

MLR 8 at a glance sector specific helpsheet

Cheque Encashment Businesses: Exchange of third party cheques for cash

| Money Laundering risks | | | |
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| Risk | Explanation | Triggers | Mitigating these risks |
| Customers | Customer deception - a minority of customers will try any way they can to deceive the cheque casher. Besides fraudulent customer identities, cheques presented can be stolen, stopped soon after the transaction, forged or altered. | <p>Suspicious activity includes any customer or transaction that does not fit into the normal course or pattern of business.</p> <p>A signatory for a company cheque book makes cheques payable to an accomplice and then gives approval to the cheque encashment company on a telephone call checking entitlement.</p> | <p>ID checks and awareness that any piece of ID can be forged.</p> <p>Staff training throughout the year.</p> <p>Due diligence checks.</p> <p>Report suspicions immediately to the Nominated Officer.</p> |
| Product Sources of cash | <p>A potential risk for a cheque encashment service is that it could be operating as a 'shell company', using the cheque cashing business as a means to cleanse money that is the proceeds of crime.</p> <p>In a Principal/Agent relationship, money paid out in cheque encashment is reimbursed to the Agent by the Principal, unwittingly assisting the integration of laundered money.</p> | The number of cheques cashed by the business is at odds with the apparent financing of the business. | <p>Businesses retain a written record of transactions relating to source of funds.</p> <p>Thorough vetting of the business through Fit and Proper assessment and ongoing compliance visits.</p> <p>Check the legitimacy of the company's funds before entering into a contract. This will require sight of a bank statement, set of accounts and trade references; credit checks to ascertain that the</p> |

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| | | | business is financially stable; and ID must be sought for the owner of the Agency/Franchise and held on file with all other documents. |
| Channel Tax evasion | A third party cheque encashment service may be guilty of an offence if it cashes cheques for customers knowing or having reasonable grounds to suspect that the customer is cashing cheques to conceal the proceeds from HMRC ie evading tax. | <p>A customer is a director of the company on which the cheque is drawn.</p> <p>Cheques made payable to limited companies for cashing rather than banking.</p> <p>Cheques from multiple individuals presented by the customer as bearer.</p> | <p>Check the customer's entitlement to the cheque(s). Ask for the relevant paperwork to accompany the cheque. For example, a wages cheque with the payslip, a cheque drawn on an insurance company with an enclosed letter. Where a customer does not have the entitlement on paper, the cheque casher should seek to gain confirmation by telephoning the drawer and ascertaining the reasons for, and legitimacy of, the payment.</p> <p>If the customer gives the drawer details verbally, check electronically where possible, to verify the company exists and that the details the customer has provided are correct.</p> <p>Get the customer to sign the back of the cheque and check the signature against the ID provided.</p> <p>For small businesses, obtain proof of ID of the person cashing the cheque plus evidence of their 'trading as...' name. This could be a letter from their bank, HM Revenue & Customs, Solicitor, Accountant or VAT return.</p> <p>For Sole Trader customers, obtain proof of ID as</p> |
| Channel Benefit fraud | Stolen identities often accompany benefit fraud | <p>A customer tries to cash their benefit cheque (Job Seekers Allowance) and produces a wage slip as ID or vice-versa where they are cashing their wages cheque and produces paperwork regarding Job Seekers Allowance as ID.</p> <p>A customer alters the bearers name or the value of the cheque.</p> | |

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| | | | above plus complete a declaration to state they are the sole trader and sole signatory to the account and therefore wholly entitled to the cheque. |
| Channel Fraud/theft | Cashing the final pay cheque in the knowledge that it is not the entitled amount. Final pay cheques are more likely to be stopped, or re-issued with a lower amount than the original cheque where money for employee's holiday/sickness, the non-return of uniform, damaged equipment, non-completion of work etc are deducted after original cheque issued. | The customer wants to cash a cheque which was made payable to them weeks earlier. An old cheque date could mean a stolen or tampered with cheque - the customer informs the drawer that the cheque is lost, a replacement is provided and cashed elsewhere, and the customer then tries to cash the original cancelled cheque. | Report any suspicious situation that does not fit with the customer's explanation or transaction history to the nominated officer. The nominated officer will monitor that account and decide whether to report the transaction to SOCA. |
| Fraudulently obtained cheques | In some circumstances there is a risk of fraudulently obtained cheques where a person has a number of cheques drawn to different individuals, rather than company cheques, claiming to have done work for these people. | Check for low and consecutive cheque numbers which could be from falsely obtained chequebooks. A number of different people cashing cheques all of which are drawn on the same company which is unusual practice or the company is unknown. A sudden increase in cheque values. | Investigate unfamiliar names of drawers. Business name, address and telephone number can be verified by electronic means. Further searches into the list of directors may establish that the customer is not connected to the company on which the cheque is drawn, and may alert the cheque casher to a drawer's negative credit status. |
| Layering | Encashment of cheques partly by cash with the balance by cheque from the cheque casher's account. | Request from customer. | Report to MLRO. |

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| Linked Transactions | Customers will cash a number of cheques over a period of time. | Checks should be made on milestone amounts eg £10,000 and increments of £10,000 thereafter. | Consideration should be given as to how often cheques are cashed, whether drawers are common or change frequently and whether the frequency and value of cheques corresponds to the customer's explanation for their encashment. Any causes for concern should be reported to the MLRO. |
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