

## WARNING

**Failure to comply with the firm's policies, as set out in this manual, may be treated as gross misconduct and result in disciplinary action. Such failure may also put you at risk of prosecution under the Proceeds of Crime Act.**

This document explains the firm's policies and procedures. It has been approved by the senior management of the firm. It supplements the training with which you have also been provided. It is important that you read this manual, and refer to it when relevant issues arise.

Our MLRO is Elisabeth Howard. Consult her in cases of difficulty. In her absence, consult the deputy MLRO, who is Mark Burgess.



### The Money Laundering Regulations 2007

The law requires us to follow procedures to prevent criminals from being able to use our services to launder money, or to finance terrorism. All references in this manual to money laundering include terrorist financing. If you are unsure how to apply this policy consult the MLRO.

### Record Keeping

The firm is required to maintain records (including records of client identification and about their transactions) for at least five years from the end of our business relationship with a client. Personal data received from clients is protected by data protection law. It must be

used or processed only for the purposes of preventing money laundering.

### Training

The firm must ensure that you receive training about the law relating to money laundering, and how to recognise and deal with suspect transactions. You must attend such training, and read this policy.

### Your Role

Your main obligations are to carry out "customer due diligence" and to recognise and report suspicious transactions. You must also avoid tipping off a suspect about a report. This policy explains what you should do to comply with these obligations.

## CUSTOMER DUE DILIGENCE ("CDD")

### What is "Customer Due Diligence"

We are required to check that our clients are who they claim. That is because crooks often try to buy and sell property using false names, nominees or companies or trusts to hide their ownership. As well as checking their identity we need to:

- obtain information on the purpose and intended nature of the business relationship (which is often obvious),

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- assess risk (because our checks must be done on a risk-sensitive basis) and
- monitor the business relationship for anything suspicious.

Whom must we check, and when?

**Sellers:** We need to verify all sellers at the start of any matter, before accepting instructions to market their property. Never put a property on the market before doing the relevant checks. In probate cases we must verify the identity of all executors (if more than one).

**Buyers:** We are also required to verify all buyers. You should carry out your checks on buyers at the start of the business relationship once an offer has been accepted by a Seller and before sending out the Memorandum of Sale. We use Smartsearch to conduct identity searches.

**Lettings work:** We only have to run CDD checks on our clients when we are asked to do estate agency work (including property auction and relocation agent work). Other areas of work, such as lettings work, are not regulated. So you do not have to check the identity of lettings clients.

**The Importance of Thorough CDD**

Our reputation is our greatest asset. Thorough CDD will not only ensure compliance with the law, but will tend to deter undesirable clients from dealing this firm.

## CLIENT IDENTIFICATION

**Identification and Verification**

We must “identify” our clients (which simply means asking them their name and address) and also “verify” that information (which means requiring them to prove it). We also must run similar checks on the “beneficial owners” of companies or other entities who instruct us and anyone who is acting on behalf of someone else. Always cross refer the Sellers of a property with the Land Registry title to ensure we are verifying the identity of the correct people. For the avoidance of doubt we must identify and verify ALL Sellers who are registered on the Land Registry title deeds.

The normal process for a UK Seller is to complete the AML Risk Assessment Form on Jupix:

- See an original official document containing a photograph (such as a passport or photocard driving licence)
- Check that the details, including the photograph match our client and look for any obvious counterfeit documents
- Run a Smartsearch identity check using the client’s name and address, including the document number in the search.
- Complete the relevant fields in the AML Risk Assessment document.

The normal process for a UK Purchaser is to complete the AML Risk Assessment Form on Jupix:

- Once an offer has been accepted write to the Purchaser to explain the AML regulations and request that we verify their identity or identities. The template “offer accepted letter” to the Purchaser contains the necessary wording. Purchasers can do this in a number of ways (which is explained in the letter).
- Purchasers can either visit the office, bringing with them their official photograph ID and a member



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of staff will verify the information as per the process for a vendor, noting the relevant information in the AML Risk Assessment Form. Purchasers can provide us (by email or by post) a certified copy of their official photograph document. Documents can be certified by a solicitor or at the Post Office

- Once we have proof of the photo ID we must then run a Smartsearch identity check using the purchaser(s)' name and address, including the document number in the search.
- For Purchasers we must also carry out proof and source of funds checks.

For non-UK residents we need to ask for a clean copy of a government issued document such as a passport or identity card. Any document does not need to be certified. We must then check the legitimacy of this document using Smartsearch.

If the identification process is proving difficult, or a vendor or purchaser is unable to provide satisfactory identification documents, in exceptional cases jdm may rely on the customer due diligence undertaken by the vendor or purchaser's solicitor. In order to satisfy jdm's requirements, you will need to have a copy of the following:

A Regulation 17 letter on the relevant solicitor's headed notepaper which confirms:

- that they have undertaken satisfactory client due diligence on their client i.e. the vendor/purchaser;
- such client due diligence complies with the regulatory requirements imposed on the solicitor to establish the identity of their client; and
- that they give their consent for the purposes of Regulation 17 of the Money Laundering Regulations 2007 for jdm to rely on their client due diligence.

If in doubt consult the MLRO.

## BENEFICIAL OWNERS

### Our Duty to Investigate Beneficial Ownership

Money launderers may seek to hide their identity behind nominees, or corporate or trust structures. So when we are instructed on behalf of any company, partnership, trust or other principal we must:

- check the identity the person instructing us
  - check they are authorised to act
  - take measures to understand the client, including its ownership and control structure
  - establish if there is any beneficial owner who is not the client, and take adequate measures, on a risk-sensitive basis, to verify their identity, so that we are confident about the identity of the ultimate beneficial owner(s).

Refer any nominees or corporate or trust structures to the MLRO who will verify the identity of any beneficial owners.



## RISK ASSESSMENT

### What is Risk Assessment?

- You must make enquiries about the client, the source of funds and the purpose and nature of the transaction so you can make an initial assessment of the money laundering risk. These are the normal enquiries you make of any new client.
- You are required to make a written risk assessment when completing the CDD form. But in addition

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you must continue to assess risk throughout a client relationship. Your risk assessment will determine the approach you take to CDD in general, and ongoing monitoring.

## Enhanced Due Diligence - High Risk Matters and Clients

We must carry out “enhanced due diligence” in any case where there is a high risk of money laundering. The law says that includes the following.

- We are dealing with a person established in a high-risk country.
- The client is a “politically exposed person” (known as a “PEP”), or a family member or known close associate of a PEP.
- The client has provided false or stolen information.
- A transaction is complex and unusually large.
- There is an unusual pattern of transactions, and the transaction or transactions have no apparent economic or legal purpose.

In addition you should be aware of the following risk factors which particularly apply in the context of this firm.

- Cash transactions. The firm’s policy is that we only accept cash from anyone up to a limit of £500 in any 28 day period. If anyone asks you to accept more than £500 in cash, report it to the firm’s MLRO.
- Clients who use complex corporate or trust structures to own property.
- Funds are coming from a high-risk country.
- Funds being provided by someone other than the buyer or a mortgage lender.
- A property is being rapidly re-sold, in circumstances which may suggest mortgage fraud.

In such cases discuss what extra precautions are required with the MLRO.

## Politically Exposed Persons (“PEPs”)

You must get approval from the firm’s MLRO before accepting a PEP as a client. A PEP is a person who is entrusted with prominent public functions, whether in the UK or abroad, other than as a middle-ranking or more junior official.

You should make brief enquiries to establish if a client is or may be a PEP. If you suspect they may be a PEP you must also check if:

- they have been a PEP in the recent past (certainly in the last 12 months);
- they are immediate family members of a PEP;
- they are known close associates of a PEP.

You will do this by asking any suspected PEP to complete the PEP Questionnaire which is saved on the W:/ drive in the Money Laundering folder. If in doubt as to whether or not you should use the questionnaire seek advice from the MLRO.

Before completing the anti-money laundering form you must make enquiries to check if someone is a PEP. If we agree to act for such a person you will be required to take extra measures to establish the source of wealth and the source of funds which are involved. You must also conduct enhanced ongoing monitoring of the business relationship. Seek guidance from the firm’s MLRO.

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## Simplified Due Diligence - Low Risk Clients and Matters

We do not have to check the beneficial owners of listed companies or their subsidiaries.

Generally if a client and a matter are low risk for money laundering, (for example because the client is well known and reputable, or well regulated) we may take a proportionate approach to due diligence. For example you might not ask such searching questions about the source of funds.

Needless to say simplified due diligence is not appropriate if you doubt information you have been given or you suspect money laundering. It may cease to be appropriate if the risk profile changes for the worse.



## ONGOING MONITORING

The regulations also require us to scrutinise transactions, including where necessary, the source of funds, to ensure they are consistent with our knowledge of the client, his business and risk profile. This means staying alert, and reporting any suspicious circumstances. It may also mean updating CDD documents, for example if new people become involved in a transaction. For higher risk clients, including PEPs, you must conduct enhanced ongoing monitoring. That means paying extra attention to possible causes for concern. If in doubt, seek guidance from the MLRO.

## REPORTING SUSPICIOUS TRANSACTIONS

### If in Doubt, Report

You must report anything that should give you grounds to suspect that money laundering has taken place or is being attempted, to the MLRO. If you do not do that you may commit a serious criminal offence, under s330 Proceeds of Crime Act 2002.

### Keep it Confidential: Avoid Tipping Off

If you suspect money laundering only report this to the appropriate persons within the Firm. You must not tip off the person suspected. Otherwise you may commit an offence under s333A or s342 Proceeds of Crime Act 2002.

### How to Report

- To report a suspicion of money laundering, initially simply speak to or email the firm's MLRO. If she is unavailable refer the matter to the deputy MLRO.
- Confirm your report in writing. This protects you from any possible suggestion that you did not make a report promptly. But take care to maintain strict confidentiality. For example do not leave a report on a desk where others may read it, and do not send a report to a shared email address.
- The MLRO will consider the problem and will decide whether to report the matter to the National Crime Agency (NCA).

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## Report Without Fear

Do not fear that making a report will expose you to any sanctions. Sections 337 and 338 Proceeds of Crime Act 2002 provide that a report of suspicions of money laundering is not to be taken to breach any duty of confidentiality.



## GROUNDINGS FOR SUSPICION

This section contains guidance on when you should suspect money laundering, and make a report to the MLRO.

### General

Any of the following factors may be suspicious:

- Cash. Any party (whether our client or otherwise) proposes to pay significant sums in cash.
- Unexplained transfers of funds. Paying money into our bank account and then asking for it to be paid out to another account. This may be designed to make it harder for others to trace the funds.
- Money being paid direct between the parties, and not via solicitors or agents.
- Transaction being completed by the parties without the involvement of solicitors.
- A transaction which has no apparent purpose and which makes no obvious economic sense.
- Unusual transaction. Where the transaction is, without reasonable explanation, out of the range of services one would expect to provide to that client or outside the experience of the firm.
- Secretive clients. The client refuses to provide requested information without reasonable explanation, including client identification information.
- Unusual sources of funds. Funds will normally be paid from an account in the payer's own name maintained with a recognised and reputable financial institution. If payments are made by a third party, or from abroad, this may be a concern.
- Transactions where the source of the wealth is unclear. Large amounts of money provided by a buyer who appears to have a low income.
- Insistence that a matter be completed very urgently, for no good reason.
- Properties owned by nominee companies, off shore companies or multiple owners, where there is no logical explanation.
- The seller is known to have committed acquisitive crimes (such as drugs dealing, theft or tax evasion).
- Difficulties with identification of client or beneficial owners, including reluctance to attend for identification processes, which may suggest impersonation.
- The property being bought in somebody else's name other than that of the person providing the money or making the decisions. Of course people often assist relatives with purchases. However if there is no family connection or other obvious reason why the third party is providing funding, report the matter.
- A misleading apportionment of the purchase price, with the intention of avoiding Stamp Duty Land Tax. If you discover such tax evasion after it has taken place you should make a report. Information about past tax evasion or welfare benefit fraud may also come to light, and may need to be reported.
- Breach of health and safety regulations or other laws by a seller, developer or landlord may amount to a criminal offence, which may need to be reported.

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## Mortgage Fraud

Any of the following factors may be suspicious:

- Any attempt to mislead lenders e.g. about the income of the borrower, or the value of the property.
- The use of shell companies or nominees to own property may indicate mortgage fraud.
- The rapid re-sale of property at a markedly higher price.
- Urgency. A client wants a transaction completed as a matter of urgency, for no apparent reason, or does not seem concerned to control costs.
- The buyer and seller appear to be associated (may be part of an organised gang).
- Offer of a bribe or other inducement to complete paperwork incorrectly or to over-value property.
- Buyer has not viewed the property.



## International Transactions

- Take particular care where the funds come from a jurisdiction with less rigorous anti-money laundering controls, or payment is being made in foreign currency for no good reason.
- If the client or a beneficial owner is resident in or has a substantial connection to a high-risk country, you should report that fact to the firm's MLRO who will decide what additional precautions may be appropriate.
- You should assume any country to be high-risk EXCEPT Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Israel, Japan, Republic of Ireland, Italy, Luxembourg, Malta, The Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, UK and the USA.

## Politically Exposed Persons

As mentioned above, you need approval to take on a client who is a PEP. Thereafter you must take adequate measures to establish their source of wealth and the source of funds involved in the transaction, and must conduct enhanced ongoing monitoring.

## Terrorism

Particular care should be taken where any party to a transaction is believed to have sympathies with a terrorist group.