



# Back to school – do you know who is paying your fees?

By Sylwia Wolos

Some private schools in the UK are purportedly being used as part of wider money-laundering activities recent press reports revealed. Financial criminals seek to use educational organizations to launder illegitimate funds. How can independent schools ensure that they do not inadvertently aid and abet this process?

## Educating the educators

The true cost of financial crime cannot be measured in economic terms alone. While many people mistakenly believe that this form of crime only impacts big business, it in fact has far-reaching social and humanitarian consequences that impact the lives of millions of individuals across the globe on a daily basis.

As criminals become ever-more sophisticated in laundering the proceeds of crime, more and more sectors are at risk of being used for illegal activity including education.

Fighting financial crime is therefore everyone's responsibility and all organizations, including schools, have a crucial role to play in identifying potential risk and reporting it to authorities.

The first step in preventing financial crime is raising awareness of the problem and ensuring that organizations understand their obligations in terms of preventing corruption through effective risk management, including screening potential sponsors – or any other party paying the tuition fees – against reliable and complete financial crime screening data. This data should cover global sanctions, watch and enforcement lists; negative media; and politically exposed persons (PEPs). The purpose of screening is to uncover any potential links to financial crime, including money laundering, bribery, corruption or fraud.

If a high-risk situation is identified or suspected, enhanced due diligence (EDD) research, including Source of Wealth (SoW) investigations – should be carried out. Schools have

an obligation under the Proceeds of Crime Act 2002 (POCA), to flag suspicious situations and disclose any information that could be relevant to money-laundering offenses or investigations. Therefore, a comprehensive understanding of the source of funds is key to mitigating the potential compliance and reputational risk related to money laundering.

## Do your homework – understand Source of Wealth

According to the 2019 UK Independent Schools Council (ISC) census\* there are more than 536,000 pupils at 1,364 ICS member schools. Those from outside of the UK equated to approximately 5% of pupils. The majority of this sector, 45%, came from EEA countries, but according to the census there has also been a steady growth of pupils from Asia.

SoW investigations involve understanding where money comes from, and specifically ensuring that this wealth originates from legitimate means and does not have any links to financial crime.

Understanding SoW is a multifaceted process that takes into account economic activities (such as an individual's work history and investment portfolio); marriage; inheritance; and any other factors that could generate net worth.

\* [www.isc.co.uk/media/5479/isc\\_census\\_2019\\_report.pdf](http://www.isc.co.uk/media/5479/isc_census_2019_report.pdf)  
[thepienews.com/news/eea-pupils-at-uk-independent-schools-up/](http://thepienews.com/news/eea-pupils-at-uk-independent-schools-up/)

Apart from identifying the origin of net worth, thorough SoW research should also explain corporate affiliations and employment history, and should include information about all assets, including, for example, property and shareholdings. In cases where wealth originates from sources such as inheritance, marriage or other events, a SoW assessment should be extended to include the original holders of the wealth.

The purpose of a comprehensive SoW EDD report is to build a coherent subject profile that presents reasonable evidence to support the legitimate accumulation of wealth. A well-documented process also allows for an effective audit trail and forms the basis of informed risk management decisions.

### High-risk indicators – some examples

When researching SoW, some of the red flags that could indicate a high-risk situation include:

- Negative news surrounding an individual, for example, allegations of unethical behavior or ties to organized crime
- Gaps or inconsistencies that indicate that the origin of net wealth cannot be fully explained
- Any indication that complex tax management or avoidance schemes, or offshore jurisdictions may have been used to hide wealth from tax authorities
- Links to a country where higher corruption levels are evident or suspected

### Top marks for collaboration

Global efforts to eradicate financial crime will only be truly effective once governments, regulators, organizations and communities can fully collaborate to identify and expose criminal activity. This means that both individuals and organizations should work together to share information, especially where heightened risk is suspected, so that appropriate investigations can be undertaken.

Independent schools have an important role to play in the wider fight against financial crime and can offer invaluable help in identifying and rooting out the crime at all levels.

### How we can help

Refinitiv's World-Check Risk Intelligence helps protect your business from financial crime and reduce risk by fulfilling your know your customer (KYC) due diligence screening obligations with accurate and structured information. World-Check Risk Intelligence is used and trusted by the world's biggest companies. In addition our detailed Enhanced Due Diligence reports provide detailed background reports on any entity or individual identified as requiring further scrutiny.

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Sylwia Wolos is Director of Refinitiv's Enhanced Due Diligence Proposition. She has a decade of hands-on experience in public domain research and investigation, gained through establishing and managing regional EDD operations teams. Sylwia has contributed to the development of the company's Ultimate Beneficial Ownership identification service. She's a Certified Anti-Money Laundering Specialist (CAMS, 2012) and received her Certificate in Anti-Bribery and Corruption Studies (CABCS) in 2017. Her interest is focused on business transparency and sustainable economy.

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