

Anti-Money Laundering and Counter Terrorist Financing Policy

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Introduction and Background

Money laundering (ML) and terrorist financing (TF) have been identified as major threats to the international financial services industry. The United Kingdom, in common with many other countries, has passed legislation designed to prevent money laundering and to combat terrorism. This legislation, together with regulations, rules and industry guidance, forms the cornerstone of AML/CTF obligations for UK firms and outline the offences and penalties for failing to comply.

At **Select Mortgages & Loans**, we take the prevention of financial crime, including anti-money laundering and counter terrorist financing very seriously. Financial Crime has a huge effect on our society and we are a first line of defence against it; we have a responsibility to prevent criminals using **Select Mortgages & Loans** to support their criminal activity.

Whilst we do not believe that all our clients are potential criminals, financial crime is on the increase and we play an important part in the fight against it.

Scope

The standards set out in this document apply to all employees, directors, appointed representatives and contractors of **Select Mortgages & Loans** within all regions and areas in the United Kingdom.

Legal and Regulatory Framework

The main UK legislation and regulation covering anti-money laundering and counter-financing of terrorism is:

- Proceeds of Crime Act 2002
- Terrorism Act 2000
- Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulation 2017 - (The Regulations)
- Criminal Finances Act 2017
- The Joint Money Laundering Steering Group (JMLSG) Guidance for the UK Financial Sector on the prevention of money laundering/combating terrorist financing.
- The FCA Handbook of Rules and Guidance, in particular;
 - Senior Management Arrangements
 - Systems and Controls (SYSC) sourcebook, which relates to the management and control of money laundering risk (SYSC 3.2.6R to SYSC 3.2.6J G and SYSC 6.3.)

The Proceeds of Crime Act sets out the primary offences related to money laundering:

- Concealing, disguising, converting, transferring or removing criminal property from the UK
- Entering into or becoming involved in an arrangement which facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- The acquisition use and/or possession of criminal property.

Under the Proceeds of Crime Act, it's also an offence to fail to report suspicious activity and tipping off any person that you've made such a report.

The Terrorism Act sets out the primary offences relating to terrorist funding. Regulated businesses, must report belief or suspicion of offences related to terrorist financing, such as:

- Fundraising for the purposes of terrorism
- Using or possessing money for the purposes of terrorism
- Involvement in funding arrangements
- Money laundering - facilitating the retention or control of money that's destined for or is the proceeds of terrorism.

The Regulations set out what we must do to prevent our services being used for money laundering or terrorist financing purposes. This policy focuses on what you must do to meet your obligations in relation to:

- Customer due diligence

- Reporting suspicious activity
- Record keeping
- Staff awareness.

Responsibilities

Select Mortgages & Loans

As a business, there are a number of steps which we can take to aid the prevention of financial crime:

- Establish and maintain risk-based client due diligence, identification, verification and know your client (KYC) procedures;
- Maintain appropriate records for the minimum prescribed record-keeping periods;
- Provide training and awareness for all employees to ensure they are made aware of: -
 - Their legal and regulatory responsibilities;
 - Their part in anti-money laundering / terrorist financing risk management.
 - Potential indicators of money laundering and terrorist financing relevant to our business
 - The identity and responsibilities of the Nominated Officer
 - The procedures for reporting their suspicions
- Provision of appropriate management information and reporting to senior management of **Select Mortgages & Loans** compliance with the requirements.

Senior Managers

The owner has been approved by the FCA under the Senior Managers and Certification Regime (SM&CR) and must have due regard to Senior Managers Conduct Rule 1 (COCON 4.1) – which requires an approved person to take reasonable steps to ensure the business of the firm, for which they are responsible, is organised so that it is controlled effectively.

Additionally, the owner is responsible for the firms policies and procedures for countering the risk that the firm might be used to further financial crime as well as compliance with relevant money laundering regulations and ensuring adequate resources are allocated to financial crime prevention.

Responsibilities

Senior managers must:

- Promote a strong anti-money laundering compliance culture within **Select Mortgages & Loans**
- Identify, assess and manage effectively, the risks that their business may be exposed to launder money or finance terrorists
- Take a risk-based approach to managing these risks which will focus more effort on higher risks

Actions

Senior managers must:

- Carry out a risk assessment identifying where the business is vulnerable to money laundering and terrorist

financing

- Approve the AML/CTF policy, controls and procedures to show how the business will manage the risks of money laundering and terrorist financing identified in risk assessments
- Make sure policies, controls and procedures are communicated and applied across the business and its appointed representatives.
- Ensure staff are able to identify a high risk third country as identified by the EU or Financial Action Task Force (FATF) and that staff understand that we will not conduct business with clients located in these countries.
- Appoint a nominated officer to report suspicious activity to the National Crime Agency
- Devote enough resources to deal with money laundering and terrorist financing.

Colleagues

All staff must ensure that all they take appropriate responsibility and have awareness of the requirements set out within our Anti-money laundering policy and procedures.

The Proceeds of Crime Act 2002 also makes it clear that employees, as well as companies, can be personally responsible if money laundering occurs.

It is important that colleagues read and follow [Select Mortgages & Loans](#) Anti Money Laundering Policy and Procedures.

All colleagues are required to complete the mandatory AML training package available on our Learning Management System (LMS) when they first join our company, and then once a year to ensure that their knowledge remains up to date.

The firm expects that staff;

- Attend/undertake all necessary training and testing
- Agree to comply with the firm's systems & controls
- Ensure that they understand and implement the procedures
- Seek clarification if there is something they do not understand
- Keep up to date with the firm's anti-money laundering requirements
- Report any suspicions to the Nominated Officer at the first available opportunity

Compliance

The owner acts as the Nominated Officer, and is responsible for: -

- Drafting of AML policies, procedures and controls
- Receiving and investigating all suspicious activity reports
- Reporting to the National Crime Agency (NCA) as appropriate

- Conducting appropriate screening of colleagues appointed to the firm, which includes an assessment of:
 - The skills, knowledge and expertise of the individual to carry out their functions effectively; and
 - The conduct and integrity of the individual
- Ongoing monitoring of AML adherence through compliance monitoring activity

Under FCA Principle 11, a regulated firm must deal with the FCA in an open and cooperative way and must disclose to the FCA appropriately anything relating to the firm of which the FCA would reasonably expect notice. The Nominated Officer is personally required to deal with the FCA in the same way under Principle 4 of its statement of principles.

Risk Assessment

AML/TF risk assessment has been undertaken and approved by the Senior Managers. This risk assessment allows us to understand the level of risk to which we are exposed in relation to our clients, both existing and new, and the types of products we transact. Our policies, controls and procedures have been designed to appropriately manage the risks highlighted in the risk assessment.

High-risk third countries

The Financial Action Task Force (FATF) is an inter-governmental body which has the objective of setting standards in order to combat money laundering and terrorist financing. In addition to the countries identified in the Regulations, the FATF has compiled a list of high-risk countries who pose a higher risk of financial crime and / or do not have adequate AML measures.

Select Mortgages & Loans will **not** do business with a client domiciled in any of the countries on the lists below:

<https://www.legislation.gov.uk/ukxi/2021/827/made>

<http://www.fatf-gafi.org/countries/#high-risk>

Customer Due Diligence (CDD)

The most effective means of preventing the use of the financial system for money laundering is to identify and know your client, regardless of whether they are an established client or otherwise.

Along these lines, Select Mortgages & Loans has established CDD procedures, and internal controls aimed at effective and complete knowledge of our Clients and their activities, in order to: -

- Confirm and document the true identity of all clients and beneficial owners, where applicable who maintain any

type of relationship.

- Confirm and document any additional client information commensurate with the assessment of the money laundering risk.
- Ensure that **Select Mortgages & Loans** does not do business with any individuals or entities whose identities cannot be confirmed, who do not provide all required information, or who have provided information that is false or that contains significant inconsistencies that cannot be clarified.
- Ensure **Select Mortgages & Loans** does not do business with any individual listed on the Financial Sanctions Register or who are resident in a high-risk country.

When entering into a relationship with a new customer we require, as part of the CDD process, an assessment of the AML requirements will be carried out.

All checks to confirm the individual or business should be carried out in accordance with the stated required documents as detailed in our anti-money laundering procedures and verified electronically using the AML screening software system by lenders. Where an exemption to the verification assessment is wanting to be applied, it must be agreed in advance with the Nominated Officer (NO).

All checks must be applied against the standard CDD procedures, unless the client has been deemed as higher risk (PEP or Sanction match), and Enhanced Due Diligence (EDD) procedures must then be applied.

The scenarios where EDD needs to be applied for existing clients will be kept constantly under review, as these will be dependent on the changing nature of customer's individual circumstances, their occupation and associations, as well as the products which they apply for and / or own.

Timing of Customer Due Diligence

The client's identity and where applicable the identity of beneficial owners, must be verified before entering into a business relationship. This should be done once a client has confirmed receipt of Terms and Conditions.

Politically Exposed Person (PEP) and Sanctions

The firm is not permitted to do business with any individual who appears on the Financial Sanctions list. Enhanced Due Diligence (EDD) is required for any client identified as a PEP.

A PEP is defined as "an individual who is entrusted with prominent public functions, other than as a middle-ranking or more junior official".

Prominent functions include:

- Head of state, heads of government, ministers and deputy or assistant ministers;

- Members of parliament or of similar legislative bodies;
- Members of supreme courts, of constitutional courts or of other high-level judicial bodies the decisions of which are not subject to further appeal, except in exceptional circumstances;
- Members of courts of auditors or the boards of central banks;
- Ambassadors, charges d'affaires and high-ranking officers in the armed forces (other than in respect of relevant positions at Community and international level);
- Members of the administrative, management or supervisory boards of State-owned enterprises; and
- Directors, deputy directors and members of the board or equivalent function of an international organisation.

Individuals who have, or have had, a high political profile, or hold, or have held public office, can pose a higher money laundering risk to firms as their position may make them vulnerable to corruption. This risk also extends to members of their immediate families and to known close associates. PEP status itself does not, of course, incriminate individuals or entities. It does, however, put the customer, or the beneficial owner, into a higher risk category.

Family members of a PEP include:

- A spouse or partner of that person;
- Children of that person and their spouses or partners; and
- Parents of that person
- Siblings of that person

Known close associates of a PEP include:

- An individual who is known to have joint beneficial ownership of a legal entity or legal arrangement, or any other close business relations, with a PEP; and
- An individual who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit of a PEP.

The requirement to perform EDD measures to family members or close associates of a PEP ceases when the PEP is no longer entrusted with a prominent public function.

Under the definition of a PEP the obligation to apply EDD measures to an individual ceases after he has left office for one year.

Immediate referral of a potential Politically Exposed Person (PEP) or Financial Sanction "match" must be made to the Nominated Officer who will undertake Enhanced Due Diligence on the applicant before the application is progressed any further. This referral is mandatory.

Reporting Suspicions

Any instances of suspicions of money laundering / terrorist financing must be reported to the Nominated Officer

using the Suspicious Activity Report (SAR) form at the first available opportunity.

A record of all reports of suspicious activity will be made in the Money Laundering Incident Reporting Register, and the Nominated Officer will determine whether a formal report should be made to the proper authorities. The following guidance from the NCA will be considered when reporting a suspicion:

[http://www.nationalcrimeagency.gov.uk/publications/517-submitting-a-suspicious-activity-report-sar- within-the-regulated-sector/file](http://www.nationalcrimeagency.gov.uk/publications/517-submitting-a-suspicious-activity-report-sar-within-the-regulated-sector/file)

The nominated officer is required to make a report to the NCA as soon as is practicable if there are grounds for suspicion that another person, whether or not a customer, is engaged in money laundering.

The nominated officer is permitted to have access to any information, including 'know your customer' information, in the firm's possession which could be relevant. The nominated officer may also require further information to be obtained from the customer if necessary, or from an intermediary who introduced the customer to the firm, to the extent that the introducer still holds the information (bearing in mind his own record keeping requirements). Any approach to the customer or to the intermediary should be made sensitively, and by someone other than the nominated officer, to minimise the risk of alerting the customer or an intermediary that a disclosure to the NCA may be being considered.

Penalties

Select Mortgages & Loans takes our Anti-Money Laundering responsibilities seriously and will consider disciplinary action in respect of any internal breach of our stated procedures and policy.

If you ignore the requirements of anti-money laundering law, you may also be committing a criminal offence and this could mean a fine, imprisonment or both. If a firm doesn't follow the requirements, the Regulators could fine us or stop us doing business – and our reputation would be badly damaged, so we have to make sure we all do things the correct way.

If you have any questions or are unsure about anything, speak to your manager or the Nominated Officer who can deal with your concerns and provide any extra training and support you may need.

Breaches

Where an individual is found to have breached this policy, or the FCA's Conduct Rules, there may be an obligation on the firm to report such a breach to the FCA, rather than only dealing with the matter internally.

Data Protection and Subject Access Request

Occasionally, an individual may make a Subject Access Request under the Data Protection Act will include within its scope one or more money laundering/terrorist financing reports which have been submitted in relation to that client. Although it might be instinctively assumed that to avoid tipping off there can be no question of ever including this information when responding to the customer, an automatic assumption to that effect must not be made, even though in practice it will only rarely be decided that it is appropriate to include it. However, all such requests must be carefully considered on their merits in line with the principles below;

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/271862/money_laundering_1.pdf

Record Keeping

1. Standard AML documentation

A copy of the following items relevant to AML must be stored in the clients file for 5 years after the client relationship has ended. This includes:

- All documentation used to proof identity (and address)
- Application documents such as application form, payslips, etc.

Important – if the **AML screening software** search by lenders returns a warning related to PEPs or Sanctions, this must not be stored in the client file. A copy of the search results must be issued to the Nominated Officer who will retain the results securely and confidentiality so as not to put the firm at risk of ‘tipping off’.

2. Records of any internal / external suspicious activity reports

Records of internal and external suspicious activity reports must be retained for 5 years from the date that the report was made.

3. Training Records

Records will also be maintained for three years after the individual leaves the company. These records will include:

- Dates AML training was given
- The nature of the training
- The names of the staff who received training and
- The results of the tests undertaken by staff, where appropriate.