

# Swale Good Causes Lottery Anti Money Laundering, Proceeds of Crime and Terrorist Financing Policy

## 1. Introduction

### 1.1 Policy Information

Approval date	Replaces version dated	Responsible person	Approved by	Next review date
27/11/24	N/A	Stephanie Curtis	Policy and Resources Committee	November 25

### 1.2 Purpose

Swale Borough Council (the **Operator**) is committed to the prevention of opportunities for money laundering activities within its organisation.

The Proceeds of Crime Act 2002 (**POCA**) and the Terrorism Act (**TA 2000**) impose obligations on persons and organisations in both the regulated and unregulated sector in relation to the reporting of money laundering or terrorist financing instances.

In addition, the Operator is required as a licensed lottery operator to comply with the relevant sections of the Licence Conditions & Codes of Practice (**LCCP**) pertaining to money laundering and terrorist financing.

The Operator is also committed to operating within the spirit of the licensing objectives set out in the Gambling Act 2005. The first licensing objective is particularly relevant in the context of this Policy: *“preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime”*.

The Operator has adopted this Policy in order to ensure effective controls and procedures in relation to money laundering, taking into account the risks posed to the Operator.

### 1.3 Scope

This Policy applies to the Operator and all of its directors, officers, employees, workers and any other personnel working for or on behalf of the Operator involved in the management and operation of the Operator’s lottery.

## 2.0 Anti Money Laundering Requirements

### 2.1 The POCA

There are three primary offences contained in the POCA relating to the direct handling of the proceeds of crime.

- to conceal, disguise, convert or transfer the proceeds of crime, or remove the proceeds of crime from the UK<sup>1</sup>;
- to enter into, or become concerned in an arrangement, in which the person knows or suspects the retention, use or control of the proceeds of crime<sup>2</sup>; and
- to acquire, use or possess the proceeds of crime<sup>3</sup>.

These offences can be committed by any person or organisation.

The POCA also contains offences in relation to the failure to disclose the suspicion of money laundering and ‘tipping off’, however these offences only apply to organisations within the regulated sector. The Operator is not within the regulated sector for the purposes of the POCA.

## 2.2 The TA 2000

The offences within the TA 2000 relating to the handling of money or other property intended to be used for the purposes of terrorism are:

- to receive (or invite the receipt of), provide or use any money or other property which is intended to be used, or the person has reasonable cause to suspect that it may be used, for the purpose of terrorism<sup>4</sup>;
- to enter into, or become concerned in an arrangement, in which the person knows or suspects it will be used for the purpose of terrorism<sup>5</sup>; and
- to conceal, transfer or remove from the UK any money or other property which is intended to be used, or the person has reasonable cause to suspect that it may be used, for the purpose of terrorism<sup>6</sup>.

As with the primary offences under POCA, these offences can be committed by any person or organisation.

## 2.3 The LCCP

The Operator is a licensed lottery operator and therefore is required to comply with the LCCP. The relevant sections of the LCCP pertaining to money laundering and terrorist financing are:

<b>LCCP Condition</b>	<b>LCCP Requirement</b>	<b>How the Operator satisfies this requirement</b>
12.1.1	The Operator must conduct an assessment of the risks of its business being used for money laundering and terrorist financing.	The Operator carries out an annual money laundering risk assessment, as set out in this Policy.

<sup>1</sup> s.327, POCA

<sup>2</sup> s.328, POCA

<sup>3</sup> s.329, POCA

<sup>4</sup> ss.15-16, TA 2000

<sup>5</sup> s.17, TA 2000

<sup>6</sup> s.18, TA 2000

12.1.1	The Operator must have appropriate policies, procedures and controls to prevent money laundering and terrorist financing.	The Operator has implemented this Policy to ensure effective controls and procedures in relation to money laundering.
12.1.1	The Operator must ensure that its policies, procedures and controls are implemented effectively, kept under review, revised appropriately to ensure that they remain effective, and take into account any applicable learning or guidelines published by the Gambling Commission from time to time.	The Operator will review this Policy, together with the controls and procedures hereunder, not less than once per year. An ad hoc review of this Policy may be required from time to time in case of, for example, a change in the law or if new guidance is issued by the Gambling Commission.
15.2.1 (4c)	The Operator is required to report the appointment or change of the person which has overall responsibility for the Operator's anti-money laundering and/or terrorist financing compliance, and/or for the reporting of known or suspected money laundering or terrorist financing activity.	The Operator has appointed a Money Laundering Reporting Officer and will notify the Gambling Commission of any change in the person holding this position.
15.2.2 (1d)	The Operator is required to report any actual or potential breaches of the requirements imposed under Parts 7 & 8 of the POCA or Part 3 of the TA 2000.	The Operator has implemented a reporting procedure in this Policy.

### 3.0 Risk Assessment

#### 3.1 Risk areas

The Operator has identified the money laundering risks posed to its organisation as falling within two key areas:

- Criminal laundering of money through the purchase of tickets on the Operator's lottery website and subsequent winnings from draws to be taken as laundered money.
- False registration and representation of good causes on the Operator's lottery website, where tickets are purchased using illegally acquired funds in order to be extracted through the false pretense of funds raised for a good cause.

#### 3.2 Mitigation

The Operator operates in a way that mitigates the risk of money laundering within its organisation. The controls listed below act as effective mitigation against money laundering:

<b>Risk area</b>	<b>Mitigation</b>
Customer identification	All users must provide their full name, address, email address and date of birth in order to register an account on the Operator's lottery website.
Method of payment	The Operator's accepted payment methods are by direct debit or debit card. Cash payments are not accepted, which eliminates the risk of counterfeit money passing through the Operator.
Lottery draws	To minimise the risk of fraudulent behaviour and demonstrate impartiality, the main lottery draw each week takes the results from an independently drawn lottery. This ensures no fraudulent activity can be taken in the generation of the winning set of numbers for the draw. The smaller local level prizes are generated based on a random ticket selection using the online resource <a href="http://www.random.org/who">http://www.random.org/who</a> , which is independently verified for its random number generation using atmospheric noise.
Customer prize winnings	<p>Ticket purchases are limited per participating user. This is a restriction placed upon users in the lottery systems, which makes it impossible for a single user to purchase a large amount of tickets. Therefore, a large number of individual user accounts would be needed to attempt money laundering of any significant value, which would be identified in the lottery systems.</p> <p>The maximum return possible from money laundering through the purchase of tickets is extremely low in comparison to other gambling activities.</p>
Legitimacy of good causes	To ensure the legitimacy of good causes registered on the Operator's lottery website, a cause application and approval workflow process is in place whereby the Operator itself has a duty to verify the identity of each good cause prior to approving their inclusion and set up on the Operator's lottery website. This workflow is comprehensively tracked and logged on system records.
Security	The lottery software resides on secure servers behind encrypted firewalls, which provide bank level security protocols in the transfer of electronic data. In addition, the servers are located in a secure data centre managed by DBS checked staff.

	There is a full audit trail of every transaction for the software, including timestamps. This allows full investigation of any suspicious activities.
Personnel	Any suspicion of illegal behaviour by the Operator's personnel will result in a full investigation. For the duration of any such investigation, the person will be suspended from their duties for the protection of customers, the Operator's personnel and the reputation of the organisation.
Service providers	All service providers that provide essential services to the Operator in order to operate its lottery website (such as direct debit bureaus and payment gateways) undergo thorough checks in respect of their suitability, credibility and reputation. This may include financial health checks and references.

### 3.3 Assessment

The Operator assesses its overall money laundering risk as low for the following reasons:

- The opportunities for money laundering within the Operator's organisation are limited. The low ticket value and restrictions on the number of tickets per user means that criminals would have to set up a large number of accounts to make any money laundering activity worthwhile.
- The setting up of a good cause requires validation from the Operator, which deters criminal activity.
- The overall balance of risk and effort versus reward means that attempted money laundering through the Operator's lottery would require a lot of effort for low return and that the likelihood of discovery would be extremely high.

The Gambling Commission has also assessed the current overall risk rating for Society Lotteries and External Lottery Managers as low. The Gambling Commission risk assessment may be found [here](#).

## 4.0 Suspicious Activity Reporting

### 4.1 Money Laundering Reporting Officer

As the Operator is not within the regulated sector, it is not obliged under the POCA or the TA 2000 to appoint a Money Laundering Reporting Officer (**MLRO**). However, in line with guidance from the Gambling Commission, the Operator has decided to appoint a MLRO in order to more effectively satisfy its obligations under the POCA, TA 2000 and the LCCP.

The Operator has appointed **Charlotte Hudson, Head of Housing and Communities** as its MLRO. The MLRO is responsible for receiving, investigating and (if deemed necessary) acting upon all Suspicious Activity Reports (**SAR**) received from Operator personnel.

#### **4.2 Internal Reporting Procedure**

All Operator personnel are expected to be vigilant to the possibility of money laundering occurring within the business and should use their personal judgment to identify suspicious circumstances.

Examples of suspicious circumstances may include (this list is not exhaustive):

- An unexpected material increase in the number of user accounts set up in the Operator's lottery over a short period of time.
- An unexpected material increase in the number of good cause applications in the Operator's lottery over a short period of time.
- An increase in high ticket purchases for individual players.
- Operator personnel requesting access to systems used for a purpose which is outside of their usual responsibilities.

If you are suspicious of money laundering activities occurring within the Operator organisation, you must report it to the MLRO as soon as possible using the SAR Form set out in the Annex to this Policy. It is important that suspicions are reported promptly as it can provide both the Operator and its personnel with protection against prosecution.

If you feel uncomfortable in making a SAR, you may speak with your line manager and complete the SAR Form together. You **must not** discuss your suspicions with anyone who may prejudice any investigation into criminal activity. You also **must not** delete or alter any records which may be relied upon to investigate criminal activity.

#### **4.3 Reporting to Law Enforcement**

The MLRO, in consultation with the Operator's Legal Department, is responsible for investigating all SARs received from Operator personnel and deciding whether to make a subsequent SAR to the National Crime Agency (**NCA**) and the Gambling Commission.

#### **4.4 Record-keeping**

The MLRO is responsible for keeping adequate records of:

- all SARs received from Operator personnel;
- all documents which relate to the investigation of SARs received from Operator personnel, including but not limited to, financial records, system records, meeting notes and legal advice (whether internal or external);
- all SARs made to the NCA and any subsequent correspondence with the NCA and other law enforcement agencies.

## **4.5 Training**

Operator employees (whether full time or part time) involved in the management or operation of the Operator's lottery will receive annual training on the matters covered in this Policy.

All new employees of Operator involved in the management or operation of the Operator's lottery will receive training on this Policy as soon as practicable after their start date.

Annex: Suspicious Activity Report Form

<b>SUSPICIOUS ACTIVITY REPORT FORM</b>			
Please complete this form and send it by email to the Operator's MLRO and Legal Department.			
<b>Name:</b>		<b>Report date:</b> <i>The date that you are submitting this report.</i>	
<b>Title:</b>		<b>Suspicious activity dates(s):</b> <i>Please be as accurate as possible based on the information currently available.</i>	
Details of suspicious activity <i>Please provide as much information as possible.</i>			
Name(s) of suspected person(s) <i>If you do not know the identity of suspected person(s), please write "Unknown".</i>			
Records relevant to the suspicious activity <i>Please list any records in your possession relevant to the suspicious activity.</i>			