

Anti-money laundering policies and procedures

Belvoir Edinburgh Anti-money Laundering Policies and Procedures

Money laundering is how criminals change money and other assets into clean money or assets that have no obvious link to their criminal origins. Money laundering can take many forms, but in the property sector it can involve:

- buying a property asset using the proceeds of crime, letting it or selling it on, giving the criminal an apparently legitimate source of funds
- criminals hiding behind complex company structures involving multiple countries and multiple bank accounts to disguise the real purpose of a transaction and hide its beneficial ownership
- a more direct method of paying an estate agency business or lettings agent a large amount and reclaiming it later
- the money for a purchase resulting from a mortgage fraud operation

Many estate / lettings agency businesses may not handle client money but will have knowledge of both parties to a transaction, other intermediaries and how a purchase is funded. Other estate agency businesses, such as auctioneers may handle deposits.

Tax evasion is a criminal offence that can lead to money laundering, for example, the sale price of a property may be set below the Stamp Duty threshold by manipulating the price of furniture and fittings. Tax may also be evaded by hiding behind complex legal structures. The proceeds of crime include the proceeds of corruption and super-prime property is an attractive way for individuals to hide this money.

We are registered and supervised by HMRC for Anti-Money Laundering.

Terrorist financing

Terrorist financing involves dealing with money or property that you have reasonable cause to suspect may be used for terrorism. The funds and property may be gained from either legitimate or criminal sources. This may be small amounts.

Legislation

The primary UK legislation covering anti money laundering and counter-financing of terrorism is:

- Proceeds of Crime Act 2002
- Terrorism Act 2000
- Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017
- Criminal Finances Act 2017
- Terrorist Asset-Freezing Act 2010

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- Anti-terrorism, Crime and Security Act 2001
- Counter terrorism Act 2008, Schedule 7

The Proceeds of Crime Act sets out the primary offences related to money laundering:

- concealing, disguising, converting, transferring or removing criminal property from the UK
- entering into or becoming involved in an arrangement which facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- the acquisition, either use or possession, or both, of criminal property

The primary money laundering offences apply to everyone, and you commit an offence if you know or suspect that the property is criminal property.

Under the Proceeds of Crime Act it is also an offence to fail to report suspicious activity and tipping off any person that you've made such a report. This applies to nominated officers and employees of businesses in the regulated sector, such as estate agency businesses.

This duty extends across the whole business, so an estate agency business which also does lettings must also submit suspicious activity reports where suspicion arises within lettings.

The Terrorism Act sets out the primary offences relating to terrorist funding. Regulated businesses, like estate agency businesses, must report belief or suspicion of offences related to terrorist financing, such as:

- fundraising for the purposes of terrorism
- using or possessing money for the purposes of terrorism
- involvement in funding arrangements
- money laundering – facilitating the retention or control of money that is destined for, or is the proceeds of, terrorism

The Criminal Finances Act 2017 make important amendments to the Proceeds of Crime Act, the Terrorism Act and the Anti-terrorism Crime and Security Act. It extends the powers of law enforcement to seek further information, recover the proceeds of crime and combat the financing of terrorism. Involvement in money laundering offences may result in either unlimited fines, a prison term of up to 14 years, or both.

It also introduces corporate criminal offences of failing to prevent the facilitation of tax evasion. These offences can result in corporates being found criminally liable for anyone providing services for or on their behalf who criminally facilitates tax evasion.

Financial Sanctions

Where a client is found to be on the UK or EU financial sanctions then we will cease to deal with that client.

Belvoir Edinburgh is committed to ensuring that it has adequate controls to counter money laundering activities and terrorist financing activities, in line with the legislation detailed above. This means that we have a legal obligation to obtain and hold identification and proof of address/home ownership for all our customers, including landlords intending to rent out their property through us and home owners wishing to list their property for sale with us. This also extends to our purchasers, along with all tenant applications.

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We take a risk sensitive approach throughout our business in order to anticipate and prevent such activities. We aim to identify criteria that would indicate a higher risk of money laundering.

How we manage the risk

Belvoir Edinburgh is committed to staff training in Anti-Money Laundering legislation and this is also covered as part of our induction training. We review our policies and procedures on an annual basis and when there are legislative changes, and staff are trained accordingly upon any updates.

Belvoir Edinburgh has a nominated Money Laundering Reporting Officer, Andrew Jack and a Deputy Officer, Lisa Chisholm. Their responsibility is to receive internal reports and report any suspicious activity in a Suspicious Activity Report (SAR) to the National Crime Agency as necessary.

Customer due diligence

We will carry out Customer Due Diligence (CDD) on all our customers ie purchasers, vendors, landlords, tenants and guarantors.

This will involve:

- identification and verification of the identity of customers and beneficial owners
- obtaining information on the purposes and intended nature of the business relationships
- conducting on going due diligence to identify and check they are who they say they are

CDD will take place as follows:

- Purchasers – once the offer has been accepted
- Vendors – upon instruction
- Landlords – upon instruction
- Tenants – upon application for a property pre referencing
- Guarantors – upon tenant's application for a property pre referencing

Enhanced due diligence

We will also carry out Enhanced Due Diligence (EDD) where there is a higher risk of money laundering or terrorist finance for example:

- A person is a Politically Exposed Person
- Our risk assessment has identified a high risk transaction
- A customer is from a high risk third country as identified by the European Union and UK Government
- We have been notified that a situation is high risk
- Property purchase with large amounts of cash or purchase where no finance is required

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- Customers not met face to face
- Complex company ownership structure
- Complex payment arrangements

Enhanced Due Diligence will involve further checks to verify identity and scrutinise the background and nature of the transactions for example:

- obtaining additional information or evidence to establish the identity from independent sources such as more documentation on identity or address
- taking additional measures to verify the documents supplied such as by checking them against additional independent sources, or requiring that copies of the customer's documentation are certified by a bank, financial institution, lawyer or a person from a regulated industry or in a position of trust
- obtaining additional information such as source of the funds and wealth of the customer and beneficial owner
- if receiving payment, ensuring it is made through a bank account in the name of the person you are dealing with
- taking more steps to understand the history, ownership, and financial situation of the parties to the transaction
- carrying out more scrutiny of the business relationship and satisfying yourself that it is consistent with the stated purpose
- more regular and stringent ongoing monitoring checks
- taking steps to be satisfied that the transaction is consistent with the purpose and intended nature of the business relationship
- in the case of a politically exposed person establish the source of wealth (origin of the customer's overall wealth) and source of funds (origin of the funding of the transaction)

The MLRO will approve all high risk cases.

Politically exposed persons (pep)

We have in place appropriate risk-management systems and procedures to determine and manage the enhanced risks arising from whether a customer or the beneficial owner of the customer is a PEP or a family member or a known close associate of a PEP.

A PEP includes directors and members of a board of an international organisation, management of a state-owned enterprise, ambassadors, boards of central banks, members of supreme courts, politicians, member of the governing body of a political party or Ministers and Heads of State. A family member of a PEP includes a spouse or civil partner, children and stepchildren or parents of the PEP. A close associate is an individual who has joint beneficial ownership, close business relations, or sole beneficial ownership of a business set up for the benefit of a PEP.

We will consider the level of risk to our business, the level of risk associated with that customer and apply Enhanced Due Diligence measures.

Where a PEP no longer has a prominent public function, we continue to apply risk management for a period of at least 12 months after the date on which the person stopped having their public function or as long as appropriate to manage the risk. However, these requirements do not apply to a family member or any known close associate of that PEP.

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We will gather information from internet searches, news websites, government and parliament websites to help identify PEPs.

Once we have identified a customer is a PEP, family member or known close associate of one, then we will put in place the following measures in addition to carrying out enhanced due diligence:

- obtain approval from the MLRO or Deputy MLRO before establishing a business relationship with that person
- take adequate steps to establish the source of wealth (origin of the customer's overall wealth) and source of funds (origin of the funding of the transaction)

We will assess in each case the level of risk that the PEP presents and apply an appropriate level of enhanced due diligence. A PEP who has a prominent public function in the UK will be treated as lower risk unless other factors in our risk assessment indicate a higher risk. The same treatment will be applied to family members or close associates of lower risk UK politically exposed persons.

A high risk politically exposed person may show characteristics such as:

- lifestyle or wealth does not match what we know of their income source
- credible allegations of financial misconduct have been made in relation to bribery or dishonesty
- there is evidence they have sought to hide the nature of their financial situation
- has responsibility for or can influence the awarding of large procurement contracts where the process lacks transparency
- has responsibility for or can influence the allocation of government grant or licenses such as energy, mining or permission for major construction projects

Identification procedures

All landlords, tenants, vendors, purchasers and guarantors must be identified fully with ID for proof of name (photographic) and evidence of residence. We require sight of all original or certified documents* unless completed electronically via online Amiquis checks – a photocopy or email will not be acceptable. If the transaction involves more than one individual for each party, then the verification checks must be carried out for each individual. With regards to vendors / landlords, if they are living at another address we will require proof of their current home address as well as evidence of property ownership for the property to be sold / rented.

If the client is living overseas or afar, then the ID must be countersigned as authentic by a professional person known to that person within the client's jurisdiction or completed via online Amiquis check.

It is our policy to only deal with customers face to face, however should this form of communication not be available, then enhanced due diligence procedures will need to be adopted through asking for additional information or evidence to establish the customer's identity and through ensuring that the documents that are supplied, are certified.

Belvoir Edinburgh would not maintain a relationship with a customer where due diligence, including obtaining proof of identity, could not be completed.

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*Certified Documents

Who can certify a document

A document must be certified by a professional person for example:

- bank or building society official
- chartered accountant
- solicitor or notary
- post office official

The person the client asks should not be:

- related to them
- living at the same address
- in a relationship with them

How to certify a document

The client should take the photocopied document and the original and ask the person to certify the copy by:

- writing 'Certified to be a true copy of the original seen by me' on the document
- signing and dating it
- printing their name under the signature
- adding their occupation, address and telephone number

Acceptable ID document requirements are as follows;

Individual Identity Documents

We will require one document from **List A** and one from **List B** dated within the past 3 months for each purchaser/vendor/landlord/tenant/guarantor of a property (from both parties, if there is more than one individual).

We will also require one item from **List C** for home owners and landlords.

List A – Identity Document (Photographic)

- Current signed Passport
- Resident Permit issued to EU nationals by the Home Office
- Current UK/EU photo Driving Licence (photocard licenses are accepted)

List B – Proof of Address

- Current Local Authority Tax bill
- State Pension or Benefits book/notification letter
- Local Authority rent card or tenancy agreement
- Most recent Mortgage statement
- Bank, Building Society or Credit Union statement or passbook

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- Utility Bill (not mobile) from the last three months
- Home or motor insurance certificate
- NHS Medical card

List C – Proof of Ownership

- Most recent Mortgage statement
- Solicitors letter confirming house purchase/deeds/land registration

For probate, trusts and companies please see individual requirements listed below.

Probate

If you are acting as a representative of an estate, we require the following:

- Grant of Probate (if a will was left)
- Letter of Administration (if no will was left)
- Plus individual identity evidence from **List A & B** for the personal representative, either executor or administrator

Trust

If you are acting as a Representative of a Trust we require a copy of the Trust deed and the following:

Details of settlor and beneficial owners

- List of trustees
- List of beneficiaries
- Plus individual identity evidence from **List A & B** for all individuals with a vest interest in 25% or more of the capital and/or those who exercise control over the trust for example settlors, trustees, beneficiaries as well as any protectors/controllers.

Limited Company

Where the customer is a company, the following must be obtained and verified:

- The name of the business
- The company number or registration number
- The address of the registered office

NB: For private or unlisted companies you must check the memorandum of association to verify:

- The names of the board of directors or equivalent body
- The names of the senior person responsible for its operations
- The law to which it is subject
- Their legal and beneficial owners
- Plus individual identity evidence from **List A & B** for all individuals who hold 25% or more of shares or voting rights

Suspicious activity reporting

If a member of staff has suspicion or knowledge, or reasonable ground to suspect that money laundering is taking place by their customer or a transaction or relationship their client is concerned with, they should notify the Money Laundering Reporting Officer (MLRO) immediately through a written internal report.

Some warning signs of suspicious activity that we might consider are:

- Checking the vendor, purchaser, landlord or tenants' identity is difficult and they are reluctant to provide details
- Their lifestyle does not appear to be consistent with our knowledge of their income
- Their income is not from a legitimate source
- Part or full settlement in cash or foreign currency
- We are unable to identify whether there are any beneficial owners
- For regular and existing customers, the transaction is different from their normal business or the customer cannot explain a significant change in their financial circumstances

The MLRO will evaluate the internal report and should they be satisfied that there are grounds to suspect money laundering or terrorism, will submit a Suspicious Activity Report (SAR) to the NCA National Crime Agency via the online form at nationalcrimeagency.gov.uk.

The transaction will be suspended for at least 7 working days until notification has been received from the NCA and the client must not be made aware of the reason for the delay as this would be classed as tipping off.

All reports, whether sent to the NCA or not will be retained by the MLRO for a period of 5 years.

Ongoing record keeping

As part of our ongoing commitments, all vendors, purchasers, landlords and tenants will be subject to continuous monitoring for the duration of the relationship. We will monitor new transactions to ensure they are consistent with what we know about our customer already and their risk assessment. For a change in control of a corporate client full ID verification will be required as highlighted above.

All records and copies of documents requested to verify identity will be kept on file for five years after the end of the customer relationship, or five years from the date when the transaction was completed along with any supporting records relating to a customer relationship or occasional transaction for five years from the date when the transaction was completed.

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Risk assessment

We will complete a risk level analysis for each transaction and monitor/update throughout. We will keep copies of these documents on file as documented above.

Risk assessments to be completed as required for each of the following in addition to the normal verification procedures:

- Purchaser
- Vendor
- Landlord
- Tenant
- Guarantor
- Corporate clients