



The Architectural Association
Anti-Money Laundering Policy

Introduction, Scope and Purpose

The Architectural Association and its subsidiary company (“the AA”) are committed to the highest standards of ethical conduct and integrity in their business activities in the UK and overseas. It will therefore ensure that it has in place proper, robust financial controls so that it can protect its funds and ensure continuing public trust and confidence in it. Some of those controls are intended to ensure that the AA complies in full with its obligations not to engage or otherwise be implicated in money laundering or terrorist financing. This policy outlines how the AA and its employees will manage money-laundering risks and comply with its legal obligations.

This policy applies to all AA staff, trustees, students, suppliers and contractors and covers all activities undertaken in the UK or overseas. Potentially any member of staff could be committing an offence under the money laundering laws if they suspect money laundering or if they become involved in some way and do nothing about it.

The Law

Money laundering is the process of taking profits from crime and corruption and transforming them into legitimate assets. It takes criminally-derived money or other assets and converts them into cash or other assets so they can be reintroduced into legitimate commerce. This process conceals the true origin or ownership of the funds, and so 'cleans' them. As the school receives significant amounts of funds from all over the world, for tuition, visiting school, membership subscriptions, bookshop sales, publications, grants and donations/sponsorship as well as making hundreds of payments globally, it is exposed to the risk of being unwittingly used to launder funds. There are three stages in money laundering:

- i) Placement – the process of getting criminal money into the financial system.
- ii) Layering – the process of moving the money within the financial system through layers of transactions and
- iii) Integration – the process whereby the money is finally integrated into the economy, perhaps in the form of a payment for a legitimate service.

Principal Money Laundering Offences

It is a crime, punishable by up to fourteen years imprisonment, to:

- conceal, disguise, convert or transfer criminal property, or to remove it from the United Kingdom.
- enter into an arrangement that you know or suspect makes it easier for another person to acquire, retain, use or control criminal property.
- acquire, use or possess criminal property provided that adequate consideration (i.e. proper market price) is not given for its acquisition, use or possession.

The AA Responsibilities

In the UK, severe penalties are imposed on individuals connected with any stage of laundering money. Offences include:

- failing to report knowledge and/or suspicion of money laundering.

- failing to have adequate procedures to guard against money laundering.
- knowingly assisting money launderers.
- tipping-off suspected money launderers.
- recklessly making a false or misleading statement in the context of money laundering.

The AA therefore has to consider the potential money laundering risks that its business activities will expose it to, and devise suitable controls that protect it and its employees against being the victim of money laundering. It has to document these risks and monitor them on a regular basis. The AA also has to consider how it trains its staff to spot potential signs of money laundering activity, and how to report it according to UK law.

The AA has to adopt a risk-based approach towards anti-money laundering and conducting due diligence. Whilst much of the AA's financial activities could be considered relatively low risk from the perspective of money laundering, all staff need to be vigilant against the financial crime and fraud risks that the school faces. Instances of suspected money laundering are likely to be rare at the AA, but we must be aware of legislative requirements. MLR 2017 requires the AA to undertake a risk assessment, and to demonstrate and document that it was carried-out and has been/will be kept up-to-date.

The AA's policy and aim is to comply fully with all UK legislation in relation to Anti Money Laundering, and to ensure it minimises the risk of money-laundering taking place in its operations. It does this in a number of ways:

- It has moved to a "cashless campus" model where cash is not accepted for any goods/services/ tuition fees etc, except for purchases made at the Bookshop.
- It provides, in this policy, a helpful list of "warning signs" for anyone who suspects money laundering is taking place.
- The AA has a clear reporting structure for anyone who suspects money-laundering is taking place.
- Finally, the AA has a regular review process to update the policy and check we understand existing risks and can recognise new risks.

There are many types of risk. The AA has identified the following key areas, which could be exploited by those trying to carry out any or all of the three stages of money laundering above:

- Receiving tuition fees from overseas.
- Receiving tuition fees from sponsors from overseas.
- Receiving funds from potentially criminal business entities.
- Making refunds to students, and third parties (parents and sponsors).
- Receiving cash transactions (if applicable).
- Receiving donations.

Procedures

1. Customer Due Diligence

Customer due diligence (CDD) is the process by which the AA assures itself of the source of funds it receives and that it can be confident that it knows the people and organisations with whom it works. The Regulations require that the AA must be reasonably satisfied as to the identity of the customer (and others) that they are engaging in a business relationship with. Therefore, the AA has policies and procedures for performing CDD, and the transaction monitoring arrangements on a risk-managed basis with systems and controls in place to mitigate any financial crime risks.

Our customer due diligence follows the principles of Know Your Customer (KYC), one of the fundamental precepts of global anti-money laundering regulations. This due diligence process ensures the identity of a new customer must be established before a business or financial relationship can begin or proceed.

The three components of KYC are:

1. Ascertaining and verifying the identity of the customer/student and confirming this by obtaining documentary evidence that is independent and reliable. Examples include:

For students:

- Passport or visa
- Birth certificate

For third parties:

- Letters or documents proving name, address and relationship with the student.

2. Ascertaining and verifying (if appropriate) the identity of the beneficial owners of a business.

If an organisation is not known to the AA:

- Look for letter-headed document
- Check web-sites
- Request credit checks
- Or aim to meet or contact key sponsors as you feel appropriate to verify validity of contact.

3. Details on the purpose and intended nature of the business relationship i.e. knowing what you are going to do with/for them and why.

In addition to a check on customers, the AA must also undertake due diligence on transactions including:

Identifying and verifying the source of funds (ie, where the funds in question are received from, for example a bank account) from which any payment to the AA will be made; and

In some circumstances identifying and verifying the source of wealth (ie how the person that is making the payment came to have the funds in question, for example savings from employment)

from which the funds are derived.

Both customer and geographical risk factors need to be considered in deciding the level of due diligence to be undertaken. Simplified customer due diligence is appropriate where the AA determines that the business relationship or transaction presents a low risk of money laundering or terrorist financing, taking into account the risk assessment. Under the UK's Money Laundering Regulations, enhanced due diligence (EDD) is mandated for any business relationship with a person established in a high-risk third country.

2. Other Actions Taken

In addition to CDD, in order to minimise the potential for money laundering activities the AA has the following procedures.

- A statement on the Admissions online application form stating that payments are not accepted for billing addresses in countries that are on the UK sanctions list.
- Identified external controls, including the banks who monitor and prevent transactions with sanctioned regimes.
- No refunds can be made other than to the original payer.
- Refunds are only made using the original mode of payment, where possible.
- No cash is accepted for tuition fees.
- Donations cannot be accepted from any donor who is on the UK's sanctions list.

Currently, the majority of tuition fee payments are international bank transfers so it is very difficult to identify who actually made the payment for the students so we rely heavily on HSBC's monitoring and screening.

Examples of suspicious behaviour

It is not possible to give a definitive list of ways to spot money laundering. The following are types of risk factors which may, either alone or collectively, suggest the possibility of money laundering activity:

- A new customer, business partner or sponsor not known to the AA.
- A customer from a country known to carry a high level of risk (such as a sanctioned country, or country with known high levels of financial fraud or corruption).
- A secretive person or business e.g. that refuses to provide requested information without a reasonable explanation.
- A request to pay a substantial sum in cash to the AA.
- Concerns about the honesty, integrity, identity or location of the people involved.
- Involvement of an unconnected third party without a logical reason or explanation.
- Overpayments for no apparent reason and requests to pay the difference back to a third party.

- Absence of any clear legitimate source for the funds received.
- Significant changes in the size, nature and frequency of transactions with a customer that are without reasonable explanation.
- Cancellation, reversal or requests for refunds of earlier transactions.
- Requests for account details outside the normal course of business.
- A history of poor business records, controls or inconsistent dealing.
- Receipt of a payment for which the AA has not issued an invoice.
- A receipt of fees from an unconnected third party (i.e. not a student, family member or sponsor).
- Any other facts which tend to suggest that something unusual is happening and give reasonable suspicion about the motives of individuals.

Money Laundering Reporting Officer (MLRO)

The AA is required to appoint a nominated officer or Money Laundering Reporting Officer (MLRO) to be aware of any suspicious activity in the business that might be linked to money laundering or terrorist financing and, if necessary, to report it. Following best practice, the MLRO should be the Head of Finance and Strategic Development. The MLRO will be responsible for carrying out the AA's anti-money laundering procedures.

Policy on Reporting and Disclosure

Where you know or suspect that money laundering activity is taking or has taken place, or you become concerned that your involvement in a transaction may amount to a breach of the regulations, you must disclose this immediately to your line manager. If in consultation with your line manager reasonable suspicion is confirmed, a disclosure report must be made to the MLRO. This disclosure should be made on the pro forma report attached in Appendix 1 and should be completed the same day the information came to your attention. If you do not do so, you may be personally liable to prosecution.

Your report should include as much detail as possible including:

- Full available details of the people and companies involved including yourself and other 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 with exact reasons as to why you are suspicious.
- 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 for knowledge or suspicion of money laundering and to facilitate his or her report to the relevant authorities.

The MLRO will acknowledge receipt of the disclosure within an agreed response period. The MLRO will consider the report and any other information available.

Once a report has been submitted, any contact with the person or organisation suspected should only be made with the express agreement of the MLRO.

Once the MLRO has evaluated the disclosure or other information, they will determine if:

1. There are reasonable grounds for suspecting money laundering and the steps to be taken;
or
2. There is actual money laundering or terrorist financing; and
3. Whether they need to report the matter to the National Crime Agency (NCA).

If the MLRO decides to submit a report to the NCA, then all activity involving the suspected party must be frozen immediately, and no contact made without the consent of NCA. All disclosure reports referred to by the MLRO and reports made by them to the NCA will be retained for a minimum of 5 years. The AA will keep copies of any financial records for a period of seven years.

Where the MLRO considers a potential breach has taken place, the AA is obliged to report serious incidents to the Office for Students in certain circumstances.

Due to the non-acceptance of cash policy now in place and the low risk profile this generates, no structured training will be offered to staff. This decision will be kept under review as the risk profile alters.

How does the AA keep this policy up to date?

The Money Laundering Policy will be reviewed biennially by Finance and presented to the Finance & Resources Committee (F&R) for approval. The F&R must be updated immediately on any exceptions to the policy.

Details of the reporting to the NCA can be found at:

<https://www.gov.uk/guidance/money-laundering-regulations-report-suspicious-activities>

Next Steps

In line with the Regulations, all relevant members of the Finance, Admissions and Registration departments' staff will receive a copy of this policy. Record keeping is crucial to an effective training regime and a signed record (or computer-based equivalent) from every member of staff should be kept, verifying that they have read and understood the policy.

Appendix I - Suspected Money Laundering - Report to the MLRO

From: Department:

Contact Details: Email:

Phone:

DETAILS OF SUSPECTED OFFENCE

- Name(s) and address (es) of person(s) involved including relationship with the AA.

- Nature, value and timing of activity involved.

- Nature of suspicions regarding such activity.

- Provide details of any investigation undertaken to date.

- Have you discussed your suspicions with anyone and if so on what basis?

- Is any aspect of the transaction(s) outstanding and requiring consent to progress?

- Any other relevant information that may be useful.

Signed:

Date: