

Anti-money laundering and the CIT business: preventing the use of CIT for the transportation of illicit funds

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Nick Purnell, Clyde & Co

Introduction

- **Money laundering and financial transparency – recent headlines**
 - Panama papers
 - London anti-corruption summit
 - David Cameron’s statement – Nigeria and Afghanistan “fantastically corrupt”
- **FCA actions**
 - 2014: £7.6m fine for Standard Bank PLC
 - 2016 - 2017 Business Plan - money laundering a priority
- **Fourth Anti-Money Laundering Directive**
 - Emphasises a risk-based approach and increased transparency
- **Cash In Transit (CIT) businesses – legal obligations**
 - Susceptible to money laundering due to cross-border cash and asset transport

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- **The Fourth Anti-Money Laundering Directive**
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Money laundering: background

- **What is money laundering?**
 - 1. **Placement** of proceeds of crime into the financial system
 - 2. **Layering** of funds via financial transactions to obscure their origin
 - 3. **Integration** of funds back into the financial system as legitimate
- **Global headlines**
 - London as global money-laundering centre
 - Peruvian presidential candidate
 - Liberty Reserve
 - European currency

Money laundering, terrorist financing and the CIT industry

- **Financial Action Task Force**
 - 2012 Recommendations: measures to detect cross-border transport of currency and BNIs
 - 2015 report: money laundering through international border currency transport still widespread
- **CIT businesses**
 - Risks around money laundering and terrorist financing
 - Need to be compliant with applicable law

UK anti-money laundering and counter-terrorist financing legislation

- **Anti-money laundering legislation**
 - Proceeds of Crime Act 2002
 - Money Laundering Regulations 2007
- **Counter-terrorist financing legislation**
 - Terrorism Act 2000
 - Counter-Terrorism Act 2008, Schedule 7
- **Sanctions**
 - Fines
 - Up to 14 years' imprisonment

Proceeds of Crime Act 2002

- **Principal money laundering offences**
 - Basic money laundering offence
 - Aiding and abetting offence
 - Handling stolen goods offence
- **Failure to report money laundering**
 - Certain offences applicable only to regulated sector
 - Offence of "prejudicing the investigation" – may be committed by regulated and non-regulated individuals

Money Laundering Regulations 2007

- **Implement the Third Anti-Money Laundering Directive in the UK**
- **Obligations imposed on “relevant persons” e.g. customer due diligence, record keeping and training**

Terrorism Act 2000

- **What is terrorist financing?**
 - Raising, moving, storing and use of financial resources for the purposes of terrorism
 - Underpins all terrorist activity
- **Criminal offences**
 - Fund-raising
 - Use and possession
 - Involvement in funding arrangements
 - Insurance
 - Terrorist money laundering
- **Duty of disclosure**
 - Businesses must report suspicions of terrorist financing offences

Counter-Terrorism Act 2008, Schedule 7

- **HM Treasury power to issue directions to firms in the financial sector - where it has concerns about money laundering, terrorist financing or the proliferation of nuclear, radiological, biological or chemical weapons**
- **Directions can only be issued to counter significant threats from high-risk jurisdictions**

The Fourth Anti-Money Laundering Directive (1)

- **Key changes**
 - Greater emphasis on "risk-based approach"
 - Transparency and beneficial ownership
 - Broadens the definition of a "politically exposed person" (PEP)
 - Tax crimes fall within the scope of money laundering
- **Application**
 - Applies to wide range of "obliged entities", including banks
- **The Directive and the CIT industry**
 - CIT businesses not directly subject to the Directive's requirements but should be familiar with new requirements
 - Directive would apply where an obliged entity provides CIT services

The Fourth Anti-Money Laundering Directive (2)

- **Key provisions**
 - Risk assessments: consider risk factors relating to customers, geographic areas, products and transactions
 - Policies, controls and procedures required to mitigate and manage money laundering and terrorist financing risk
 - Changes to customer due diligence
 - PEPs
 - Beneficial ownership
 - Tax crimes now within the scope of money laundering offences
- **Proposed changes to the Directive**
 - Directive to be implemented sooner by Member States
 - Virtual currency exchange platforms

Practical steps for businesses

- **Obligated entities**
 - Carry out risk assessments
 - Implement relevant policies, controls and procedures
 - Assess type of CDD required and ensure ongoing monitoring of customers
 - Keep adequate records
 - Train staff, emphasising the Fourth Anti-Money Laundering Directive's requirements
- **Businesses that are not obligated entities, including CITs**
 - Ensure compliance with legislation e.g. POCA 2002 and Terrorism Act 2000
 - Ensure you know who your customers are
 - Screen employees carefully
 - Keep records
 - Train staff on money laundering and terrorist financing

Questions

- Any questions?

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