UK there are three main pieces of legislation to be aware of:

5.1 Proceeds of Crime Act 2002 (POCA)

The Proceeds of Crime Act 2002 is an Act of the Parliament which provides for the confiscation or civil recovery of the proceeds from crime and contains the principal money laundering legislation in the UK.

5.2 Terrorism Act 2000

The Terrorism Act (2000) is a piece of permanent anti-terrorism legislation in the UK. It aims to combat the global problems of terrorism, along with its financing – something that is often facilitated through reverse money laundering.

5.3 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

The MLR 2017 sets out the additional obligations of private sector firms working in areas of higher money laundering risk. They aim to stop criminals using professional services to launder money by requiring professionals to take a risk-based approach.

This regulation has been amended, but not replaced, by:

- ✓ The Money Laundering and Terrorist Financing (Amendment) Regulations 2019, which came into force on 10th January 2020. and
- ✓ Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020.

6. Money Laundering Reporting Officer (MLRO)

The Board of Directors has appointed a Money Laundering Report Officer who is authorised by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

The identity of the MLRO remains confidential from the membership to ensure personal safety.

Money Laundering Reporting Officer responsibilities
<ul style="list-style-type: none"> • Ensuring compliance with all regulatory bodies (ML Regulations, FCA, PRA, FATF, Joint Money Laundering Steering Group (JMLSG))
<ul style="list-style-type: none"> • Ensuring compliance with internal policies
<ul style="list-style-type: none"> • Ensuring provision of training and awareness to employees
<ul style="list-style-type: none"> • Receiving and investigating suspicious activities
<ul style="list-style-type: none"> • Reporting suspicious activities to the regulatory bodies, attending Board meetings and providing updates
<ul style="list-style-type: none"> • Regularly monitoring member’s accounts to identify any unusual activities: i.e.an unexplained pattern of deposits and withdrawals which appear to be out of character for that account and which, on further investigation, may provide grounds of suspicion

7. Staff responsibilities

Staff / Volunteer responsibilities:
<ul style="list-style-type: none"> • To report suspicious activity
<ul style="list-style-type: none"> • To recognise suspicious transactions and what to do if they identify them

<ul style="list-style-type: none"> • to be aware of the penalties for committing offences under the Money Laundering Regulations
<ul style="list-style-type: none"> • To be aware of policies and procedures put in place to prevent money laundering
<ul style="list-style-type: none"> • To follow KYC/CDD requirements

8. Suspicions of Money Laundering

If any employee 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 **Bedfordshire Credit Union's** Money Laundering Reporting Officer (MLRO), unless suspicion exists regarding the potential involvement of the MLRO. This can be provided by sending a completed reporting form available in the appendix of this policy.

The employee must disclose immediately to the MLRO if:

- He/she knows or suspects that money laundering activity is taking place or has been taking place; or
- Become concerned that their involvement in a transaction may amount to a breach of regulations

Suspicions of money laundering activity could include:
<ul style="list-style-type: none"> • Deposits of large sums of cash by a member whose apparent business activity does not normally generate substantial amounts of cash
<ul style="list-style-type: none"> • Substantial increases in cash deposits by a member without apparent cause, especially if such deposits are subsequently transferred out of the account within a short period of time
<ul style="list-style-type: none"> • Deposits a large number of small cash amounts over a period
<ul style="list-style-type: none"> • Regular requests for loans that are repaid within the repayment period
<ul style="list-style-type: none"> • Sudden full repayment of a loan
<ul style="list-style-type: none"> • Borrowers making regular large repayments to a loan
<ul style="list-style-type: none"> • Members regularly paying in cash to cover requests to transfer shares to loan
<ul style="list-style-type: none"> • Members appearing to have accounts with several banks or building societies in the area
<ul style="list-style-type: none"> • Reluctance to provide normal documentation required for identification when opening an account
<ul style="list-style-type: none"> • Sums in excess of £10,000 from either prospective new members or existing members adding to their shareholding

Suspicions should not be limited to the examples listed but may include any unusual transaction outside of the member's usual pattern of transactions with **Bedfordshire Credit Union**

9. Bedfordshire Credit Union's report to MLRO

The **Bedfordshire Credit Union's** report to MLRO should be completed within 24 hours of the information coming to an employee's attention.

The report should include as much detail as possible including:

- Full available details of people, companies involved including any members of staff if relevant
- Full details of transactions 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 suspicion has been raised
- 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 and to facilitate the report to the National Crime Agency (NCA)

Once an employee has reported their suspicions to the MLRO they must follow any instructions provided. Employees must not make any further enquiries unless instructed to do so by the MLRO. At no time, and under no circumstances, should the employee voice any suspicions to the person(s) suspected of money laundering as this may give rise to “tipping off” a suspect. “Tipping off” is a crime that can be punished with a prison sentence and/or fine.

Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and do nothing about it or become involved with it some way.

10. Consideration of the Disclosure by the Money Laundering Reporting Officer

Upon receipt of a **Bedfordshire Credit Union** report to MLRO the MLRO must make a note of the receipt and acknowledge this in writing to the reportee. The reportee should than be given timescales for the response.

The MLRO will have full read-only access to all computer records as well as confidential access to member files. This may be required from time to time to gain further information. The decision would then be made whether to make a full Suspicious Activity Report (SAR) to the NCA.

On receipt of a **Bedfordshire Credit Union** report to MLRO, the MLRO will review the member`s account and consider the following questions aimed at identifying trends on a member`s use of their account:

- Is there a regular amount saved each week or month?
- If it is an irregular amount, is it a low or high amount?
- Does the member apply for a loan regularly?
- Does the member only apply once they have fully repaid their previous loan?
- Do they regularly transfer shares to make loan repayments?
- Do they save a regular amount and then make a share withdrawal on a regular basis, maybe quarterly or yearly? If so, the member could be using the Credit Union as a budgeting account to meet a regular expense

Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether there is a case or not.

Where the MLRO does decide there is a case, then he/she must disclose SAR as soon as practical to NCA on their standard report form and in the prescribed manner, unless he/she has a reasonable excuse for non-disclosure to NCA. The MLRO can make a Suspicious Activity Reports (SAR) direct to NCA online at www.nationalcrimeagency.gov.uk (SAR Online system) or a SAR can be made using the form and posted to:

UKFIU
PO Box 8000
London SE11 5EN

Once an SAR is submitted it enters what is known as the 'notice period', which is seven working days starting from the day after the SAR is submitted.

Where the MLRO assumes that there are no reasonable grounds to suspect money laundering he/she will mark the report accordingly and give their permission for any on-going or pending transaction(s) to proceed.

The MLRO commits a criminal offence if they do not disclose as soon as practicable to NCA the following:

- Knowledge of Money Laundering
- Suspicion of Money Laundering
- Reports received of Money Laundering

11. Know Your Customer (KYC) and Customer Due Diligence (CDD)

Know Your Customer or KYC is a process of obtaining information about customers for identification purposes. KYC is carried out when opening a member account.

Customer Due Diligence is a KYC process of doing background check on customers to determine they are who they say they are before dealing with them.

11.1 Know Your Customer (KYC)

Know Your Customer information will be maintained by **Bedfordshire Credit Union** including, but not limited to:

- Record of the proof of identification obtained and verification steps taken by **Bedfordshire Credit Union** to comply with the Money Laundering regulations
- Residential address
- Date of birth
- Record of financial transactions with **Bedfordshire Credit Union**
- Nomination form (if applicable)
- Receipt of payments from a standing order or direct debit (if any)

- Payroll deductions direct from an employer (if any)
- Payment of benefits direct into **Bedfordshire Credit Union** (if any)
- Owner/beneficial owner of a Corporate entity
- Structure of a Corporate entity

The best way to satisfy KYC requirements is to ask for a government issued document like a passport, along with utility bills, bank statements and other official documents. Documents must be originals only and must not be out of date. Other sources of customer information include the electoral register and information held by credit reference agencies such as Experian or TransUnion. Accounts will not be opened unless KYC requirements are met.

If there is doubt about a customer's identity, all dealings with the individual should stop until the doubts can be satisfied.

In certain circumstances we may need to identify the '**beneficial owner**' for example, an Executor for a deceased member. The 'beneficial owner' is an individual who has the legal or expressed right to act on behalf of our member.

11.2 Customer Due Diligence (CDD)

We need to apply **customer due diligence** measures when we:

- establish a business relationship with a customer
- suspect money laundering or terrorist financing
- have doubts about a customer's identification information that we obtained previously

We need to keep up-to-date information on the customers so that we can:

- Amend our risk assessment of a particular customer if their circumstances change
- Carry out further due diligence measures if necessary

In some situations, we must carry out '**enhanced due diligence**'. These situations are:

- When we enter into a business relationship with a 'politically exposed person'- typically, a local or foreign member of parliament, head of state or government, or government minister and their family members and known close associates
- When we enter into a transaction with a person from a high risk third country identified by the European Commission (These countries are identified as having strategic deficiencies in their national anti-money laundering and counter-financing of terrorism regimes that pose significant threats to the EU's financial system.) A list of these countries can be found on FATF website
- Any other situation where there is a higher risk of money laundering

Any discrepancies between the information held on the customers by the Credit Union and the Companies Houses Register must be reported to Companies House.

11.3 Source of Funds (SOF)

For deposits of £5000 and more, the source of funds checks must be undertaken to establish the origin and means of transfer of the funds to be accepted.

12. Sanctions

12.1 Definition

Sanctions are restrictive measures that can be put in place to fulfil a range of purposes. In the UK, these include complying with UN and other international obligations, supporting foreign policy and national security objectives, as well as maintaining international peace and security, and preventing terrorism.

Sanctions lists are established to help reduce financial crime by flagging people, businesses and countries that have committed illegal acts (or are suspected of committing them). By screening members against sanctions lists, Credit Union can lower their risk of doing business with sanctioned entities.

12.2 Screening

Bedfordshire Credit Union must undertake Sanctions and Politically Exposed Persons (PEP) checks at onboarding and ongoing on monthly basis. Sanctions checks must be performed against the following minimum list:

- HM Treasury Consolidated list

<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets>

- EU Consolidated List

<https://ec.europa.eu>

- The Office of Financial Assets Control (OFAC) Consolidated List

<https://sanctionssearch.ofac.treas.gov>

- United Nations Security Council Committee

<https://www.un.org/securitycouncil/sanctions/information>

Where a potential sanctions alert is highlighted, an investigation must be conducted to establish whether it is a positive match or a false positive.

12.3 Who/What is screened?

Bedfordshire Credit Union may perform screening on their employees, volunteers, members, suppliers, and transactions.

12.4 Training and record keeping

Bedfordshire Credit Union employees will receive their training on the annual basis and records of screening will be kept for 5 years.

13 Record keeping

The information gathered by **Bedfordshire Credit Union** of customer due diligence and business transactions must be kept:

- for five years after the end of the business relationship
- for five years from the date an occasional transaction was completed

All SARs referred to the MLRO and reports made by them to NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

After the period stated the records must be deleted unless they are required in relation to legal or court proceedings or any other legislation.

Bedfordshire Credit Union can keep records in either hard copy or electronic form.

All electronic record must be subject to regular and routine backup with off-site storage.

The records should be reviewed periodically to ensure, for example, that a fresh copy of expired documents, such as driving licences or passports are held. This review must only include ongoing relationship.

14 Training

All employees will receive Anti-Money Laundering training annually to make sure **Bedfordshire Credit Union** complies with the regulations and records of such training will be maintained.



Bedfordshire Credit Union Report to MLRO

Personal Details

Title:	Surname:
Name:	Gender:
Date of birth:	Occupation:

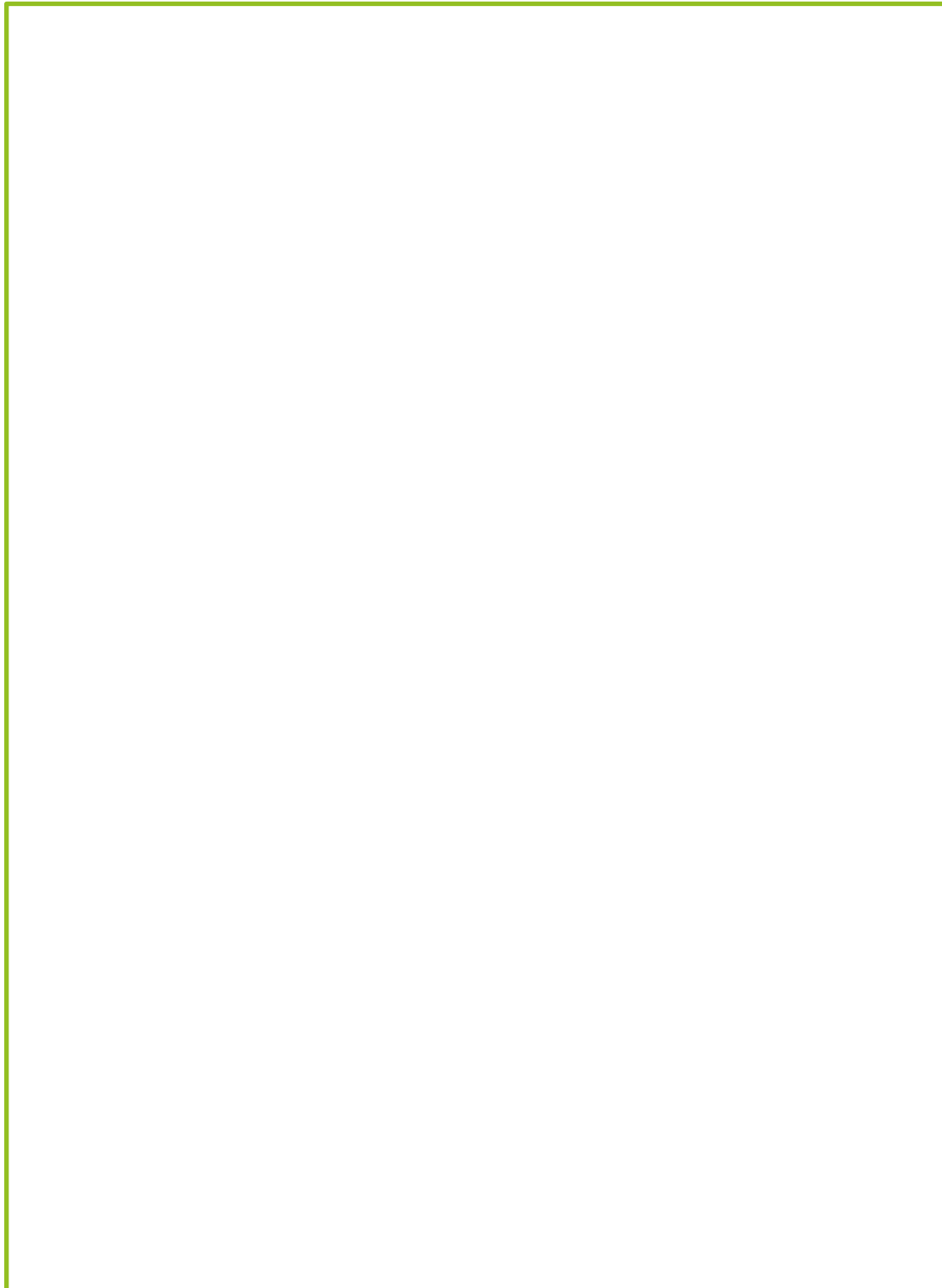
Address Details

House no:/Name:	Street:
City/Town:	County:
Post Code:	Current Address: Y/N

Transaction Details

Date:	Value:
Credit/Debit:	Currency:
Type of transaction:	
Name on account:	Account number:
Date account opened:	Account balance:
Date of balance:	

What is the reason for suspicion? (Please provide as much detail as possible including how the account is usually managed by the member, the contact that is ordinarily maintained with the member, the specifics of the transaction believed to be suspicious and why there is grounds for suspicion)



Source of Funds

Source Type	Description	Examples of Acceptable Evidence
Asset Finance	Lending that enables you to release cash from the value in assets you already own	<ul style="list-style-type: none"> • Copy of the loan agreement • Letter from your solicitor • Bank statement which clearly states where the funds originated
Company Profits	Financial benefit achieved when the amount of revenue gained from a business activity exceeds the expenses, costs	<ul style="list-style-type: none"> • Company financial statements. • Bank statement which clearly states where the funds originated.
Company Sale	Funds received following the sale of a company.	<ul style="list-style-type: none"> • Proof of ownership and sale of the company, including values. • Company minutes or written confirmation of sale.
Crowdfunding	The practice of funding a project or venture by raising many small amounts of money from many people, typically via the Internet.	<ul style="list-style-type: none"> • Details of the source used to crowdfund, including record keeping on the investors and the company used to collect the funds.
Gift	Property, money or assets transferred from one person to another while receiving nothing or less than fair market value in return.	<ul style="list-style-type: none"> • Solicitor approval of gift. • Details of the individual or company that gave the gift and evidence of how they accrued their wealth.
Inheritance	All or part of a person's estate/assets given to an heir or beneficiary.	<ul style="list-style-type: none"> • Copy of the will. • Letter from your solicitor. • Bank statement which clearly states where the funds originated.
Initial Coin Offering (ICO)	Cryptocurrency equivalent to an IPO (see below). ICOs act as fundraisers; a	<ul style="list-style-type: none"> • Details of the CDD/KYC completed on investors and a URL which evidences

	company looking to create a new coin, app, or service launches an ICO.	<p>availability of the virtual currency.</p> <ul style="list-style-type: none"> • Bank statement which clearly states where the funds originated.
Initial public offering (IPO)	The process by which a private company can go public by sale of its stocks to the general public.	<ul style="list-style-type: none"> • Details of the stock exchange the company floated on, including a URL to evidence its availability. • Bank statement which clearly states where the funds originated.
Invoice Finance	Short-term borrowing that is extended by a lender to its business customers based on unpaid invoices.	<ul style="list-style-type: none"> • Copy of the loan agreement. • Letter from your solicitor. • Bank statement which clearly states where the funds originated.
Loan	Property, money or material goods given from one party to another in exchange for future repayment of the principal amount along with interest or other financial charges.	<ul style="list-style-type: none"> • Loan contract/agreement. • Bank statement which clearly states where the funds originated.
Maturing Investments	Assets received from previous investments.	<ul style="list-style-type: none"> • Portfolio account statement evidencing an increase in value. • Bank statement which clearly states where the funds originated.
Pension	Money received from a pension. Usually, a lump sum or regular income.	<ul style="list-style-type: none"> • P60. • Tax authority document. • Letter from former employer or pension provider. • Bank statement which clearly states where the funds originated.
Peer to peer lending (P2P)	A way for people to lend money to individuals or	<ul style="list-style-type: none"> • Copy of the loan agreement. • Letter from your solicitor.

	businesses. The lender receives interest at a higher rate than a savings account.	<ul style="list-style-type: none"> • Bank statement which clearly states where the funds originated.
Property Sale	Funds received from the sale of a property. This may be a second home or profits from moving home.	<ul style="list-style-type: none"> • Proof of ownership and sale of the property, including values. • Property deeds. • Letter from your solicitor. • Bank statement which clearly states where the funds originated.
Salary	Payment(s) made by an employer to an employee, typically on a monthly basis.	<ul style="list-style-type: none"> • P60. • Wage slips. • Bank statement which clearly states where the funds originated.
Share Sale	The proceeds raised from the sale of existing assets.	<ul style="list-style-type: none"> • Portfolio account statement evidencing an increase in value. • Bank statement which clearly states where the funds originated.

Red Flag

Red Flag
Unexplained activity involving high risk jurisdictions. For instance, the customer is not resident or a national of the country and does not appear to be conducting holiday spending.
Applicant seeks a large amount of detailed information about our account opening processes. Most applicants will be aware that they will need to pass through several steps to open an account with us, but more detailed questions around how and why we perform our customer due diligence should arouse suspicion.
Customer is reluctant to provide required or additionally requested information. Such as; acceptable identification documentation, employment information, purpose of account, supporting documentation regarding a payment or third party details.
Customer presents certified copies of ID documents you suspect have been tampered with or falsified.
Customer provides information that is difficult to verify or inconsistent with other information.
Ownership structure of a company appears unusual or excessively complex given the nature of the company's stated activities.

An applicant supplies an email address that it clearly not their name or a reasonable permutation. For example, an applicant named Steve Jones supplies an email address martin123@hotmail.com.
Opening multiple accounts in varied names.
Change in customer's behaviour/transaction activity based on historical patterns.
Incoming transactions followed by outgoing transactions to another country or third party which cannot be reasonably explained by the customer.
Transactions are structured to avoid triggering thresholds, such as £9,999.99 or £999.99.
Transactions do not align with customer profile and customer is unable to provide a reasonable purpose for the transaction.
The customer makes deposits using numerous different methods (i.e. cheque, debit card and electronic transfer) drawn from various accounts in a short space of time.
The customer receives funds that do not correspond with the customer's situation (e.g. a UK resident and national receives many international payments).
A new customer executes a small number of transactions then asks for the account to be closed or becomes dormant.
A dormant account becomes very active, and the transactions do not align with previous activity.
A change in address/phone number or other key personal data immediately after a new account has been opened.
Customer applies urgency to the deposit or withdrawal without a reasonable explanation or evidence to support the requests urgency.
The customer asks for shortcuts in the account opening process.
The customer tries to disguise the source or destination of a transaction.
Frequent cash deposits which when questioned the source cannot be explained.