

The University of Manchester

BOARD OF GOVERNORS

Extraordinary meeting: Wednesday, 19 June 2013

Present:

Mr Anil Ruia (in the Chair),

President and Vice-Chancellor, Mr Michael Crick, Mr Robert Hough, Dame Sue Ion, Mrs Christine Lee-Jones, Dr Keith Lloyd, Mr Neville Richardson, Dr Brenda Smith, Mr Andrew Spinoza, Dr John Stageman, Mr Gerry Yeung, Professor Colette Fagan, Professor Maggie Gale, Professor Andrew Gibson, Dr Reinmar Hager, Dr Caroline Jay, Professor Chris Taylor, Mr Mark Glass, Dr Andrew Walsh (20)

For unreserved business: Mr Nick Pringle, General Secretary, University of Manchester Students' Union.

In attendance: The Deputy President and Deputy Vice-Chancellor, the Registrar, Secretary and Chief Operating Officer, the Deputy Secretary, the Director of Finance, Ms Iram Kiani, Solicitor (from the Office of General Counsel), the Director of Human Resources, and representatives of the University's legal advisors; Mr Paul Deakins of Clifford Chance, and Ms Sarah Seed of Mills and Reeve.

Note: That due to the commercial sensitivity of the University's plans for financing the Campus Masterplan, for a limited period, any Board minutes pertaining to this matter would be removed until any formal announcement was made by the University.

1. Introduction

Noted: That an extraordinary formal session of the Board had been convened in order to enable the Board to provide formal sign-off in relation to the funding of the Campus Masterplan. At the same time, it was agreed that the Board would consider a number of additional items but that all other routine business of the Board, including reports and minutes from the Board Committees and other governance and management bodies, would be considered at the next formal meeting of the Board in July 2013.

2. Declarations of Interest

Noted: That the declaration of interest made by the Chair, Mr Anil Ruia, in relation to his role on the HEFCE Board and previously declared in the session, remained relevant to some items on the agenda. The Board also noted Professor Dame Nancy Rothwell's non-executive director role at AstraZeneca, and the associated measures that the University had in place to manage this interest within decision-making.

3. Minutes

Confirmed: The minutes of the meeting held on 15th May 2013.

4. Money-Laundering Policy

Received: The Board received, on reference from the Finance Committee and PRC, a money-laundering policy for immediate adoption by the University (attached as an Appendix).

Reported: That in addition to existing procedures and controls, the University had alerted the Board of the requirement for a specific policy to be in place to cover money laundering. A policy had been developed and the Board was now asked to approve the policy.

Resolved: The Board approved the policy on money laundering, for immediate adoption and implementation by the University.

5. Financing the Campus Masterplan – general discussion

Noted: That prior to the formal consideration of the University's issue of a public bond, the university's legal advisers, the Director of Finance, the President and Vice Chancellor, and the Chair of the Finance Committee presented information on the process through which the documentation had been prepared and signed-off. Following these presentations and statements. The Board having considered the financing proposals, noted the following:

- (1) That the confidentiality of matters in relation to the bond remained a critical issue. The sensitivities of the market were such that, until such time as a firm decision to issue the bond had been taken, the University, or members of the University should not make public statements about the proposal. In the event of any enquiries being made with Board members these should be relayed to the University's Communications Team.
- (2) That the University's legal advisers and officers provided a comprehensive introduction to the documentation presented to the Board. This included, *inter alia*, references to the pricing strategy that would be employed in relation to the Bond, the reporting obligations that the University would work within, once issued, the long term nature of the bond and the associated implication that early repayment would be costly and, finally, the use of the bond to rationalise other existing borrowing and thereby reduce or eliminate the potential risk of any cross default.
- (3) That within the documentation in order to ensure flexibility the University proposed to use the bond for the funding of the Masterplan and general corporate purposes. Depending on the strength of demand for the bond, thereafter the Finance Committee and the Board would determine, over and above the governance arrangements established for the capital development programme, where existing borrowing should be repaid and to what other purposes the funds might be applied.
- (4) That the proposals to be agreed included the establishment of a Bond Working Group, with delegated responsibilities in relation to the decision to issue the bond, in recognition of variable market conditions. The market had experienced a number of perturbations in recent weeks, following speculation that the US Federal Reserve might curtail "quantitative easing" strategies at an earlier stage, and there were other unknown factors, such as disclosures in relation to voting on the continuance of QE within the Bank of England and the chancellor's Mansion House speech, that could have a material effect on the pricing of any bond issue. The Group was therefore appropriately delegated to act within certain limits however, should circumstances change significantly further discussion at the level of the Board would be required.

6. Update report on insurance position (Director of Finance)

Received:

The Director of Finance provided an update on the position in respect of Directors and Officers insurance and additional cover in respect of Public Offering of Securities Insurance (POSI).

Reported:

- (1) That the University had reviewed the matter of liability and insurance for board members in some detail with its external legal advisers Mills & Reeve and Clifford Chance and had reached the view that a specific indemnity from the University was not necessary, either in the context of the 'Mercury' transaction or otherwise.
- (2) That from a legal perspective, any claims are highly likely to be brought against the University, as a body corporate, rather than against individual Governors. The decision to enter into the bond issue will be a collective decision by the Board of Governors. This collective approach was both a key part of the University's usual procedures and processes and was fundamental to the way in which the bond issue would be approved. The Prospectus had been drafted with input from all areas of the University. It had been reviewed by both firms of lawyers acting for the University, NM Rothschild & Sons Limited as financial adviser to the University and the figures within the Prospectus have been verified by the University's auditors. In addition, the Prospectus has been reviewed by the lawyers acting for the Banks. The investor presentation would be carefully scrutinised to ensure that it aligned with the content of the Prospectus and the presentation would be fully rehearsed.
- (3) That in addition, both the resolution of the Finance Committee to recommend for the approval of the Board of Governors of the launch of the bond issue and the acceptance of that recommendation would be made collectively by full formal meetings of both the Finance Committee and the Board of Governors.
- (4) That given the high level of scrutiny involved in the process, it was therefore difficult to envisage circumstances in which individual Governor could incur personal liability. If one of the presentation team were to make an unverifiable statement to investors that somehow went beyond the content of the Prospectus, then potentially that governor could be liable for the consequences of going "off script". As long as the governors worked within the collective process and adhered to the approach agreed by the University and its advisers, it was very difficult to see how an individual could expose him/herself to personal liability.
- (5) That in addition, the University intended to put in place Public Offering of Securities Insurance to cover liability specifically arising under the Prospectus in addition to the directors' and officers' liability cover (now doubled to £20 million).

7. Funding the Campus Masterplan: The issue of a public bond

Received

- (1) A draft extract from the minutes of the Finance Committee held on 17 June 2013 relating to the proposed issue by the University of public bonds (the "Bonds") on the terms set out below (the "Bond Issue").

- (2) A copy of the following documents, in near final form (as circulated to and approved by the Finance Committee):
- a. the prospectus in preliminary form to be dated on or around 3 July 2013, the final version of which would be filed with the UK Listing Authority and the London Stock Exchange plc and which would be issued by the University for the purpose of the Bond Issue (the “**Prospectus**”);
 - b. the investor presentation to be used for the purposes of the roadshow meetings with potential investors (the “**Investor Presentation**”);
 - c. the subscription agreement relating to the Bonds to be dated on or around the signing date of the Bond Issue and entered into between the University and Barclays Bank PLC, The Royal Bank of Scotland plc and HSBC Bank plc in their capacity as joint lead managers of the Bond Issue (the “**Joint Lead Managers**”) and pursuant to which the Joint Lead Managers undertake to the University that they will subscribe for the Bonds on the closing date of the Bond Issue (the “**Closing Date**”) (the “**Subscription Agreement**”);
 - d. the trust deed relating to the Bonds to be dated on or around the Closing Date and entered into between the University and HSBC Corporate Trustee Company (UK) Limited (the “**Trustee**”) pursuant to which the Trustee will act as trustee of the interests of those persons who own the Bonds from time to time (the “**Trust Deed**”);
 - e. the paying agency agreement relating to the Bonds to be dated on or around the Closing Date and entered into between the University, the Trustee and HSBC Bank plc as principal paying agent (the “**Principal Paying Agent**”) pursuant to which the Principal Paying Agent would act as principal paying agent relating to the Bonds (the “**Paying Agency Agreement**”);
 - f. the Issuer / ICSD agreement to be dated on or around the Closing Date and entered into between Euroclear Bank S.A./N.V. and Clearstream Banking *société anonyme* (the “**ICSDs**”) and the University relating to certain matters regarding the eligibility for settlement of the Bonds with the ICSDs in new global note form (the “**Issuer / ICSD Agreement**”);
 - g. the Signing and Closing Agenda which contains the forms of closing certificate and various instruction letters to be given by the University (the “**Signing and Closing Agenda**”); and
 - h. the draft arrangement letter from Deloitte LLP (the “**Arrangement Letter**”) and a draft representation letter addressed to Deloitte LLP (the “**Representation Letter**”).
- These documents (a to h) comprise the “**Bond Issue Documents**”.

Noted

- (3) At its meeting of 15 May 2013, the Board had provided authority to the executive to proceed with the preparation of the Prospectus and the arrangements for the launch of the Bond Issue, guided and supported by its legal and financial advisers.
- (4) At its meeting of 17 June 2013, the Finance Committee had approved the Bond Issue in principle, and had made a recommendation to the Board that it approve:
- (i) the launch of the Bond Issue;
 - (ii) the publication of the Prospectus (in both its preliminary form and, subsequently, in its final form) and making the Investor Presentation available to prospective investors;
 - (iii) the execution and delivery of the other Bond Issue Documents, subject in each case to such adjustments that the Board (or any individual or

group of individuals to whom the Board had delegated authority) may see fit; and

(iv) the constitution of a working group to issue and administer the Bonds and to make a final decision on the pricing of the Bonds.

- (5) The Board considered the proposal that the University issue the Bonds on the following terms (as considered by and recommended by the Finance Committee) :

Principal amount:	up to £300 million
Maturity:	between 25 and 50 years
Denomination:	a minimum of £100,000 and higher integral multiples of £1,000 up to £199,000
Interest:	not more than 4.75% per annum, unless agreed in advance by the President and Vice-Chancellor and Chair of the Finance Committee, acting together, payable semi-annually in arrear.
Listing/Trading:	admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange plc's regulated market
Rating:	to be rated by Moody's Investors Services Limited
Joint Lead Managers:	Barclays Bank PLC HSBC Bank plc The Royal Bank of Scotland plc
Trustee:	HSBC Corporate Trustee Company (UK) Limited
Paying agent:	HSBC Bank plc

- (6) **If the proposal was approved, all information relating to the Bond Issue must be kept confidential until the launch had taken place.**

- (7) It was noted, if the launch of the Bond Issue was approved, that:
- the University would be committing itself to a long term obligation to pay a fixed rate of interest to the holders of the Bonds;
 - the Bonds would fall due for repayment on the stated maturity date and therefore the University would need to make arrangements for the repayment of the Bonds on such date;
 - the ability to repay or refinance the Bonds prior to their stated maturity might be restricted in the future; and
 - the Prospectus states that the net proceeds of the Bond Issue would be used by the University for general corporate purposes.

- (8) It was noted that while the Bond Issue Documents were in near final form, further amendments to the documents and related administrative arrangements might need to be made, and a decision made on the final

pricing, interest coupon, interest payment dates and maturity date of the Bond on the pricing date of the Bond Issue. The on-going administration of the Bond would require notices and certificates to be provided and/or decisions made, sometimes at short notice.

Resolved:

- (9) After full and careful consideration of the nature and scale of the liability to be undertaken pursuant to the Bond Issue and the commercial and financial consequences, direct and indirect, of the launch of the Bond Issue, the Board resolved to accept the recommendation of the Finance Committee and to approve (being in the best interests of the University):
- a. the launch of the Bond Issue;
 - b. the publication of the Prospectus, in both its preliminary form and, subsequently, in its final form, and making the Investor Presentation available to prospective investors; and
 - c. the execution and delivery of the other Bond Issue Documents,
- subject in each case to such adjustments as the Board (or any individual or individuals to whom the Board had delegated authority) may see fit.
- (10) In order to facilitate the administrative matters in relation to the Bond Issue, the Board resolved to accept the recommendation of the Finance Committee that a group comprising the President and Vice Chancellor, the Registrar, Secretary and Chief Operating Officer and the Director of Finance (the “**Bond Working Group**”) be constituted to make the final decision on pricing, interest coupon, interest payment dates and maturity date of the Bonds, and to take responsibility for all acts and things necessary or desirable to launch the Bond Issue (including but not limited to the appointment of any additional managers) and the Board resolved to delegate the power to the Bond Working Group to exercise such functions.
- (11) The Board resolved that the Chair had authority to issue a certificate setting out the names, offices and signatures of the members of the Bond Working Group, for the purpose of the administration and issue of the Bonds.
- (12) The Board resolved that any two members of the Bond Working Group are authorised to release the Prospectus (both in its preliminary form and, subsequently, in its final form) and to approve the Investor Presentation.
- (13) The Board resolved that any one of the President and Vice-Chancellor, the Director of Finance and the Registrar, Secretary and Chief Operating Officer execute the Subscription Agreement, the Paying Agency Agreement, the Issuer/ICSD Agreement, the Arrangement Letter, the Representation Letter and the closing certificate and letters set out in the Signing and Closing Agenda in each case with any amendments (including following the appointment of any additional managers) that the Bond Working Group or any member of the Bond Working Group thinks fit (such approval in any such case to be conclusively determined by the publication, signing and delivery of such documents).

- (14) The Board resolved that the President and Vice-Chancellor be authorised to affix the Common Seal of the University to the Trust Deed in the presence of the Director of Finance and the Registrar, Secretary and Chief Operating Officer with any amendments to the Trust Deed that the Bond Working Group thinks fit (such approval in any such case to be conclusively determined by the publication, signing and delivery of such document).
- (15) The Board resolved that any two of the members of the Bond Working Group be authorised on behalf of the University to execute and do all such acts, agreements, deeds, documents, certificates and notices and give such instructions to the Joint Lead Managers, the Trustee and/or the Principal Paying Agent as the Bond Working Group may consider expedient or desirable in connection with the Bond Issue and the execution or performance by the University of each of the Bond Issue Documents or any other document or agreement connected therewith.
- (16) The Board resolved that the Director of Finance is authorised to provide answers on behalf of the University to due diligence questions put by the Joint Lead Managers.
- (17) The Board resolved that the Registrar, Secretary and Chief Operating Officer be authorised to sign the Representation Letter to Deloitte LLP.

Close

The University of Manchester Money Laundering Policy

1. Introduction

The Proceeds of Crime Act 2002, The Terrorism Act 2002 and the Money Laundering Regulations 2007, impose obligations on the University in respect of money laundering and associated activities. The definition of money laundering activities under the above legislation is wide and all companies and institutions, including the University, are subject to the legislation. Non-compliance with this legislation carries financial and reputational penalties for both the University and its staff.

The purpose of this policy is to ensure that the University and its staff comply with the legislation, and are aware of their respective obligations.

2. What is money laundering?

Money laundering is defined as:

- (i) concealing, disguising, converting, and/or transferring criminal property or removing it from the UK;
- (ii) entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person; and/or
- (iii) acquiring, using or possessing criminal property.

Money laundering is taken to encompass activity relating to terrorist financing including the handling of funds used for terrorist purposes as well as proceeds from terrorism.

A number of associated offences are also specified in the legislation:

- (i) the due diligence offences of:
 - failure to apply customer due diligence;
 - failure to apply ongoing monitoring of business relationships and customer due diligence;
 - failure to comply with timing on verification of clients and any beneficial owner;
 - failure to apply enhanced customer due diligence and monitoring where required;
 - failure to keep required records; and/or
 - continuing with a business relationship where unable to apply due diligence.
- (ii) the disclosure offences of:

- making a disclosure to a person which is likely to prejudice a money laundering investigation (“tipping off”);
- failure to disclose money laundering or associated offences; and/or
- prejudicing an investigation.

3. What types of transactions are covered?

The Money Laundering Regulations apply to all cash and monetary transactions. The Proceeds of Crime Act applies to all transactions and can include dealing with agents, third parties, property or equipment, cheques, cash or bank transfers.

In the context of the University, activities such as the payment of fees by students, gifts and donations, or agreements and contracts with commercial organisations may fall within the legislation.

4. What are the University’s obligations?

Within the University, the Director of Finance is responsible for instituting controls to prevent and detect money laundering through the University’s accounts, and for ensuring the University complies with the Proceeds of Crime Act 2002, the Money Laundering Regulations 2007, and all other relevant legislation.

The Director of Finance is the appointed Money Laundering Reporting Officer for the University, and, as such, receives, considers and reports, as appropriate, on any disclosure of suspicious activities by staff.

5. What are the obligations on University staff?

Money laundering legislation applies to both the University and all its staff. A failure to comply with the legislation could result in civil action against the University and criminal action, and a personal liability to prosecution for its staff, which could result in up to 14 years imprisonment or a large fine.

Any member of staff could be potentially committing an offence if he or she suspects money laundering, becomes involved in some way, or does nothing about it. Disciplinary action under the University’s procedures may be taken against any member of staff who fails to comply with this policy.

All staff should have in mind the following when carrying out their day to day work:

(a) Due diligence

All rules issued by the Director of Finance (or approved nominee) requiring the vetting of potential donors, customers and suppliers are binding on all staff. It is important that the University gathers knowledge about its students, agents, suppliers, customers, donors, and third parties and other organisations, before entering into a business relationship.

The Director of Finance (acting through the Procurement Office) must appraise requests for new suppliers and, if approved, implement them on the Oracle Financial system. This may involve seeking clarification that potential suppliers are solvent and comply with legislation concerning money laundering.

The Director of Finance, together with the Deputy President and Deputy Vice Chancellor, the Registrar, Secretary and Chief Operating Officer and the Deans of Faculties, is responsible for maintaining financial records, including details of any restrictive terms and conditions, in respect of gifts, endowments, benefactions and donations made to the University. The Board has approved a Gift Acceptance Policy which includes appropriate due diligence, and is linked to the diligence outlined below.

To enable due diligence to be carried out, the following information should be obtained from all students, donors, agents, suppliers, third parties and other organisations:

- (i) the identity of the individual or organisation;
- (ii) the purpose and nature of intended relationship with the University;
- (iii) source of funds;
- (iv) the nature of individual or organisation, where the organisation is not a company whose securities are listed on a registered market; and
- (v) where an organisation:
 - who owns it (including beneficial owners); and
 - who controls it.

Evidence should be sought on the above, so that an appropriate audit trail can be put in place. Such evidence may include:

- (i) valid passport, national ID card, birth certificates;
- (ii) public record searches in the UK and overseas;
- (iii) documentary evidence from government departments;
- (iv) documents filed at Companies House or the overseas equivalent;
- (v) documents issued by businesses regulated by the FSA or overseas equivalent;
- (vi) certified copies of original documents; and/or
- (vii) annotated documents such as internet printouts with the detail of who obtained the evidence and when it was obtained.

In addition, any internet payment system used by the University must comply with accepted standards for security, data protection, prevention of money laundering and ensure the existence of a full audit trail.

Much of the due diligence outlined above will be achieved through compliance with the Financial Regulations, and Financial Procedures, and the policies and procedures put in place within the organisational framework, but all staff should ensure that appropriate checks have been carried out.

Faculties, Schools and central departments must maintain records for at least six years of identification evidence and any financial transactions carried out. Such information is often also required for tax purposes.

(b) Possible signs of money laundering

Staff should be alert to money laundering at all times. Possible signs of money laundering include:

- (i) a person or company makes a large cash payment to the University, but fails to provide proper evidence to confirm their identity and address;
- (ii) a person or company doing business with the University lacks proper paperwork. (Examples may include invoices that exclude VAT, fail to quote a VAT number or invoices issued by a limited company that lack the company's registered office and number. Such information can be verified on the Companies House website, www.companies-house.gov.uk);
- (iii) a person or company attempts to engage in "circular transactions", where a payment to the University is followed by an attempt to obtain a refund from the University's accounts. (This may occur where a student pays a significant sum in fees, and then withdraws and seeks a refund);
- (iv) unusual or unexpected large payments are made into the University's accounts; and/ or
- (v) a potential supplier submits a very low quotation or tender. In such cases, the business may be subsidised by the proceeds of crime with the aim of seeking payment from the University in "clean" money.

This list is not intended to be exhaustive and money laundering can take many forms. If you are uncertain as to whether an activity may fall within the definition of money laundering you should seek advice from the Director of Finance as soon as possible.

(c) Reporting irregularities

The Director of Finance must be informed, as soon as is practical, in writing of any irregularity or suspected irregularity concerning financial matters, including any cause to suspect that a transaction with the University may be a cover for money laundering activity. As much information as possible should be provided including:

- (i) details of the people and or organisations involved;
- (ii) full details of the transaction and nature of each persons involvement in the transaction;
- (iii) suspected type of money laundering activity or use of the proceeds of crime with detailed reasons for your suspicions;
- (iv) dates, times, place and methods of any transactions undertaken and the likely amounts of money or assets involved; and
- (v) any other relevant information.

To avoid committing the offence of tipping off, once reported to the Director of Finance, staff should not make further enquiries into the situation, nor should they discuss their concerns with others unless instructed to do so by the Director of Finance.

6. Investigation

The Registrar, Secretary and Chief Operating Officer is ultimately accountable for the investigation of all such matters, but will usually delegate to the Director of Finance the responsibility for setting up such investigations.

The Director of Finance will note and acknowledge any disclosure received and advise the individuals involved as to when a response can be expected. The Director of Finance shall then undertake such further enquiries as necessary to investigate the matter. Inquiries will be carried out in such a way as to avoid the appearance of any tipping off of those involved. The Director of Finance shall report all suspected incidents of money laundering to the competent authorities. Under the Proceeds of Crime Act, this requires a suspicious activity report to be forwarded to the National Crime Intelligence Service. The Director of Finance shall use his or her discretion in deciding whether to suspend a transaction whilst any report to the competent authorities is made.

All disclosures and relevant documents will be retained in a confidential file by the Director of Finance for a minimum of six years.

If you have any queries about this policy please contact [insert details] for further information.

Board of Governors
Extraordinary meeting: 19/05/13

Document control box	
Policy/Procedure title:	Money Laundering Policy
Date approved:	
Approving body:	
Version:	1.0
Supersedes:	
Previous review dates:	
Next review date:	
Related Statutes, Ordinances, General Regulations:	<ul style="list-style-type: none"> • XI - Corporate, financial and estate management • XIII - Academic and Academic-Related Staff: Dismissal, Discipline, Grievance Procedures and Related Matters • Ordinance VIII- Arrangements for Effective Governance and Internal Management and Financial Control • Financial Regulations
Related policies:	<ul style="list-style-type: none"> • Bribery Policy • Gift Acceptance Policy
Related procedures:	<ul style="list-style-type: none"> • Financial Procedures
Related guidance and or codes of practice:	
Related information:	
Equality relevance outcome:	
Policy owner:	Director of Finance
Lead contact:	