

# Anti-Money Laundering and Counter-Terrorism Financing Policy

*Prepared by Central Bullion Ltd*

*Updated June 2020*

## **Introduction to the Policy**

---

Central Bullion Ltd is required under the Money Laundering Regulations 2017 to put in place appropriate systems and controls to forestall money laundering and terrorist financing. This policy contains the procedures that we have developed in order to comply with these obligations.

The Money Laundering Regulations require that an organisation has a Nominated Officer to ensure that there is up-to-date knowledge of issues relating to Anti-Money Laundering and Counter-Terrorist Financing throughout the organisation, implement appropriate policies and procedures and receive reports of suspicious activity. The Nominated Officer (Money Laundering Reporting Officer / MLRO) for Central Bullion Ltd is P Gill, Director.

Central Bullion Ltd is registered with the NCA (National Crimes Agency) to be able to submit online SARs Serious Activity Reports to the NCA.

## **What is money laundering and terrorist financing?**

---

Money laundering is the process through which proceeds of crime and their true origin and ownership are changed so that the proceeds appear legitimate. Terrorist financing is providing or collecting funds, from legitimate or illegitimate sources, to be used to carry out an act of terrorism.

## **Why is anti-money laundering and counter-terrorist financing important to Central Bullion Ltd?**

---

Lawyers facilitate significant transactions and are gatekeepers to the legal system. The anti-money laundering (AML) and counter-terrorist financing (CTF) regime is designed to prevent our services being used by criminals. You have obligations under the AML/CTF regime to spot and report money laundering and terrorist financing. Failure to meet these obligations can lead to criminal penalties, substantial fines and untold damage to your own and Central Bullion Ltd's reputation.

## How does money get laundered?

---

Typically money laundering involves three stages:

### **Placement:**

The process of placing criminal property into the financial system. This might be done by breaking up large sums of cash into smaller amounts or by using a series of financial instruments (such as cheques or money orders) which are deposited at different locations.

### **Layering:**

The process of moving money that has been placed in the financial system in order to obscure its criminal origin. This is usually achieved through multiple complex transactions often involving complicated offshore company structures and trusts.

### **Integration:**

Once the origin of the money is disguised it ultimately must reappear in the financial system as legitimate funds. This process involves investing the money in legitimate businesses and other investments such as property purchases or setting up trusts.

We are most likely to become involved in the layering stage but potentially could be involved in any stage.

## How do I know if my matter involves money laundering or terrorist financing?

---

You do not have to behave like a police officer but you do have to remain alert to the warning signs of money laundering and terrorist financing and make the sort of enquiries that a reasonable person (with the same qualifications, knowledge and experience as you) would make.

Typical signs of money laundering and terrorist financing are:

- Obstructive or secretive clients
- Instructions outside our usual range of expertise, i.e. why is the client using us?
- Clients based a long way from us with no apparent reason for using us
- Cases or instructions that change unexpectedly or for no logical reason, especially where:
  - The client has deposited funds with us
  - The source of funds changes at the last moment
  - You are asked to return funds or send funds to a third party
- Loss-making transactions where the loss is avoidable
- Complex or unusually large transactions
- Transactions with no apparent logical, economic or legal purpose
- Large amounts of cash being used
- Money transfers where there is a variation between the account holder and signatory
- Payments to or from third parties where there is no logical connection to the client
- Movement of funds between accounts, institutions or jurisdictions without reason

- Retainers involving high risk jurisdictions (e.g. Iran, Uzbekistan, Turkmenistan, Pakistan, Sao Tome and Northern Cyprus)
- Large payment on account of fees with instructions terminated shortly after and the client requesting the funds are returned

Criminals are always developing new techniques so this list can never be exhaustive.

## What is suspicious activity?

---

Any client activity outside the normal or expected activity should be considered unusual and must be investigated. Understanding the business or client profile is crucial. Unusual activity or transactions outside the established profile should be considered as a potential indicator of suspicious activity. Investigations should establish the reasons for the unusual activity or transaction. This may either remove or confirm your suspicion. If it is confirmed, you must report it to the MLRO. Failure to do so is an offence that could result in five years imprisonment.

## What to do if you have a suspicion?

---

Report it to your MLRO. Do not carry out the transaction or proceed unless you have consent from the MLRO. They will review the suspicion and, if required, submit a Suspicious Activity Report (SAR) to the National Crime Agency (NCA). Only the MLRO or deputy may submit an SAR to the NCA. Once you have reported your suspicion to the MLRO, they will send you an acknowledgement within 24 hours. If more information is required, the MLRO will request it from you.

If the MLRO gives you consent to proceed with a transaction, then that consent only applies to that specific transaction. If the client requests further activities

or transactions, further consent is required from the MLRO even if you do not have a suspicion.

## SAR

---

This is a suspicious activity report which financial institutions must make if they suspect something in a transaction is illegal. Law enforcement will make a decision after a SAR has been submitted. If no response has been received seven working days after the SAR was submitted, then the transaction can proceed. It may be a tipping off offence to reveal to the customer that a SAR has been submitted. A SAR should be submitted within 48 hours of a suspicion being formed.

Information that a SAR has been made should never be placed on a client file.

## Tipping off

---

In most jurisdictions it is an offence for someone to tip off (inform) a person suspected of money laundering that a Suspicious Activity Report (SAR) has been made or there is a money laundering investigation taking place. There are a number of defences and exceptions that apply, but in general a tipping off offence would occur when the action is likely to prejudice an investigation that's taking place.

A tipping off offence cannot be committed if a report has not been submitted and you liaise with clients or colleagues as part of your enquiries into an unusual activity. However, you cannot mention the word suspicious.

## Money Laundering Offences

---

The Proceeds of Crime Act 2002 (POCA 2002) establishes a number of money laundering offences:

- The principal offences
- Failure to disclose offences
- The offences of tipping-off and prejudicing an investigation

Each offence is explained below. All money laundering offences relate to criminal property, which is property that constitutes or represents a person's benefit:

- In whole or in part
- From criminal conduct
- Whether directly or indirectly

This definition covers the proceeds of all crimes. There is no minimum limit on what is considered to be criminal property.

Criminal conduct is all conduct that constitutes an offence in any part of the UK or overseas.



## The principal Offences

---

You will commit a principal money laundering offence if you:

- Conceal, disguise, convert, transfer or remove criminal property from the UK (s327)
- Enter into or become concerned in an arrangement which facilitates the acquisition, retention, use or control of criminal property for or on behalf of another (s328), or
- Acquire, use or have possession of criminal property (s 329)

### Concealing (s327)

You will commit an offence if you:

- Conceal
- Disguise
- Convert
- Transfer
- Remove from the UK

This includes concealing or disguising its:

- Nature
- Source
- Location
- Disposition
- Movement
- Ownership

You must know or suspect that the criminal property represents a benefit from criminal conduct.

### Acquisition (s329)

You will commit an offence if you:

- Acquire
- Use
- Have possession of

Possession means having physical custody of the criminal property. The principal money laundering offences carry a maximum penalty of 14 years' imprisonment, a fine or both. You will have a defence to a principal money laundering offence if you submit a Suspicious Activity Report (SAR) to the MLRO.

## Failure to report

---

Making an SAR to the Nominated Officer can be a defence to a principal money laundering offence.

Failing to make a SAR to the Nominated Officer where you know or suspect money laundering is an offence in itself which is punishable by up to five years' imprisonment, a fine or both.

See further Reporting suspicions below.

## Tipping-off and prejudicing an investigation

You will commit the tipping-off offence if you disclose to the person to whom the disclosure relates that you, or anyone else:

- Has made an SAR to the Nominated Officer (or NCA)
- Of information which came to you in the course of business
- That disclosure is likely to prejudice any investigation that might be conducted following the SAR

You will commit the prejudicing an investigation offence if you disclose that an investigation is being contemplated or carried out and that disclosure is likely to prejudice that investigation. Further, you will commit an offence if you know or suspect that an investigation is being or is about to be conducted and you

interfere with documents which are relevant to the investigation. Tipping-off can only be committed after an SAR (including an internal SAR to the MLRO) has been made. You will not commit tipping-off by discussing your concerns with or submitting a SAR to the MLRO.

All these offences are punishable by up to five years' imprisonment, a fine or both. The existence of these offences does not prevent you from making normal enquiries about your clients' instructions. You are able to make enquiries in order to:

- Obtain further information to help you decide whether you have a suspicion, and/or
- Remove any concerns that you have

Your enquiries will only constitute an offence if you disclose that an SAR has been made or that an investigation is being carried out or contemplated. It is also not tipping-off to warn your clients of your duties under the AML/CTF regime by providing them with our terms of business or our standard client care letter.

Our internal SAR form can be found at Appendix 1. Any member of staff can submit a SAR form to the Nominated Officer.

## **Terrorist Financing Offences**

---

Terrorists need funds to plan and carry out attacks. The Terrorism Act 2000 (TA 2000) criminalises both participation in terrorist activities and terrorist financing.

In general terms, terrorist financing is:

- The provision or collection of funds
- From legitimate or illegitimate sources
- With the intention or in the knowledge
- That they should be used in order to carry out any act of terrorism
- Whether or not those funds are in fact used for that purpose

The TA 2000 establishes a similar pattern of offences to those contained in POCA 2002, i.e:

- Principal terrorism offences of:
  - Fundraising
  - Use or possession
  - Arrangements
  - Money laundering
- Failure to disclose offences
- Tipping-off offences

All offences carry heavy criminal penalties. While the terrorist financing and money laundering regimes are different, they share similar aims and structures and run together in UK legislation. Many of the provisions of POCA 2002 and TA 2000 mirror one another and the definitions are deliberately matched.

Both POCA 2002 and TA 2000 run parallel to the Money Laundering Regulations 2007 (Amended 2012), which are explained below.

## **The Money Laundering Regulations 2017**

---

The Money Laundering Regulations 2017 set administrative requirements which require us to have systems and controls to forestall money laundering and terrorist financing. They implement the standards of the Fourth European Anti-Money Laundering Directive into UK law.

## **Client Due Diligence (CDD)**

---

Client Due Diligence is:

- Identifying and verifying the client's identity
- Identifying the beneficial owner where this is not the client
- Obtaining details of the purpose and intended nature of the business relationship

- Conducting ongoing monitoring of the business relationship

## When do I have to conduct CDD?

You must carry out CDD:

- Before you establish a business relationship with a client
- Before you carry out a one-off transaction for a client including company formation
- Where there is reason to believe that CDD carried out on an existing client is inadequate
- Where the client's identifying details (e.g. name and address) have changed
- Where the client has not been in regular contact with us
- Where someone is purporting to act on behalf of a client
- Where you suspect money laundering or terrorist financing

You must also identify the beneficial owner and verify them, but not solely based on Companies House register of beneficial ownership. You must obtain and verify the names of the body corporate, its registration number, registered address and principal place of business. Reasonable measures must also be taken to determine and verify the law to which it is subject, its constitution and the names of its board of directors and senior management.

## How do I conduct CDD?

You must start with assessing the risk of money laundering or terrorist financing posed by the client and complete a risk assessment (Appendix 3). Once this is complete, you must decide what level of CDD is necessary. This will then inform your next steps.

## Risk assessment

---

[Enter firm name] has risk assessed various types of client – see the CDD Risk Table (Appendix 6.3). This will help you to complete your CDD Risk Assessment Form (Appendix 6.4). Once you have completed your risk assessment, you will be able to decide what level of CDD to apply, i.e. enhanced, simplified or regular. The specific CDD measures that you must then apply and the documents that you must obtain in each case are set out in “Identify and verify – what information or documents do I need to obtain from my client?” below.

It is your responsibility to check the accuracy and adequacy of the documents provided. If you are in any doubt please contact the MLRO.

## Simplified Due Diligence (SDD)

Simplified Due Diligence applies where there is little chance of money laundering or terrorist financing. This means that we can carry out a reduced Client Due Diligence exercise, which simply involves obtaining evidence of why SDD applies. For example, where SDD applies to a company listed on the London Stock Exchange you will need to obtain evidence of the company's listed status only, i.e. a printout of the listing from the LSE's website or a copy of the relevant page of the Financial Times.

## Enhanced Due Diligence (EDD)

We are required to carry out Enhanced Due Diligence where there is a greater perceived risk of money laundering or terrorist financing. This requires us to take additional steps to understand the ownership and control of the client and, in some cases, the source of funds involved in the matter. There is also greater focus on ongoing monitoring.

You must conduct EDD on:

- individual clients who you do not meet face-to-face
- Politically Exposed Persons (PEPs): these are persons entrusted, in the last year, with one of the following positions in a country outside the

UK: heads of state, heads of government, ministers or deputy or assistant ministers:

- MPs
- judiciary whose decisions are not generally subject to further appeal
- members of courts of auditors or the boards of central banks
- Ambassadors
- high-ranking officers in the armed forces
- members of administrative, management or supervisory bodies of state-owned enterprises
- family members or close associates of the above
- It does not include middle-ranking or more junior individuals in these categories
- We also apply EDD to UK PEPs on a risk sensitive basis. If you receive instructions from a UK PEP please discuss the Client Due Diligence requirements with the Nominated Officer
- Other high risk clients: these are not defined and there are no prescribed measures that we are required to take. We have identified certain client types as high risk (see the Client Due Diligence Risk Tables (Appendix 6.3) and have set out the measures to be taken for each client type at “Identify and verify – what information or documents do I need to obtain from my client?” below)

## Regular Due Diligence (RDD)

Regular due diligence applies where Simplified and Enhanced Due Diligence do not.

## Identify and verify - what information or documents do I need to obtain from my client?

---

You must obtain the following documents/information:

## Individuals

| Client type   | Requirement  | Actions  |
|---------------|--|--|
| UK individual | Regular due diligence applies unless you have identified circumstances in your CDD risk assessment form that mean enhanced due diligence applies | <p>Obtain one document from list A and one document from list B</p> <p>A</p> <ul style="list-style-type: none"> <li>└ current signed passport</li> <li>└ current photo-card driving license</li> <li>└ birth certificate</li> </ul> <p>B</p> <ul style="list-style-type: none"> <li>└ current photo-card driving license</li> <li>└ council tax or utility bill</li> <li>└ bank, building society, mortgage or HMRC tax statement</li> <li>└ house or motor insurance certificate</li> <li>└ record of home visit</li> </ul> |



| Client type         | Requirement   | Actions   |
|---------------------|---|---|
| Overseas individual | <p>Regular due diligence applies unless you have identified circumstances in your risk assessment that mean enhanced due diligence applies</p> <p>If documents are in a foreign language you must be satisfied that the documents in fact provide evidence of the individual's identity. If in doubt, ask for them to be translated</p> | <p>Obtain one document from list A and one document from list B</p> <p>A</p> <ul style="list-style-type: none"> <li>┌ current signed passport</li> <li>┌ current national identitycard</li> <li>┌ birth certificate</li> </ul> <p>B</p> <ul style="list-style-type: none"> <li>┌ council tax or utilitybill</li> <li>┌ bank, building society, mortgage or HMRC taxstatement</li> <li>┌ house or motor insurance certificate</li> <li>┌ official, reputable overseas directory</li> <li>┌ confirmation of address from a regulated person in the relevant jurisdiction</li> </ul> |

| Client type                              | Requirement  | Actions   |
|--|--|---|
| Agent or representative of an individual | Regular due diligence applies unless you have identified circumstances in your risk assessment that mean enhanced due diligence applies  | Obtain: <ul style="list-style-type: none"> <li>┆ appropriate documents for the agent, and</li> <li>┆ appropriate documentary evidence of the underlying individual</li> </ul> |
| Professional                             | Simplified due diligence applies unless you have identified circumstances in your risk assessment that mean regular or enhanced due diligence applies or there is suspicion of money laundering or terrorist financing | Obtain only evidence from their regulator's directory that they are registered e.g., printout from the Law Society's online register of solicitors                            |

| Client type                                 | Requirement                           | Actions   |
|---|---------------------------------------|---|
| Politically Exposed Person                  | You must apply enhanced due diligence | <p>Obtain:</p> <ul style="list-style-type: none"> <li>┆ the required documents as for individual above (whether in the UK or overseas)</li> <li>┆ the approval of the [Nominated Officer / Senior Partner/ Head of Department] to accept the instructions</li> </ul> <p>Take steps to establish the source of funds. Consider whether there are signs of corruption or evidence that government or state funds are being used inappropriately, and</p> <p>Conduct enhanced ongoing monitoring-<br/>-keep a closer eye on the matter</p> |
| Individual who you do not meet face-to-face | You must apply enhanced due diligence | <p>Obtain the required documents as for individual above (whether in the UK or overseas), and either</p> <ul style="list-style-type: none"> <li>┆ require that the documents provided are certified by a lawyer, bank manager, accountant or GP whose</li> </ul>  |

| Client type | Requirement | Actions   |
|-------------|-------------|---|
|             |             | <p>identity we can check by reference to a professional directory, or</p> <p>electronically verify the client's identity</p> <p>Ensure that the first payment in a retainer is from an account in the client's name</p> |

## Partnerships, LLPs and companies

| Client type                        | Requirement  | Actions   |
|------------------------------------|--|---|
| UK credit or financial institution | <p>Simplified Due Diligence applies unless there is suspicion of money laundering or terrorist financing</p> | <p>Obtain evidence that the client is regulated for the purpose of anti-money laundering, eg through a printout of their entry in the FCA Register</p> <p>There is no need to obtain information on beneficial owners</p> |

| Client type  | Requirement  | Actions   |
|--|--|---|
| Credit or financial institution in the EEA   | Simplified Due Diligence applies unless there is suspicion of money laundering or terrorist financing                      | <p>Obtain evidence that the client is regulated for the purpose of anti-money laundering, eg through a regulator's directory</p> <p>There is no need to obtain information on beneficial owners</p> |
| Credit or financial institution outside the EEA where equivalent AML provisions apply        | Simplified Due Diligence applies unless there is suspicion of money laundering or terrorist financing                      | Treat as credit or financial institution in the EEA   |
| Credit or financial institution outside the EEA where there are no equivalent AML provisions | Regular Due Diligence applies unless you have identified circumstances in your risk assessment which mean that EDD applies | Treat as private unlisted company outside the EEA as below  |

| Client type   | Requirement  | Actions  |
|---|--|--|
| UK partnership  | Regular Due Diligence applies unless you have identified circumstances in your risk assessment which mean that EDD applies | <p>For smaller partnerships, treat the partners as individuals and obtain the required documentation for each (see above)</p> <p>Treat larger partnerships as private unlisted companies (see below)</p>   |
| UK partnership made up of regulated individuals (eg solicitors, accountants, etc) | Simplified Due Diligence applies unless there is suspicion of money laundering or terrorist financing                      | <p>Confirm the firm's existence and trading address from a reputable professional directory or with the relevant professional body (eg obtain a printout from the Law Society's online directory of firms for a solicitor partnership)</p> <p>If this is not possible, obtain evidence of the identity of the partner instructing you</p> <p>And</p> <p>one other partner</p> <p>And</p> |

| Client type   | Requirement  | Actions   |
|---|--|---|
|   |  | evidence of the firm's trading address  |
| UK private unlisted company, often denoted by 'Ltd'   | Regular Due Diligence applies unless you have identified circumstances in your risk assessment which mean that EDD applies | <p>Identify and verify the existence of the company including its name, business address, registration number and the names of at least two directors through the certificate of incorporation and/or details from CompaniesHouse</p> <p>Consider the identity of beneficial owners</p> |
| Well-known 'household name' company or partnership (ie the entity is well-known, reputable, has a long history in its industry and there is substantial | Simplified Due Diligence applies unless there is suspicion of money laundering or terrorist financing                      | <p>Obtain and record the following information:</p> <ul style="list-style-type: none"> <li>┌ Name</li> <li>┌ Registered address, if any</li> </ul>  |

| Client type   | Requirement  | Actions  |
|---|--|--|
| public information about them)  |  | <ul style="list-style-type: none"> <li>┘ Trading address and</li> <li>┘ Nature of the business</li> </ul>                    |
| Subsidiary of existing private unlisted company for whom CDD has been conducted | <p>Simplified Due Diligence applies where the CDD conducted on the existing client is adequate unless there is suspicion of money laundering or terrorist financing</p> <p>Otherwise RDD applies as for private unlisted company above</p> | Obtain evidence of the subsidiary relationship to the existing, client usually through the annual return or audited accounts |
| UK company listed on a regulated market, often denoted by 'PLC'                 | Simplified Due Diligence applies unless there is suspicion of money  | Obtain confirmation of the company's listing, eg   |



| Client type                         | Requirement  | Actions  |
|-------------------------------------|--|--|
|                                     | laundering or terrorist financing  | <ul style="list-style-type: none"> <li>┘ A copy of the dated page of the website of the relevant stock exchange or</li> <li>┘ A photocopy of the listing in a reputable daily newspaper</li> </ul> |
| Subsidiary of a UK listed company   | Simplified Due Diligence applies unless there is suspicion of money laundering or terrorist financing                      | In addition to the above, obtain evidence of the subsidiary relationship through the annual return or audited accounts   |
| Private unlisted company in the EEA | Regular Due Diligence applies unless you have identified circumstances in your risk assessment which mean that EDD applies | Obtain documentation as for UK private unlisted company above  |

| Client type   | Requirement   | Actions  |
|---|---|--|
| Private unlisted company outside the UK or EEA      | You must apply Enhanced Due Diligence   | <p>Obtain documentation as for UK private unlisted company above and</p> <p>Require that the documents provided are certified by a lawyer, bank manager, accountant or GP whose identity we can check by reference to a professional directory</p> |
| Overseas company listed on a regulated market       | Simplified Due Diligence applies unless there is suspicion of money laundering or terrorist financing | <p>Record steps taken to establish the status of the listing market</p> <p>Obtain evidence of the listing as for UK listed companies above</p>   |
| Companies with capital in the form of bearer shares | You must apply Enhanced Due Diligence   | <p>Obtain documentation as for UK private unlisted company above</p> <p>And</p> <p>Establish the identities of the holders and material beneficial owners of the shares</p> <p>And</p>   |

| Client type | Requirement | Actions  |
|-------------|-------------|--|
|             |             | Obtain an assurance that you will be notified whenever there is a change of holder and/or beneficial owner |

## Other arrangements and bodies

| Client type         | Requirement   | Actions and/or documents   |
|---------------------|---|--|
| Standard risk trust | Regular due diligence applies unless you have identified circumstances in your risk | ┆ consider whether the client is the trustee, settlor or beneficiary |

| Client type     | Requirement   | Actions and/or documents   |
|-----------------|---|--|
|                 | assessment that mean enhanced due diligence applies | <ul style="list-style-type: none"> <li>┆ obtain documentation as for relevant client category for the client</li> <li>┆ if you are acting for more than one trustee, obtain relevant documentation for at least two trustees</li> <li>┆ consider beneficial ownership if you are acting for trustees</li> </ul>                  |
| High risk trust | You must apply enhanced due diligence               | <p>As above</p> <p>and</p> <ul style="list-style-type: none"> <li>┆ conduct CDD on all the trustees or the settlor,</li> <li>┆ make a record of the purpose of the trust and the source of the funds used to create it</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>┆ obtain a copy of the trust deed</li> </ul> |

| Client type        | Requirement  | Actions and/or documents   |
|--------------------|--|--|
| Foundation         | Regular due diligence applies unless you have identified circumstances in your risk assessment that mean enhanced due diligence applies  | Obtain documentation as for standard risk trust above<br><br>If the foundation is a charitable institution obtain documentation as for charities below |
| Registered charity | Simplified due diligence applies unless you have identified circumstances in your risk assessment that mean regular or enhanced due diligence applies or there is suspicion of money laundering or terrorist financing | Obtain a printout from the Charity Commission's website evidencing the client's registered status  |

| Client type                                       | Requirement  | Actions and/or documents   |
|---|--|--|
| Small, unknown or obscure or unregistered charity | Regular due diligence applies unless you have identified circumstances in your risk assessment that mean enhanced due diligence applies (eg there are financial restrictions placed on the charity)                    | Consider the business structure and conduct appropriate CDD as set out for companies, etc above  |
| Church or place of worship                        | Simplified due diligence applies unless you have identified circumstances in your risk assessment that mean regular or enhanced due diligence applies or there is suspicion of money laundering or terrorist financing | <p>If a registered charity obtain documentation as for registered charity above</p> <p>If not a registered charity obtain and record confirmation from the General Register Office (GRO)</p> |

| Client type         | Requirement  | Actions and/or documents   |
|---------------------|--|--|
| School or college   | Simplified due diligence applies unless you have identified circumstances in your risk assessment that mean regular or enhanced due diligence applies or there is suspicion of money laundering or terrorist financing | <p>Obtain printout of relevant entry on the Department of Education and Skills' list of approved educational facilities</p> <p>Or</p> <p>if registered as a charity obtain documentation as for registered charity above</p> |
| Club or association | Regular due diligence applies unless you have identified circumstances in your risk assessment that mean enhanced due diligence applies  | <p>Obtain and record:</p> <ul style="list-style-type: none"> <li>┌ full name</li> <li>┌ legal status</li> <li>┌ purpose</li> <li>┌ registered address</li> <li>┌ names of all office holders</li> </ul> <p>and obtain:</p>   |

| Client type           | Requirement  | Actions and/or documents   |
|-----------------------|--|--|
|                       |  | <ul style="list-style-type: none"> <li>┆ articles of association</li> <li>┆ recent audited accounts</li> <li>┆ listing in a telephone directory</li> </ul>   |
| Employee pension fund | Simplified due diligence applies unless you have identified circumstances in your risk assessment that mean regular or enhanced due diligence applies or there is suspicion of money laundering or terrorist financing | <p>Obtain evidence that the fund is an employee</p> <p>Pension fund eg.</p> <ul style="list-style-type: none"> <li>┆ a copy of the page showing the name of the scheme from the most recent deed, or</li> <li>┆ a consolidating deed for the scheme</li> </ul> |
| Other pension fund    | Regular due diligence applies unless you have identified circumstances in your risk  | Obtain CDD as appropriate to the business structure  |



| Client type         | Requirement  | Actions and/or documents  |
|---------------------|--|---|
|                     | assessment that mean enhanced due diligence applies  |   |
| UK public authority | Simplified due diligence applies unless you have identified circumstances in your risk assessment that mean regular or enhanced due diligence applies or there is suspicion of money laundering or terrorist financing | Obtain evidence of the existence of the authority from an official government website |

| Client type  | Requirement   | Actions and/or documents   |
|--|---|--|
| <p>Overseas public authority which:</p> <ul style="list-style-type: none"> <li>- has publicly available, transparent and certain identity</li> <li>- has transparent activities and accounting practices, and</li> <li>- is accountable to a community institution, the authorities of an EEA state or is otherwise subject to appropriate check and balance procedures</li> </ul> | <p>Simplified due diligence applies unless you have identified circumstances in your risk assessment that mean regular or enhanced due diligence applies or there is suspicion of money laundering or terrorist financing</p> | <p>Obtain evidence of the existence of the authority from an official government website</p> |
|  | <p>Simplified due diligence applies unless you have identified circumstances in your risk assessment that</p>   | <p>Obtain evidence as for UK public authority above</p>                                      |

| Client type  | Requirement  | Actions and/or documents  |
|--|--|---|
|  | <p>mean regular or enhanced due diligence applies or there is suspicion of money laundering or terrorist financing</p>                         |   |
| <p>Other overseas public authority in non-high risk jurisdiction</p> | <p>Regular due diligence applies unless you have identified circumstances in your risk assessment that mean enhanced due diligence applies</p> | <p>Obtain evidence as for UK public authority above</p> <p>and obtain and record</p> <ul style="list-style-type: none"> <li>┆ full name of the entity</li> <li>┆ its nature and status</li> <li>┆ address</li> <li>┆ name of the home state authority</li> <li>┆ name of the directors or equivalent</li> </ul> |
| <p>Other overseas public authority in high risk jurisdiction</p>     | <p>You must apply enhanced due diligence</p>   | <ul style="list-style-type: none"> <li>┆ obtain documents as for other overseas public authority in non-high risk jurisdiction</li> <li>┆ consider whether there is a heightened risk of corruption or</li> </ul>   |

| Client type | Requirement | Actions and/or documents  |
|-------------|-------------|---|
|             |             | <p>misappropriation of government monies in your matter, and</p> <p>┆ conduct a greater level of ongoing monitoring</p> |

## Clients who cannot provide the standard documents

Where there is good reason, based on your knowledge of the client's circumstances, for not meeting the standard documentary requirements, you can accept a letter from an appropriate person who knows the client and can verify their identity, eg from a care home manager for an elderly client.

## Source of funds

---

Understanding your client's source of funds is an important step in the CDD process.

### When am I required to look into the source of funds in a transaction?

You are not required to interrogate all clients about their entire financial history but you are required to take additional steps to ensure that the transaction is consistent with your knowledge of the client. This is part of the ongoing monitoring exercise which you must conduct on all matters; see further Ongoing monitoring below.

You are required to establish the source of funds and source of wealth in every matter where you are acting for a Politically Exposed Person (PEP).

## What steps should I take?

Scrutinising the source of funds is more than asking for the money to come from a bank account in the clients' name. Your focus should be on understanding how the client can legitimately fund the transaction.

For transactions involving PEPs you should consider whether there:

- Are any warning signs of corruption
- Is any evidence that government or state funds are being used inappropriately

Where a third party is providing funding to your client you may need to establish the source of funds. See “When can I accept funds from a third party?” below. You must document your investigations into the source of funds, including any questions asked, responses received and supporting evidence provided.

If you have any concerns about the source of funds you must consider whether you need to submit an SAR to the Nominated Officer.

## CDD on beneficial owners

CDD on beneficial owners is different from CDD on clients. You must:

- Identify any beneficial owners, and then
- Validate their identity on a risk sensitive basis

## What is a beneficial owner?

Where you are instructed by an agent or representative of an individual, the beneficial owner is the underlying individual on whose behalf the agent or representative is instructing you. Where you are instructed by a company, partnership or other body, the beneficial owner is as follows:

|                                |   |
|--------------------------------|---|
| Body corporate (including LLP) | Any individual who:<br>┆ (For non-listed bodies) ultimately owns or controls more than 25% of the shares or voting rights of the body, or |
|--------------------------------|---|

|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>┆ Otherwise exercises control over the management of the body</li> </ul>   |
| Partnership (not LLP)                                       | <p>Any individual who:</p> <ul style="list-style-type: none"> <li>┆ Ultimately is entitled to or controls more than a 25% share of the capital or profits of or more than 25% of the voting rights in the partnership, or</li> <li>┆ Otherwise exercises control over the management of the partnership</li> </ul>  |
| Trust   | <ul style="list-style-type: none"> <li>┆ Any individual who is entitled to a specified interest in at least 25% of the capital of the trust property</li> <li>┆ The class of persons in whose main interest the trust is set up or operates (the class itself and not every member of the class), or</li> <li>┆ Any individual who has control over the trust</li> </ul>  |
| Other legal entity or arrangement                           | <ul style="list-style-type: none"> <li>┆ Any individual who benefits from at least 25% of the property of the entity or arrangement</li> <li>┆ The class of persons in whose main interest the entity or arrangement is set up or operates (the class itself and not every member of the class), or</li> <li>┆ Any individual who exercises control over at least 25% of the property of the entity or arrangement</li> </ul> |
| Estate of a deceased person in the course of administration | The executor or administrator   |

|                |   |
|----------------|---|
| Any other case | The individual who ultimately owns or controls the client or on whose behalf a transaction is being conducted |
|----------------|---|

## How do I conduct CDD on beneficial owners?

You must first identify the beneficial owners. You can do this through a reliable public source (e.g. Companies House) or by asking the client. Unless there is any reason to doubt the information given you can rely on the client's word. You must then consider the client's risk profile, the structure of the business and the nature of the transaction. This will help you to decide what steps you need to take to verify the beneficial owner's identity. In assessing the risk, you should consider:

- Why your client is acting on behalf of someone else
- How well you know your client
- The type of business structure and its location
- The nature and risk profile of the matter

The key is to understand the ownership and control of the client.

The level of verification required will depend on your assessment of your client's risk profile. When verifying the beneficial owner you can:

- Look at organisation charts from the website, annual reports or the client
- Review the trust deed or partnership agreement
- Discuss beneficial ownership with the client and record the results of your discussion

If the beneficial owner of a client is a company, you will need to establish the individual at the top of the corporate tree.

## What happens if I cannot conclude the CDD exercise?

Where we are unable to apply CDD measures, the general rule is that we must:

- Not carry out a transaction for the client
- Not establish a business relationship with a client
- Not accept funds from or transfer funds to a client or third party (see below: Receiving funds)
- Terminate any existing business relationship with the client



- Consider whether a SAR is required.

There are very limited circumstances in which this may not apply, e.g. we may be able to verify the client's identity during the establishment of a business relationship if this is necessary to avoid interrupting the normal course of business and there is little risk of money laundering--this is on condition that the verification is completed as soon as practicable after contact is first established.

You must never unilaterally decide that it is acceptable to delay completion of CDD. If you are unable to apply or complete CDD on any matter, you should immediately seek advice from the Nominated Officer.

## Purpose and intended nature of the business relationship

You must understand the purpose and intended nature of the business relationship. This is a key part of the CDD process. It will enable you to perform your risk assessment of the client and retainer and help you to determine appropriate CDD measures.

Knowing more about the client and their normal activities will help you to spot something unusual.

A transaction which appears to serve no purpose could be a money laundering or terrorist financing warning flag.

## Ongoing monitoring

---

### What is ongoing monitoring?

Ongoing monitoring is an intrinsic part of the CDD process. It must be performed on all matters, regardless of their individual risk rating, in order to detect unusual or suspicious transactions.

## How do I conduct ongoing monitoring?

You should:

- Scrutinise transactions undertaken (including, where necessary, the source of funds) to ensure that the transactions are consistent with your knowledge of the client, their business and risk profile
- Stay alert to changes in the client's risk profile and anything that gives rise to suspicion
- Keep documents, data and information used for CDD purposes up to date

## Receiving funds

---

We do not provide banking facilities through our client account. Payments into, transfers to or withdrawals from our account must be in respect of instructions relating to a transaction or other service. We will not accept funds in any other circumstance from any source whatsoever.

### **When can I accept funds from my client?**

You must not accept funds from or transfer funds to a client until the CDD process is complete.

### **When can I accept funds from a third party?**

Payments from third parties where you cannot verify the source of the funds or where there does not appear to be a legitimate reason may be a warning sign of money laundering or terrorist financing.

You should satisfy yourself that the third party funds are coming from a legitimate source for legitimate reasons. As a first step you should consider:

- ┌ are there any obvious warning signs?
- ┌ what do you know about the client, the third party and their relationship?
- ┌ why is the third party giving money to the client?
- ┌ what is the proportion of funding being provided by the third party?
- ┌ how did the third party obtain the funds?
- ┌ Whether it is appropriate to conduct CDD on the third party and/or ask for evidence to support any explanations provided by the client

Supporting evidence might include:

- ┌ bank statements
- ┌ filed business accounts
- ┌ information confirming the sale of a house or shares
- ┌ confirmation of inheritance or judicial award.

Where this is provided, you should check that the evidence is consistent with the client's explanation. Where there is any inconsistency you must consider whether you need to submit a SAR to the Nominated Officer.

If you are in any doubt please contact the Nominated Officer.

### **When can I accept cash?**

Large amounts of cash can be a warning sign of money laundering or terrorist financing. You can accept cash only in accordance with our cash policy.

# Training

---

## Who will receive training?

All relevant staff will receive training.

## What does the training involve?

Training is provided through online courses.

It covers:

- The law relating to money laundering and terrorist financing
- Our policy and procedures
- Guidance on detecting money laundering and terrorist financing

## Is completion of training compulsory?

Completion of training is compulsory.

## How often will training be provided?

All new joiners will receive training as part of the induction process. Further training will be provided as required.

The Nominated Officer will continually monitor training needs but if you feel that you need further training on any aspect of the relevant law or our AML/CTF policy and procedures, please contact the MLRO.

## Policy compliance and review

---

### How will compliance with this policy be monitored?

Compliance will be continually monitored through any or all of the following methods:

- File audits
- Review of records maintained by the Nominated Officer
- Reports or feedback from staff
- Any other method

### What are the consequences for failing to comply?

Failure to comply puts both you and the organisation at risk. You may commit a criminal offence if you fail to comply with this policy. The AML and CTF regimes carry heavy criminal penalties ranging from two years' imprisonment for failing to apply appropriate CDD measures to 14 years' imprisonment for committing a principal money laundering or terrorist financing offence. We take compliance with this policy very seriously. Because of the importance of this policy, failure to comply with any requirement may lead to disciplinary action under our procedures, which may result in dismissal.

### When will this policy be reviewed?

We will review this policy at least annually as part of our overall risk management process. We will also review this policy if:

- There are any major changes in the law or practice
- We identify or are alerted to a weakness in the policy
- There are changes in the nature of our business, our clients or other changes which impact on this policy

### Where can I get further advice on AML/CTF matters?

You can get further advice and guidance from the Nominated Officer.

**APPENDIX 1**

**INTERNAL SUSPICIOUS ACTIVITY REPORT FORM**

|                              |  |
|------------------------------|--|
| <b>SAR Reference Number:</b> |  |
|------------------------------|--|

**(Nominated Officer use only)**

**A record of this SAR will be kept by the Nominated Officer for five years**

**You must use this form in every case where you know or suspect that another person is engaged in money laundering or terrorist financing**

If you are unsure as to whether you have such a suspicion, please do not use this form but instead seek guidance from the Nominated Officer

**1. General (complete all sections)**

|  |  |
|--|--|
| Date SAR submitted to the Nominated Officer  |  |
| Your name  |  |
| Branch/office  |  |
| SAR type (money laundering / terrorism / mortgage fraud / bribery)                                   |  |
| Client name  |  |
| Client/matter reference number   |  |
| Department dealing with the matter   |  |
| Do you require consent to continue acting?   |  |
| If yes, set out <b>all</b> the steps that you need to take to complete the matter in section 4 below |  |
| Does this SAR relate to a previous SAR?  |  |
| If yes, please provide details   |  |

**2. Details of the main subject of this SAR (complete as much as you are able)**

|   |  |
|---|--|
| Does this SAR relate to a suspect or a victim?  |  |
| Is the subject of this SAR: <ul style="list-style-type: none"> <li>• an individual--please go to section 3</li> <li>• a legal entity--please go to section 4</li> </ul> |  |

|   |  |
|---|--|
| Are there any individuals or entities who are associated with the main subject? (yes/no)<br>If yes, complete details in section 5 below |  |
|---|--|

### 3. Individual

|   |  |
|---|--|
| Full name   |  |
| Date of Birth (dd/mm/yyyy)  |  |
| Gender  |  |
| Occupation  |  |
| Full address  |  |
| Address type<br>(home/business/other)   |  |
| Is this address current?<br>(yes/no/unsure)                                     |  |
| Any other identification details<br>(eg passport, driving license or NI number) |  |

### 4. Legal entity

|  |  |
|--|--|
| Full name                                  |  |
| Company number                             |  |
| VAT number                                 |  |
| Country of registration                    |  |
| Full address                               |  |
| Is this address current<br>(yes/no/unsure) |  |
| Type of business                           |  |
| Any other identification details           |  |

### 5. Associated subjects (complete if appropriate)

|  |  |
|--|--|
| Details of any associated subjects including identifying information as above and details of the nature of the association with the main subject |  |
|--|--|

### 6. Details of knowledge/suspicion



|  |  |
|--|--|
| Does your knowledge or suspicion relate to a specific offence?<br>(yes/no)                                     |  |
| If yes, please indicate:<br>drugs/fraud/terrorism/briber/other (please state)                                  |  |
| Have you discussed your knowledge or suspicions with any person other than the Nominated Officer? (yes/no)     |  |
| If yes, please give details<br>(who/why/when, etc)   |  |
| Please set out your reasons for making this SAR in as much detail as possible<br>(who/what/where/when/how/why) |  |
| <b>Signed (discloser)</b>  |  |
| <b>Signed (Nominated Officer)</b>  |  |

## APPENDIX 2

### CLIENT DUE DILIGENCE RISK TABLES

These tables are a guide only. You should assess the risk presented by each individual client and complete the client due diligence risk assessment form. Where any characteristics of a client appear to present a higher risk, you must factor this into the client due diligence process.

|                  |                            |
|------------------|----------------------------|
| <b>Key terms</b> |                            |
| <b>CDD</b>       | client due diligence       |
| <b>EDD</b>       | enhanced due diligence     |
| <b>EEA</b>       | European Economic Area     |
| <b>PEP</b>       | politically exposed person |
| <b>RDD</b>       | regular due diligence      |
| <b>SDD</b>       | simplified due diligence   |

#### 1. Natural persons

| <b>Client type</b>                       | <b>Basic requirement</b> | <b>Client <i>not</i> physically met</b> | <b>Client is a PEP</b> | <b>Required to establish beneficial ownership</b> |
|--|--------------------------|---|------------------------|---|
| UK individual                            | RDD                      | EDD                                     | EDD                    | no  |
| overseas individual                      | RDD                      | EDD                                     | EDD                    | no  |
| agent or representative of an individual | RDD                      | EDD                                     | EDD                    | yes   |
| professional                             | SDD                      | EDD                                     | EDD                    | no  |
| PEP                                      | EDD                      | EDD                                     | EDD                    | no  |

#### 2. Partnerships and companies

| <b>Client type</b>  | <b>Standard requirement</b> | <b>If a PEP is involved</b> | <b>Required to establish beneficial ownership</b> |
|---|-----------------------------|-----------------------------|---|
| UK credit or financial institution  | SDD                         | EDD                         | no  |
| credit or financial institution in the EEA  | SDD                         | EDD                         | no  |
| credit or financial institution outside the EEA where equivalent AML provisions apply | SDD                         | EDD                         | yes   |
| credit or financial institution outside the EEA where there are no equivalent AML     | RDD                         | EDD                         | no  |

| <b>Client type</b>   | <b>Standard requirement</b> | <b>If a PEP is involved</b> | <b>Required to establish beneficial ownership</b> |
|--|-----------------------------|-----------------------------|---|
| provisions   |                             |                             |   |
| UK partnership   | RDD                         | EDD                         | no  |
| UK partnership made up of regulated individuals                                  | SDD                         | EDD                         | yes   |
| UK private unlisted company  | RDD                         | EDD                         | yes   |
| well-known 'household name' company  | SDD                         | EDD                         | yes   |
| subsidiary of existing private unlisted company for which CDD has been conducted | SDD                         | EDD                         | yes   |
| UK company listed on a regulated market  | SDD                         | EDD                         | no  |
| subsidiary of a UK listed company  | SDD                         | EDD                         | yes   |
| private unlisted company in the EEA  | RDD                         | EDD                         | yes   |
| private unlisted company outside the EEA   | EDD                         | EDD                         | yes   |
| overseas company listed on a regulated market                                    | SDD                         | EDD                         | no  |
| companies with capital in the form of bearer shares                              | EDD                         | EDD                         | yes   |

### 3. Other entities and arrangements

| <b>Client type</b>  | <b>Standard requirement</b> | <b>If a PEP is involved</b> | <b>Required to establish beneficial ownership</b> |
|---|-----------------------------|-----------------------------|---|
| standard-risk trust   | RDD                         | EDD                         | yes--when acting for trustees                     |
| higher-risk trust (eg a high-risk jurisdiction is involved) | EDD                         | EDD                         | yes--when acting for trustees                     |
| foundation  | RDD                         | EDD                         | yes   |
| registered charity  | SDD                         | EDD                         | yes   |
| small, unknown or obscure or unregistered charity           | RDD                         | EDD                         | yes   |
| deceased person's estate                                    | RDD                         | EDD                         | yes   |
| church or place of worship                                  | SDD                         | EDD                         | yes   |
| school or college   | SDD                         | EDD                         | yes   |
| club or association   | RDD                         | EDD                         | yes   |
| employee pension fund                                       | SDD                         | EDD                         | no  |
| other pension fund  | RDD                         | EDD                         | yes   |

| <b>Client type</b>  | <b>Standard requirement</b> | <b>If a PEP is involved</b>                  | <b>Required to establish beneficial ownership</b> |
|---|-----------------------------|--|---|
| UK public authority   | SDD                         | EDD (but only if overseas PEPs are involved) | no  |
| overseas public authority that: <ul style="list-style-type: none"> <li>• is entrusted with public functions</li> <li>• has publicly available, transparent and certain identity</li> <li>• has transparent activities and accounting practices</li> <li>• is accountable to a community institution, the authorities of an EEA state or is otherwise subject to appropriate check and balance procedures</li> </ul> | SDD                         | EDD  | no  |
| other overseas public authority   | RDD                         | EDD  | yes   |
| other overseas public authority in high-risk jurisdiction (eg Iran and North Korea--the Treasury issues guidance and lists periodically that are available on its website, the most recent being March 2012) HM Treasury--Financial Sector Advisory Note  | EDD                         | EDD  | yes   |

### APPENDIX 3

#### CLIENT DUE DILIGENCE RISK ASSESSMENT FORM

You must complete this form for every:

- new client, and
- existing client where there has been a gap in retainers of [*three*] years or more

#### 1. The client

|   |  |   |  |
|---|--|---|--|
| Client name   |  | Client reference number                                       |  |
| Is the client based in the UK?                              |  | Client type (private individual/partnership or company/other) |  |
| Has client been met face-to-face? (individual clients only) |  | Is the client a PEP? (individual clients only)                |  |

#### 2. Client risk indicators

Please tick any of the following indicators that apply to your client.

|   | High |  | Low |  | Standard |
|---|------|--|-----|--|----------|
| PEP   |      | professional individual or partnership                 |     | client does not fall within high- or low-risk categories |          |
| individual not met face-to-face                   |      | credit or financial institution                        |     | other (please state):                                    |          |
| high-risk trust                                   |      | 'household name'                                       |     |  |          |
| high-risk jurisdiction                            |      | listed company or subsidiary                           |     |  |          |
| company with capital in the form of bearer shares |      | registered charity, place of worship or school/college |     |  |          |
| other (please state):                             |      | employee pension fund                                  |     |  |          |
|   |      | public authority                                       |     |  |          |
|   |      | other (please state):                                  |     |  |          |

**What is your conclusion regarding the risk posed by the individual client - low/standard/high?**

Note: *it is possible that more than one indicator will apply. If so, the highest indicator will prevail--eg if you have ticked one low indicator and one high indicator, you should conclude that the client is high risk.*

**3. What level of client due diligence is indicated by the CDD risk table?**

|            |
|------------|
| enhanced   |
| simplified |
| regular    |

**4. What level of CDD do you propose to apply to this client?**

Remember that the CDD risk table *is a guide only*. Before deciding on the level of CDD to apply, you should take into account your assessment of the risk posed by the individual client at section 2 above, eg where the client is high risk, you should consider upgrading the level of CDD suggested on the table.

|            |
|------------|
| enhanced   |
| simplified |
| regular    |

**5. If your answer to question 4 is different from your answer in question 3, state why:**

Reason:

Signed:

Date:

Signed by Nominated Officer ( ) (high-risk clients only):

Date:

Please return completed forms to MLRO and retain a copy for the matter file.