

## **DETECTION AND PREVENTION OF MONEY LAUNDERING: POLICY AND PROCEDURES**

To facilitate compliance with anti-money laundering laws, IMMAF has developed this anti-money laundering policy and the following procedures and internal controls.

### **ANTI-MONEY LAUNDERING (AML) POLICY**

IMMAF is committed to cooperating with governmental and law enforcement authorities in connection with transactions involving IMMAF. IMMAF's Anti-Money Laundering (AML) policy and procedures are designed to ensure that all IMMAF employees and representatives are well informed with respect to their customers (members), partners and suppliers and the nature of the transactions entered into.

The objectives of this Policy are to:

- Comply with Anti-Money Laundering (AML) laws and regulations;
- Observe Know-Your-Customer (KYC) principles and customer identification requirements, whereby 'Customer' refers to members, partners and suppliers and any entity with which IMMAF is engaged in financial transaction(s).
- Recognise, investigate and report suspicious activity and ensure a safe environment for reporting.
- Protect the reputation and integrity of IMMAF

IMMAF's approach to AML is risk-based and includes, but is not limited to:

- AML policies and procedures to ensure compliance with AML laws and regulations;
- The identification of potential AML risks impacting IMMAF;
- Customer risk assessment and enhanced due diligence for increased risk clients;
- Customer identification and verification, including the identification and risk assessment of Politically Exposed Persons (PEPs);
- Screening of customers against relevant financial sanctions lists;
- Internal procedures for identifying and reporting suspicious activities, including procedures for onward transmission of suspicious activities to the appropriate authorities;
- The promotion of effective compliance and the assurance of oversight and follow-up actions in the event of non-compliance;
- The appointment of designated compliance personnel responsible for coordinating day-to-day compliance;
- The retention of relevant records and compliance with data protection laws and requirements.

### **Know Your Customer & Client Due Diligence**

IMMAF adopts a risk-based approach to 'Client Due Diligence' and has developed strict 'Know Your Customer' procedures to ensure its 'customers' are subject to appropriate identification and monitoring measures. This programme includes not only knowing its clients and the entities it deals

with (either as a single transaction or ongoing relationship), but also the Ultimate Beneficial Owners. Special safeguards are implemented for business relationships with politically exposed persons and clients from countries or industries deemed high risk. IMMAF will not enter into a customer relationship or will terminate a relationship, if it:

- Cannot form a reasonable belief that it knows the true identity of its customer and/or the nature of their business activities or
- Formal requirements concerning the identification of a prospective client are not met.

IMMAF policies and procedures endeavour to ensure that IMMAF does not:

- Accept assets or funds that are known or suspected to be the proceeds of criminal activity;
- Enter into/maintain business relationships with individuals or entities known or suspected to be a terrorist or a criminal organisation or a member of such or listed on sanction lists;
- Accept companies with capital in the form of bearer shares. IMMAF carries out due diligence of customers and reserves the right to review customer due diligence documentation at any time and may, from time to time, request additional information and/or documentation as part of the ongoing business relationship if considered necessary.

## **IMMAF PROCEDURES & INTERNAL CONTROLS FOR DETECTION & PREVENTION OF MONEY LAUNDERING**

### **1. Customer Due Dilligence:**

IMMAF staff must apply customer due diligence measures:

- when establishing a business relationship with a customer
- if suspecting money laundering or terrorist financing
- if in doubt about a customer's identification information that has been obtained previously
- when it's necessary for existing customers - for example if their circumstances change
- when a make a payment is made to a supplier or 'occasional transaction' carried out worth £10,000 or more

It may also be necessary to identify the 'beneficial owner'. This may be because;

- someone else is acting on behalf of another person in a particular transaction
- to establish the ownership structure of a company, partnership or trust
- there's a person who's behind the customer who owns or controls the customer
- or another person on whose behalf a transaction is being carried out

### **2. Customer Identity Concerns**

If IMMAF staff have any doubts about a customer's identity, it is policy that they must stop all transactions with them until they are sure and report their concerns to the CEO or nominated AML officer.

### **3. Money Laundering Concerns**

If IMMAF staff suspect money laundering they must report their concerns to the CEO or nominated AML officer. See IMMAF's Whistle-blowing Policy.

### **4. Accounting and Cash Handling:**

IMMAF accounting and cash handling procedures in the workplace are designed to ensure it as hard as possible for money laundering to happen within your company, through the following means:

- IMMAF's Procurement Policy
- Two signatories required on all transfers from IMMAF bank account
- External accounting
- IMMAF's independent Financial Audit Committee
- Publication of accounts and their ratification by the membership at Annual General Meetings
- IMMAF's Whistle-blowing Policy

### **5. Record-keeping**

IMMAF keeps records of all customer due diligence measures and financial transactions carried out.

### **6. Cash Policy**

IMMAF enforces a no-cash policy on transactions of above £20,000 unless approved by Board of Directors in exceptional circumstances

### **7. AML Officer and Responsible Persons**

Senior staff are responsible for scrutinising the source of funding for deals or investment in areas that fall under their area of responsibility or business relationships that fall under their management.

Staff responsible for IMMAF accounts are responsible for monitoring financial transactions related to the IMMAF account and reporting any suspicious activity.

All concerns should be reported to the CEO or a 'nominated officer' as appointed by the CEO

## 8. Policy Review

The IMMAF Ethics Committee carries out periodic reviews and updates of its anti-money laundering policies, controls and procedures on request of the IMMAF CEO or in response to changes in the law

### **RED FLAGS**

IMMAF staff must be alert to the incidence of money laundering and are advised to apply the following six questions in order to detect it:

1. Has someone been vague or reluctant to talk about the exact sums of money involved in a deal, or who the investors are? You need to flag it up.
2. Have some unusual instructions or conditions been introduced into a deal? Find out why.
3. Has somebody contacted you out of the blue to express an interest in investing money into your company? Do your research. Do they have an ulterior motive?
4. Have there been sudden changes to your working relationship with partners or other businesses? Do some digging.
5. Has money been moved without a proper announcement of where it's gone and why, or has there been a request to use a different account? These are clear warning signs that you should act on.
6. Have assets appeared suddenly or has somebody floated the idea of making a loss? Also, if someone has asked to make payments in cash, you should immediately be on alert

### **STAFF GUIDELINES FOR CUSTOMER DUE DILLIGENCE & RECORD KEEPING**

#### **Customer due diligence when you're establishing a business relationship**

A business relationship is one that you enter into with a customer where both of you expect that the relationship will be ongoing. It can be a formal or an informal arrangement.

In the setting up if or handling financial transactions, the senior IMMAF staff member responsible for the management of the business relationship must carry out 'Customer' due diligence to identify the customers and ensure they are who they say they are. In practice this means obtaining a customer's:

- name
- photograph on an official document which confirms their identity
- residential address and date of birth

When you establish a new business relationship you also need to obtain information on:

- the purpose of the relationship

- the intended nature of the relationship - for example where funds will come from, the purpose of transactions, and so on

The type of information that you need to obtain may include:

- details of your customer's business or employment
- the source and origin of funds that your customer will be using in the relationship
- copies of recent and current financial statements
- details of the relationships between signatories and any underlying beneficial owners
- the expected level and type of activity that will take place in your relationship

### **The changing circumstances of your customers**

You need to keep up-to-date information on your customers so that you can:

- amend your risk assessment of a particular customer if their circumstances change
- carry out further due diligence measures if necessary

Changes of circumstance may include:

- a big change in the level or type of business activity
- a change in the ownership structure of a business

### **When to apply customer due diligence for occasional transactions**

You must carry out customer due diligence measures when your business carries out occasional transactions. These are transactions that are not carried out within an ongoing business relationship where the value is £10,000 or more. This applies whether it's a single transaction or linked transactions.

Linked transactions are individual transactions of less £10,000 that have been deliberately broken down into separate, smaller transactions to avoid customer due diligence checks. Your business must have systems in place to detect potentially linked transactions.

Once a potentially linked transaction has been identified, you need to decide if it has been deliberately split. Some issues to consider are when:

- a number of payments have been made by the same customer in a short period of time
- it's possible that a number of customers have carried out transactions on behalf of the same person
- a number of customers have sent money transfers to the same person

You also have to carry out customer due diligence measures for occasional transactions that are worth less than £10,000 in certain circumstances. For example, you must do this when the nature of a transaction means that there's a higher risk of money laundering.

### **When to carry out enhanced due diligence**

In some situations, you must carry out 'enhanced due diligence'. These situations are:

- when the customer is not physically present when you carry out identification checks
- when you enter into a business relationship with a 'politically exposed person' - typically, a non-UK or domestic member of parliament, head of state or government, or government minister and their family members and known close associates
- when you enter into a transaction with a person from a high risk third country identified by the EU
- any other situation where there's a higher risk of money laundering

The enhanced due diligence measures for customers who are not physically present and other higher risk situations include:

- obtaining further information to establish the customer's identity
- applying extra measures to check documents supplied by a credit or financial institution
- making sure that the first payment is made from an account that was opened with a credit institution in the customer's name
- finding out where funds have come from and what the purpose of the transaction is

The enhanced due diligence measures when you deal with a politically exposed person are:

- making sure that only the CEO gives approval for a new business relationship
- taking adequate measures to establish where the person's wealth and the funds involved in the business relationship come from
- carrying out stricter ongoing monitoring of the business relationship

### **Customer due diligence measures where your customer is a Money Service Business**

You should seriously consider applying enhanced due diligence if your customer is a money transmitter or currency exchange office. This situation presents a higher risk of money laundering or terrorist financing because the money you receive will be a 'bulk transfer' representing a collection of underlying transactions placed with your customer. The extent of enhanced due diligence measures you apply should be based on the risk and circumstances of each case.

At the very least you must get the number of underlying transactions of each bulk transfer made to you by your customer. This information will allow you to check that the number and average value of transactions is consistent with the level of business you anticipated when you began your business relationship.

It will also give you an indication of risk, particularly where either the number of underlying transactions or the average transaction value is significantly above what you expected. In such cases you must establish and record why it's different.

You must undertake checks if you consider there is a risk, to ensure that your customer is carrying out due diligence (and if a money transmitter is involved obtain 'Complete Information on the Payer'). This will include checking the relevant records for specific transactions.

You should check that any money transmission businesses that you do business with are registered/authorised with the relevant financial authorities.

### **Record keeping requirements**

IMMAF staff need to keep a record of all customer due diligence measures carried out.

By keeping comprehensive records you'll be able to show that your business has complied with the Money Laundering Regulations. This is crucial to protect your business if there's an investigation into one of your customers.

The types of record you keep may include:

- daily records of transactions
- receipts
- cheques
- paying-in books
- customer correspondence

You must keep your records for five years beginning from:

- the date a business relationship ends
- the date a transaction is completed