

*Advice
for new
members*

Charitable
Assignment Scheme
and
Money Laundering

T H E
HANLEY
ECONOMIC
Building Society



CHARITABLE ASSIGNMENT SCHEME

Why is the Scheme being introduced?

The Hanley is committed to remaining an independent mutual building society run exclusively for the benefit of members. Because we have no external shareholders to satisfy, we can concentrate our efforts on providing value and service to our members.

However, the activity of speculators, who seek to open savings accounts in the hope of receiving windfall conversion benefits, affects our service to bona fide members. To avoid any future disruption to our business we have introduced the Charitable Assignment Scheme. This will enable us to provide the level of service our genuine customers expect and deserve.

How does the Scheme work?

All new customers opening a savings account which gives membership of the Society, will be required to sign a declaration assigning to the Charities Aid Foundation any windfall conversion benefits to which they might become entitled. This agreement will last for the first five years of membership after which the declaration will cease to have an effect for the member in question.

There will be some exceptions to this requirement, which are described later. Most importantly, any customer who has continued to hold a membership account as a saver, which was opened prior to the effective date of 7th June 2000, or is a borrowing member, will not be affected by the declaration.

What do we mean by windfall conversion benefit?

This means a benefit in the form of a distribution to shareholding members which may be paid in the unlikely event of any transfer of the business of the Society to a company on a conversion or takeover.

What do we mean by assigning benefits?

A customer whose membership begins on or after the effective date will otherwise have the same rights as any other member including rights to vote on all issues.

However, the declaration will have the effect that, for the first five years of membership, any windfall conversion benefits to which that member might become entitled would automatically be passed over to the Charities Aid Foundation.

What is the Charities Aid Foundation?

The Charities Aid Foundation is a long established charity and its purpose is to make sure that giving to charities is as effective as it possibly can be.

What if I am already a member?

The declaration is included on all investment application forms. However, it is drafted in such a way that if you are already a member through having a shareholder account at the effective date and do not break your shareholding membership or if you are a borrowing member then the declaration does not affect you at all.

How long will the Charitable Assignment Scheme last?

From the effective date, a customer opening a new share account will agree to assign to the Charities Aid Foundation any benefit which they might receive if conversion took place at any time in the five years from the date the account was opened.

What are the exceptions?

A comprehensive list of all exceptions can be obtained by contacting the Society's Head Office, but in summary they are:

- All mortgage members
- Existing investing members before the effective date

In order that customers whose accounts are held by others on trust are not unfairly treated, the following will not be treated as new account openings:

- Transfer of an account of a deceased member to a personal representative, widow(er) or child
- Transfer of a trustee account held for the benefit of a child when transferred into the child's sole name when they attain sufficient age
- Change of operating signature of a child's "re" or "Care of" account into the child's sole operation

The effect of the above is that no new five year period will begin as a result of any of these events.

Does this mean The Hanley is planning to convert?

No. The Society is committed to its status as an independent mutual building society. Our results and the value for money products and services we have delivered to our members show that mutuality works. These arrangements will ensure that we can deliver that value to all our members without disruption for the foreseeable future.

Can I find out more?

If you need further information please ask at your local branch or telephone Head Office on 01782 255000. Our Festival Park Branch is open from 9.00am to 5.00pm Monday to Friday and 9.00am to 4pm on Saturdays.

MONEY LAUNDERING

What is money laundering?

Money laundering means the methods criminals use to disguise the money they make from their crimes.

Drug dealers, terrorists, robbers, burglars and other criminals have to get rid of the proceeds of their crimes because large amounts of cash are difficult to store, handle, transport and spend. Also, there is the risk that the authorities will be able to trace the money back to the criminal. Therefore, criminals want to get their “dirty” money into the financial system so that it seems “clean” and is harder to trace. They can then spend it or use it to fund more crime.

What has this got to do with building society accounts?

One of the ways for a criminal to “launder” his money is to pay it into an account with, say, a building society so that it becomes more difficult for the authorities to trace.

Under the Money Laundering Regulations 1993, building societies, banks and other organisations offering savings and investment accounts must have procedures in place to stop criminals trying to use them to launder “dirty” money.

How could this affect me?

To launder their money through building societies, banks etc. criminals will usually try to open an account using a false identity.

A false name and address might make it harder for the authorities to track the criminal and his or her money down during an investigation. For this reason anyone wishing to open an account will usually be asked for proof of identity and address.

Please be patient when you open an account and are asked for such proof.

For the good reasons set out above, building societies, banks and other organisations are determined to fight money laundering. They also have certain legal responsibilities and they can be criminally liable if they do not have procedures in place. Even if you only have a small sum to invest, checks must still usually be made. The fact that these checks are carried out does not mean you are under any suspicion. It is a sad fact that the criminals will always try to appear to be normal law abiding customers - the only way to stop the criminals is to make checks on everyone.

What proof will I be asked for?

It might vary from one building society or bank etc to another.

Unlike many other countries, the United Kingdom does not have a national identity card system. This means that other items must be used as proof of identity and address. Obviously, if all organisations asked for exactly the same items, it would make life easier for money launderers. Typical items are a current full drivers licence, a current full passport, a pension book etc. (Some checks can be done without asking you to provide such items, but you will almost always be asked for some direct proof.)

Please remember, though, that whoever you open your savings or investment account with - whether it is a building society, bank, other financial organisation, supermarket etc - they are all, by law, obliged to carry out checks on your identity and address. (Another reason for carrying out the checks is to protect the customer and the account opening institution against fraud.)

Is more proof needed for postal and telephone accounts?

Usually, yes.

There is more risk of money laundering with accounts opened “non face-to-face”, such as by post, telephone or Internet.

Recently, at the request of HM Treasury, the financial services regulators (the Financial Services Authority and the Building Societies Commission) introduced stricter money laundering prevention requirements for non face-to-face accounts, requiring a larger number of checks to be made. (Again the actual checks made might vary from one organisation to another).

Hanley Economic Building Society regrets any inconvenience to customers but it is important to remember that all those offering savings or investment accounts to the public - whether building societies, banks, other financial organisations, supermarkets, etc - are subject to tighter verification standards, which are the result of the increased regulatory requirements.

The above notes on Money Laundering are issued in conjunction with the Building Societies Association.

Hanley Economic Building Society

Head Office: Granville House, Festival Park, Hanley,
Stoke-on-Trent, ST1 5TB Telephone: 01782 255000
www.thehanley.co.uk

The Society is a member of:

The Building Societies Association, The Council of Mortgage Lenders and
The Building Societies Ombudsman Scheme.

The Society is committed to the observance of the Banking Code.