SECURITY FOR EXPENSES.

ANTI-MONEY LAUNDERING POLICY

30 September 2022

1. Introduction

1.1. Security For Expenses Ltd (the Company) is a UK registered company regulated by FCA and supervised by HMRC providing money payment services in the UK property and construction sectors under specific statutory or contractual arrangements. The business model of the Company is low risk in relation to money laundering but we have developed this policy to further limit the possibility of our services being used for money laundering or financial crime.

2. Scope of the Policy

2.1. The broad definition of money laundering means that potentially anyone could commit a money laundering offence. This includes all employees of the Company, all temporary staff and any consultants.

2.2. Our policy is to enable the Company to meet its legal and regulatory requirements in a way which is proportionate to the low risk nature of the business, by taking reasonable steps to minimise the likelihood of money laundering occurring.

2.3. All staff must be familiar with their legal responsibilities.

3. What is Money Laundering?

3.1. The principal primary legislation is the Proceeds of Crime Act 2002 (POCA), which consolidated, updated and reformed criminal law with regard to money laundering, supplemented by the Terrorism Act 2000 and the Fraud Act 2006. The principal secondary legislation is the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as amended by the Money Laundering and Terrorist Financing (Amendment) Regulations 2019.

3.2. The Economic Crime (Transparency and Enforcement) Act 2022 which received Royal Assent on 15 March 2022 introduces a register of overseas entities (ROE) to be held at Companies House requiring that “overseas entities” owning property in the UK register the identity of the beneficial owners of that overseas entity and to keep that register updated. Failure to do so is a criminal offence and the Act applies retrospectively to any title registered since 1 January 1999.

3.3. Money laundering is the process of moving illegally acquired cash through financial systems so that it appears to be from a legitimate source. Money laundering offences include concealing, disguising, converting, transferring criminal property or removing it from the UK (Section 327 POCA); entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (Section 328 POCA); and acquiring, using or possessing criminal property (Section 329 POCA).

3.4. There are also several secondary offences, failure to disclose knowledge of or suspicion of money laundering to the Money Laundering Reporting Officer (MLRO); failure by the MLRO to disclose knowledge of or suspicion of money laundering to the National Crime Agency; and ‘tipping off’ whereby somebody informs a person or persons who are or who are suspected of being involved in money laundering in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

3.5. It is possible for any member of staff to be caught by the money laundering provisions if they suspect financial crime and do nothing about it. This Policy sets out how any concerns should be raised.

4. Know Your Customer (KYC) and Due Diligence

4.1. Due diligence is undertaken on all customers who must provide basic information including:

a) copy of passport or photo driving licence;

b) copy of statement for the bank account from which money is to be transferred;

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c) copy of HMLR title extract for the relevant property;

d) second proof of name and address from the HMRC checklist;

e) for overseas entities a copy of the notice of registration or, if not yet registered, a copy of the application for registration on the register of overseas entities at Companies House in accordance with the requirements of the Economic Crime (Transparency and Enforcement) Act 2022;

f) copy of passport or photo driving licence and second proof of name and address from the HMRC checklist for all beneficial owners of qualifying estates as defined in the Economic Crime (Transparency and Enforcement) Act 2022.

5. PEP and Sanctions (PEP/S) Screening

5.1. In cases where the Company is holding security under the Party Wall etc Act 1996, a bond, or a licence for access or alterations all payers and payees will be screened for political exposure and sanctions using NameScan[1] "Sapphire Checks"[2] at the time when:

a) the Company is asked to return funds to the original payer;

b) the Company is asked to make a payment to a third party payee.

5.2. When the Company is holding a commercial lease deposit, the payer will be PEP/S screened using NameScan "Sapphire Checks" on receipt of an application for a Security Account and again before the Security Sum is returned. If payment is made to the landlord both parties will be PEP/S screened before payment is made.

5.3. When the Company is holding funds under a building contract, the Employer (payer), the Contractor (payee) and the Contract Administrator will be PEP/S screened using NameScan "Sapphire Checks" on receipt of an application for a Security Account and again when each payment is made. If payment is required to another third party involved in the project both parties will be PEP/S screened before payment is made.

6. Enhanced Due Diligence (EDD)

6.1. If a customer is resident or registered in a High Risk or other jurisdiction monitored by the Financial Action Task Force (FATF) a comprehensive EDD report will be required for the individual(s) and/or corporate entities concerned.

6.2. If a customer is resident or registered outside the UK (including offshore jurisdictions such as the Channel Islands, Isle of Man, Virgin Islands, etc.) a comprehensive EDD report may be required for the individual(s) and/or corporate entities concerned.

6.3. The Company may carry out EDD where the customer or a transaction involving the customer appears to be "high risk". This means that there is a higher level of identification and verification of the customer's identity required. The following non-exhaustive list of situations may indicate a "high risk":

a) customers with complex ownership structures;

b) where the issuing UK bank is a subsidiary of an overseas bank;

c) transactions that are unusual or appear to be unusual;

d) unduly complex transaction or payment arrangements;

[1] https://namescan.io/

[2] "Sapphire Checks" utilise Acuris Risk Intelligence's Database (C6 Intelligence Database) of PEP and Sanctions which is updated daily. This database contains over 1.4 Million PEP profiles, 1.2 Million Sanction profiles and 400,000 adverse media links.

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e) the transaction involves a politically exposed person ("PEP").

6.4. All employees, temporary staff and consultants must consider the money laundering risk for each customer and if they suspect EDD may be required, they should speak to the Company's Money Laundering Reporting Officer (MLRO) or deputy before continuing any engagement with the customer. The MLRO will be required to approve the continuance of the business relationship.

6.5. If EDD is carried out, the MLRO will review the EDD report and confirm approval or rejection of the transaction.

6.6. If the EDD report is unsatisfactory the transaction cannot proceed any further. The MLRO will consider if a report needs to be submitted to the NCA.

7. Money Laundering Reporting Officer (MLRO)

7.1. The Company has appointed a MLRO to receive disclosures about money laundering activity and be responsible for anti-money laundering activity within the Company. The officer nominated to do this is Mikael Rust.

7.2. The Company has also appointed a deputy MLRO who will be responsible in the absence of the nominated officer. The deputy MLRO is Richard Pugh.

7.3. The MLRO will ensure that appropriate training and awareness is provided to new and existing employees, temporary staff and consultants and that this is reviewed and updated as required.

7.4. The MLRO will ensure that appropriate anti-money laundering systems and processes are incorporated by the Company.

8. Suspicious Activity Reporting (SAR)

8.1. All employees, temporary staff and consultants must report as soon as practicable any knowledge or reasonable grounds for suspicion of suspicious activity to the MLRO in the prescribed form attached to this policy document.

8.2. Once the matter has been reported to the MLRO, the reporting person must follow the directions given and must NOT make any further enquiry into the matter.

8.3. The reporting person must NOT voice any suspicions to the person(s) whom they suspect of money laundering, as this may result in the commission of the offence of "tipping off". They must NOT discuss the matter with others or note on the file that a report has been made to the MLRO in case this results in the suspect becoming aware of the situation.

9. Consideration of SAR by the MLRO

9.1. Once the MLRO has received the report, it must be evaluated promptly to determine whether:

a) There is actual or suspected money laundering taking place; or

b) There are reasonable grounds to know or suspect that this is the case; and

c) Whether the MLRO needs to lodge an SAR with the National Crime Agency (NCA).

9.2. Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then consent will be given for any on-going or imminent transaction(s) to proceed.

9.3. Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has given specific consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.

9.4. All disclosure reports referred to the MLRO and reports made to the NCA will be retained by the MLRO in a confidential file kept for that purpose, for a minimum of FIVE years.

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9.5. The MLRO must also consider whether additional notifications and reports to other relevant enforcement agencies should be made.

10. Ongoing Monitoring

10.1. Employees and consultants should review customers at regular intervals to ensure that the risk level of each customer and information held on each customer is not only accurate and up to date but is consistent with knowledge of the customer and its business. Further due diligence may be required if new people become involved at a customer business. Any suspicious activity must be reported to the MLRO.

11. Data Protection

11.1. Customer details must be collected in accordance with the Data Protection Act 2018. This data can be "processed" as defined under the Data Protection Act 2018 to prevent money laundering and terrorist financing.

12. Record Keeping

12.1. Customer identification evidence and details of any relevant transaction(s) for that customer must be retained for at least FIVE years from the end of any business relationship with that customer.

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