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## 1 Introduction

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- 1.1 This document sets out Foundation Scotland's [FS] policy to ensure that it fulfils its legal obligations to help counter money laundering. There are legal obligations for reporting suspected money laundering to the National Crime Agency and anyone who breaches these obligations could face criminal sanctions.
- 1.2 This policy should be read in conjunction with the FS Gift Acceptance Policy which deals with the wider aspects of receiving money from donors.

## 2 Scope

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- 2.1 This policy applies to all employees and all income and donations received.

## 3 Abbreviations and Definitions

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### Abbreviations

- CEO – Chief Executive Officer
- CFOO – Chief Finance and Operations Officer
- NCA – National Crime Agency

### Definitions

- Money Laundering is the process by which criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activity. Money laundering usually consist of three steps – placement, layering and integration.
- Placement is the depositing of funds or the conversion of cash into negotiable instruments. This is generally the most difficult step and most banks in the UK will now query cash deposits of over £5,000 even from known customers.
- Layering involves the transfer of funds through a series of accounts to hide the fund's true origins. This can mean transferring cash from overseas accounts from countries that have strict secrecy laws – e.g. the Cayman Islands.
- Integration involves the movement of layered funds, which are no longer traceable to their criminal origin, where they are mixed with funds of legitimate origin.

## 4 Policy

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- 4.1 FS adopts a risk-based approach by:
  - Maintaining and reviewing internal procedures to prevent money laundering: -
    - Donor due diligence, including identity checks and confirmation of the source of funds, is carried out and documented on all new donors donating over £25,000.
    - Record keeping is checked by external audit and there are spot checks carried out by members of the Finance Team.
    - Internal Controls are checked by the Finance Committee annually.

- Ensuring that FS employees are adequately trained: -
    - On awareness of money laundering warning signs.
    - On FS's due diligence processes and procedures.
    - On understanding their role and how to report suspicious activity
  - Ensuring that record retention is in place when dealing with donor financial transactions
    - With regard to identity and verification of donors.
    - With regard to transactions – particularly those over £25,000.
- 4.2 Specifically, the following questions are asked, and answers recorded before accepting an unusual donation or donation greater than £25,000.
- What offer is being proposed by the donor and how closely does it match FS's charitable objectives and strategic plan?
  - Who is the donor and does the donor have good standing?
  - Does the source of the donations raise red flags [see section 6]?
  - What sort of terms is the Donor wishing to impose?
  - What is the Donor's motivation for the offer and what will be the effect of accepting it?
  - Is there an actual or potential risk of detriment to the standing of FS? If so, what is the extent of the risk and the likelihood of it materialising?
- 4.3 When making grant payments to overseas organisations a documented risk assessment and due diligence report must always be completed. The report must then be signed off by the CFOO before a commitment is made to send funds.

### Reporting

- 4.4 Suspicions of criminal activity regarding any donation, grant, or transfer of funds should be reported to the CEO.
- 4.5 The CEO, relevant Team Head and the CFOO will assess the risk of any matter reported and decide whether to refer the matter to the Board and recommend reporting to the NCA.
- 4.6 The Board will always be consulted before a report is sent to the NCA.

### Refusing Donations

- 4.7 The FS Board will be notified of all instances where employees are proposing to refuse donations.
- 4.8 Donations made in foreign currencies on condition that all or part of the principal sum should be returned to the donor in sterling will be refused unless there is written approval from the Board.
- 4.9 Donations will be refused where the questions in section 4.2 are not answered or answered unsatisfactorily.
- 4.10 Donations will be refused where the donation is made anonymously through an intermediary who is not prepared to identify the donor to anyone at FS.

- 4.11 Some donors request a degree of anonymity and this will be respected, subject to the Board of FS and members of the FIC being informed [in confidence] of the donor's identity. If the donor requires their identity to be restricted to a smaller group of Board members, this requires the prior approval of the full Board.
- 4.12 Donations will not be accepted where the Donor is believed to have acquired funds which are tainted because they may be the proceeds of crime.
- 4.13 Donations will be refused where the Donor is not believed to have legal or legitimate ownership of the funds being offered to FS.
- 4.14 The FS Board will consider whether to return or redirect donations subsequently found to have been accepted in breach of this Policy.

#### Warning Signs for Money Laundering

- 4.15 The following situations should be carefully reviewed as possible indications of money laundering
- Large, unexpected donations from unknown individuals, organisations or other sources new to FS.
  - Donations conditional upon individuals or organisations, who are unfamiliar to FS, being engaged to carry out work.
  - Money being offered as a loan to FS for a period after which it is to be returned or sent elsewhere. Typically, in this scenario, an offer is made such that FS can retain the interest earned or some other small sum in return for agreeing to take part in the arrangement.
  - Similar 'loan' arrangements in which money is received by FS in a foreign currency but is to be returned to the donor in sterling.
  - Unexpected or unexplained requests for the repayment of all or part of a donation.
  - Requests for assistance in recovering large sums of money where FS is offered a percentage of the amount recovered. FS might be asked to provide its bank account details or permit the donor to use its name or letterheads on the pretext that it is a necessary part of the recovery process.
  - Unsolicited offers of short-term loans of large cash amounts, repayable by cheque or bank transfer, perhaps in a different currency.
  - Being asked to allow transactions to pass through the FS bank account.
  - Offers of goods or services which seem very expensive, unusual or carry high administration and other charges.

## 5 Roles and Responsibilities

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- Foundation Scotland is responsible for ensuring that Anti-Money Laundering Policies and Procedures are in place
- The CFOO is responsible for ensuring that training is available to staff and that suspicious activity is brought to the attention of the CEO
- Employees are responsible for undertaking training and ensuring that they comply with the Policy

## 6 Training

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- LMS – Anti-Money Laundering

## 7 References

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- National Crime Agency <http://www.nationalcrimeagency.gov.uk/>

## 8 Review

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- 8.1 This policy is reviewed, approved, and endorsed by the Board of trustees. It is updated when required by legislation, to ensure that it reflects statutory responsibilities, government guidance and best practice for FS. or every 24 months whichever is the soonest.