

### **Dealer Net Finance – Anti-Money Laundering policy**

Money laundering is the process by which criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities.

If undertaken successfully, it also allows them to maintain control over those proceeds and, ultimately, to provide a legitimate cover for their source of income.

The company must take reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements and standards under the regulatory system and for countering the risk that the firm might be used to further financial crime.

The company's procedures must enable it to identify, assess, monitor and manage their money laundering risk.

They should be proportionate, taking into account the -

- Nature
- Complexity and
- Scale of the firm's business

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

Money laundering/ Terrorist Financing is the process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities (e.g. illegal drugs dealing, tax evasion etc.) thereby avoiding prosecution, conviction and confiscation of the criminal funds. The ultimate aim of this process is to convert such criminal proceeds into "clean" money. The risks to the financial sector primarily involve being used to facilitate this process, whether knowingly or unwittingly.

### **Key stages of money laundering**

There are many ways of laundering money and these are deemed to be accomplished in three distinct stages -

- Placement– this is the first stage in the money laundering operation and involves the physical disposal of the initial proceeds derived from illegal activity, e.g. placing cash in the conventional financial system.
- Layering– this second stage involves separating the illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity.
- Integration– the final stage involves providing an apparent legitimacy to the criminally derived wealth. If the layering process has succeeded, integration schemes place the laundered proceeds back into the economy in such a way that they re-enter the financial system appearing as normal business funds. The consumer credit sector can therefore act as a "safe haven" for criminal funds, allowing them to invest the proceeds of their criminal activities.

These three steps may occur as separate and distinct phases and occur simultaneously or, more commonly, they may overlap.

**Tel: 0191 5866168**

Dealer Net Finance Limited, 46 Lambton Court, Peterlee, SR8 1NG

Mob: 07933 271151 | Fax: 0191 5180669 | Email: [sales@dealernetfinance.co.uk](mailto:sales@dealernetfinance.co.uk)

[www.dealernetfinance.co.uk](http://www.dealernetfinance.co.uk)

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Director: H. Musgrave | Authorised and Regulated by the Financial Conduct Authority, Authorisation No: 660336

Generic examples of laundering money can range from the purchase and re-sale of vehicles to passing money through a complex international web of legitimate and bogus companies. Often the proceeds take the form of cash, however criminals recognise cash payments into the financial sector often give rise to additional enquiries and therefore seek to convert illegally earned cash or to mix it with legitimate cash before it enters the financial system.

### **Nominated Senior Person**

**The Nominated Senior Person at Dealer Net Finance Ltd is Howard Musgrave** who is responsible for ensuring that the requirements relevant to money laundering are complied with, for monitoring the day to day operation of anti-money laundering procedures and practices and for dealing with the legal authorities and the FCA in respect of money laundering.

The Nominated Senior Person is perceived to be the focal point for all activity within the firm relating to anti-money laundering. The FCA expects this individual to be based in the UK and they must be approved by the FCA to perform that role in **designated circumstances (i.e. where they are lenders)**. For the purposes of Regulation 7 of the Money Laundering Regulations they are also the officer nominated to receive disclosures of suspicions or knowledge of money laundering.

- The Proceeds of Crime Act 2002 introduced an additional offence of “not reporting” by the nominated officer (i.e. the Nominated Senior Person).
- Therefore, to protect themselves and the firm, if the Nominated Senior Person receives a suspicious activity report from a member of staff but does not consider it necessary to notify the National Crime Agency, they must carefully record the reasons why this course of action was taken.
- Staff should always give the Nominated Senior Person access to any information (including financial circumstances) of the client, including details of any transactions entered into with the client.

### **Identification of the client**

Reasonable steps must be taken to check the client’s identity to show that they are who they claim to be, and if applicable, that they are trading for a legitimate business purpose.

All new clients must provide sufficient information for verifying their identity before any transactions are undertaken.

Formal identification of personal and address ID will be completed by the company prior to credit activities taking place. If the client does not provide evidence of identity within an acceptable time scale, then we will discontinue any regulated activity.

The Nominated Senior Person will determine whether further action is required. Under no circumstances must the client be informed of the decision to pass this to the Nominated Senior Person.

Our general guideline regarding identification is provided below. However, specific forms of ID for specific jurisdictions are also provided below.

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### **Acceptable forms of Identification for Individual clients**

For Private Individuals, our ID requirements are to obtain a certified copy of -

- Photo ID document showing full name and date of birth, an acceptable document to verify this is a valid passport (Primary ID).
- Utility bill, to verify current residential address showing their name, the bill should not be more than 3 months old (Secondary ID).
- A second item of address ID is required if a home visit is not conducted in the course of the sale. (See below).

### **Non face to face dealings**

There could be additional risk of false identities and impersonations that can arise with non-face to face Clients, so it is important to obtain additional documentary evidence.

- Primary and Secondary ID can be certified by a professional individual i.e. solicitor or accountant, but it must be noted that we will not go ahead with the transaction until the documents are received and checked.

### **Recognising and reporting suspicious transactions/activity**

Individuals who handle, or are managerially responsible for handling, transactions which may involve money laundering must make a report promptly to the Nominated Senior Person if the individual knows or suspects or has reasonable grounds for knowing or suspecting that a client, or the person on whose behalf the client is acting, is engaged in money laundering.

Failure to follow this Policy may result in personal criminal liability.

### **Client confidentiality**

Once staff have made a report to the Nominated Senior Person in accordance with staff legal responsibility, staff are protected under the law from being sued by the client for breach of confidentiality.

### **The 2007 Money Laundering Regulations ('the Regulations')**

The Regulations require that the company establishes and maintains specific policies and procedures to guard against its business being used for the purposes of money laundering. They specify the range of procedures that the company should implement to fulfil this obligation.

### **Assistance**

The combined effect of the UK statutes makes it an offence for any person to provide assistance to a money-launderer to obtain, conceal, retain or invest funds if he knows or suspects, or in the case of terrorist activities should have known or suspected, that those funds are the proceeds of an indictable offence.

Such assistance is punishable on conviction by a maximum of 14 years' imprisonment or a fine, or both. It is a defence that the person concerned reported his knowledge or suspicion to the law enforcement agencies at the first available opportunity.

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### **Tipping Off**

It is also an offence for anyone to prejudice an investigation by informing the person who is the subject of a suspicion, or any third party, that a disclosure has been made, or that the police or customs authorities are carrying out or intending to carry out a money laundering investigation.

Making enquiries of a customer, to verify identity or to ascertain the source of funds for a particular transaction will not trigger a tipping off offence before a suspicious activity report has been submitted in respect of that customer. If a suspicious activity report has been made, great care should be taken to ensure the customer does not become aware of that fact.

The punishment on conviction for this ‘tipping off’ offence is a maximum of 5 years’ imprisonment or a fine, or both.

### **Failure to Report**

In the case of drug trafficking or terrorist activity, it is an offence for a person who acquires knowledge or suspicion in the course of his trade, profession, business or employment not to report the knowledge or suspicion as soon as reasonably practical after the information came to his attention.

Failure to report in these circumstances is punishable on conviction by a maximum of 5 years’ imprisonment or a fine, or both.

The legislation protects those reporting suspicions of money laundering from claims in respect of any alleged breach of customer confidentiality.

### **Proceeds of Crime Act 2002**

Part 7 of this Act consolidates existing UK Money Laundering Law. Significantly for the regulated sector there is now an onus to report suspicions of money laundering where there are “reasonable grounds to suspect money laundering.” This introduces an objective test on the regulated sector and reporting is not limited to circumstances where there is actual knowledge or suspicion of money laundering.

### **The Joint Money Laundering Steering Group (JMLSG) Guidance Notes**

The JMLSG is made up of leading UK Trade Associations in the Financial Services industry. Its aim is to promulgate good practice in countering money laundering and to give practical assistance in interpreting the UK Money Laundering Regulations through the publication of its guidance notes.

In taking into account whether the firm has appropriate systems and controls against money laundering the FCA will have regard to whether the firm has followed the relevant provisions in the JMLSG’s guidance notes. The guidance notes have been approved by HM Treasury.

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### **Politically Exposed Persons (PEP)**

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.

A PEP is defined as “an individual who is or has, at any time in the preceding year, been entrusted with prominent public functions and an immediate family member, or a known close associate, of such a person”. This definition only applies to those holding such a position in a state outside the UK, or in a community institution or an international body. 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 client, or the beneficial owner, into a higher risk category.

On a risk-sensitive basis we will -

- Identify whether a client is a PEP.
- Obtain appropriate senior management approval prior to any transaction being carried out.
- Establish the source of wealth and source of funds which are being used for the contract.

### **Systems and Controls to mitigate Money Laundering Risk**

Money laundering risk is the risk that a firm may be used to further money laundering. In identifying its money laundering risk, and then adopting procedures to mitigate that risk, the firm should consider a range of factors including the nature of the firm’s customer, distribution channels, complexity and volume of transactions, processes and systems and its operating environment.

### **Appropriate Systems and Controls**

The firm should adopt the following systems and controls in ensuring that the firm is not used to further financial crime -

- Appropriate training for employees in relation to money laundering.
- Providing the governing body with sufficient information, this includes an annual report from the firm’s Nominated Senior Person.
- Documentation of the firm’s risk profile in relation to money laundering.
- Appropriate measures to ensure that Money Laundering risk is taken into account in its day to day operations.

### **Duty of staff in respect of money laundering**

#### Reporting of suspicious activity

- If a member of staff comes across a transaction or an activity which is regarded as suspicious or unusual (or which could reasonably be regarded as such), then in the first instance, the member of staff should refer the transaction and/or activity in question without delay to the Nominated Senior Person.
- The Nominated Senior Person will consider the issue, together with any other relevant information available (including any information about the client’s identity) and, if the suspicion is justified, make a report to the National Crime Agency.

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- Any suspicion or knowledge of money laundering should immediately be reported to the Nominated Senior Person.

#### Use of national and international findings on material deficiencies

- So that the firm's Systems and Controls remain appropriate and up to date the firm should take account of government and Financial Action Task Force findings (which is an organisation intended to combat money laundering) in respect of money laundering. Those findings give essential information about countries or governments whose money laundering arrangements are inadequate or materially deficient.

- The Nominated Senior Person will feed any such information through to staff and staff should always note that information and act upon it.

#### Staff Awareness and Training

- It is a requirement of the 2007 Money Laundering Regulations that staff receive regular training on money laundering and on their responsibilities in this respect.

- The director is responsible for arranging such training. Regulation 3 requires that this training should ensure that relevant employees are made aware of the regulations, Part 7 of the Proceeds of Crime Act 2002 and the Terrorism Act. The training must also include how to recognise and deal with transactions which may be related to money laundering.

The Proceeds of Crime Act 2002 emphasises the importance for regulated firms to ensure that all their staff receive regular anti-money laundering training. Section 330(7) of the Act provides that employees who fail to disclose knowledge or suspicion of money laundering will not be personally liable if their employer failed to provide them with sufficient anti-money laundering training.

#### **Financial Sanctions Policy**

As part of its AML procedure the firm will review all customers to ensure that they are not on the Financial Sanctions register as published by HM Treasury from time to time. Employees discuss any customer appraisal with the Nominated Senior Person, if either the prospective customer or investor or its assets originate from a "high risk country" or are present in the Financial Sanctions Register.

It is a criminal offence to make funds or financial services available to individuals or entities on the sanctions list.

We will complete checks on clients to ensure that they are not on the financial sanctions register.

The obligations under the UK financial sanctions regime apply to all firms, further information can be found by contacting -

Asset Freezing Unit  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

Telephone - 020 7270 5454 E-Mail - [assetfreezingunit@hm-treasury.gov.uk](mailto:assetfreezingunit@hm-treasury.gov.uk)

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### **Consequence of not complying with the money laundering obligations**

Not complying with the money laundering duties is considered a serious offence. Disciplinary actions may be taken, including immediate dismissal. Failure to comply with the money laundering duties may also result in a criminal penalty (including imprisonment).

The penalties for those found guilty of assisting or failing to report money laundering are severe -

- Up to 14 years in prison, a fine, or both for knowingly assisting in money-laundering.
- Up to 5 years in prison, a fine, or both for failing to report any knowledge or suspicions of money-laundering.
- Up to 5 years in prison, a fine, or both for alerting a suspected money-launderer that a report has been made to the Nominated Senior Person or the authorities, or that the authorities are investigating or proposing to investigate.

In addition to these criminal penalties, a breach of these rules could cause significant damage to the reputation of the company and its staff.

Failure by a member of staff may also expose the company to penalties, censure and enforcement action (including the impositions of fines) by the FCA.

### **Record keeping**

The Money Laundering regulations and the JMLSG require or suggest that the following records to be kept, for at least five years -

- Copies of evidence of the identity of clients or a record where this can be obtained or, where this is not practicable a record of how details of the evidence of identity can be obtained (the five-year period runs from the end of the customer relationship).
- Transaction records (carried out with or for a client).
- When a client has become insolvent and the company has taken steps to recover all or part of the debt owed to it by the client, a record of the grounds and those steps.
- Records of any internal reports made to the Nominated Senior Person and of any external reports made by the Nominated Senior Person.
- Where the reporting officer has considered information or other matter concerning knowledge or suspicion that another person has engaged in money laundering, but has not made a report to the National Crime Agency, a record of that information or other matter.

These records are kept at the firm's offices and the Nominated Senior Person is responsible for ensuring that these records are complete and up to date.

Staff should not hesitate to report suspicion - by failing to make a report staff are committing an offence. By not making a report, the firm and staff will not be able to take advantage of the protections afforded by the legislation.

### **Money Laundering Monitoring**

The firm's Compliance Monitoring Programme will make periodic assessments of the adequacy of its systems and controls arrangements to prevent the firm being used to further financial crime.

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