

# Codego Limited Anti- Money Laundering and Counter Terrorist Financing Guide



## **1.Preamble**

### **1.1.Purpose and Scope**

Codego Ltd (“Codego”) is an e-money issuer. It is important to Codego to be able to identify, report and take precautions to guard against money laundering. We are required to abide by anti-money laundering (AML) legislation, which applies to all of our activities, and we have a duty to safeguard customers money. It is the policy of Codego to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorists or criminal activity.

We focus on developing a culture where the highest priority is given to ensure compliance with government regulations. This is helped by regular staff training to make sure they are aware of the law and their responsibilities.

We recognize that it is a legal requirement for us to notify the regulatory authorities whenever it has suspicions of any criminal activity by individuals engaged in a payment/money transfer transaction.

The outcomes sought from this policy, then, are that:

- We meet anti-money laundering legal requirements
- Staff are aware of and understand the AML requirements, offences and background and the process and expectations set down in this policy – and appropriate support is in place to ensure it is complied with
- We have a robust, risk-based process, which is effectively and consistently followed, to understand with whom we are dealing and any money laundering risks
- We maintain comprehensive records of anti-money laundering checks and concerns
- Money laundering suspicions are proactively and immediately reported, and ultimately, we guard against Codego becoming involved in money laundering
- safeguarding customers funds

### **1.2.Scope**

Codego’s AML policy applies to all of its staff and agents using Codego’s system for e-wallet services.

### **1.3.Codego Wider Governance Arrangements**

The AML Policy is part of Codego’s anti-money laundering framework, including its Risk Assessment on all business area’s and other security, IT and data protection policies should be read alongside this document.

## 2. Core Responsibilities and Corporate Requirements Responsibilities

**THE DIRECTOR** – The Director has direct responsibility for compliance with AML/CTF legislation and directives globally. Money laundering is the number one risk to the business and must have sufficient time devoted to its prevention and protection. The Director must ensure that the person appointed to the role of Compliance Officer is suited to its requirements and responsibilities, and that adequate resources are available to them to fulfil the business' AML policy requirements. These requirements include accreditation, training, transaction monitoring, and compulsory reporting and recording. The work of the Compliance Officer needs to be fully understood and supported by the Board, in this case the director himself. It is therefore necessary that he/she has a comprehensive knowledge of the work involved and actively reviews the output of the Compliance Officer. It is the director's responsibility to ensure that adequate procedures and processes are in place to meet business-specific Anti Money Laundering Compliance requirements.

**COMPLIANCE OFFICER** – Codego have a dedicated resource, an independent compliance officer, responsible for the AML/CTF program and its supervision – the Compliance Officer – this resource shall maintain overall responsibility.

For Codego the Compliance Officer, Nouman Hashmi, is the appointed Money Laundering Reporting Officer and Nominated Officer for the Company.

### **AML Compliance Officer Duties:**

According to the MLR Regulations, the Company designates the above named person as the Anti-Money Laundering Program Compliance Officer, with full responsibility for the Company's anti-money laundering (AML) program.

The Compliance Officer responsibilities includes but not limited to, know your Agent, know your Customer review, transaction monitoring, reporting, dealing with Law Enforcement requests, risk assessment, training and the review of procedures and policies. This covers the review of this AML/CTF Policy & Procedure Manual at least annually.

The MLRO must:

- Receive and consider internal disclosures of suspected money laundering or terrorist financing;
- Decide whether there are sufficient grounds for suspicion to pass the disclosures to NCA;
- File a suspicious activity report (SAR) with NCA where the grounds for suspicion are sufficient; and
- Liaise with NCA to deal with such matters as consent to proceed with a transaction and other disclosure issues, particularly with regards to clients or third parties.
- The MLRO will also ensure that proper AML records are kept. When warranted, the MLRO will ensure Suspicious Activity Reports are filed with the NCA.

**AGENTS & EMPLOYEES** – All management level employees and Agents, regardless of their responsibilities within the business, are to be trained at least annually. This training is conducted by the Compliance Officer or the compliance Trainer.

## Sanctions and Legislations

### 3.What is Money Laundering?

The Money Laundering Regulations require a fundamental understanding of the processes that can be involved in money laundering, and require that you respond appropriately to any knowledge or suspicions that these processes may be taking place. This section of the policy explains what money laundering is, the offences and the penalties.

Money laundering is any process whereby funds derived from criminal activity including terrorist financing are given the appearance of being legitimate by being exchanged for 'clean' money.

Participating in the handling of such funds is illegal, and it can also be illegal to become involved in them with knowledge or suspicion.

For Example: Money transmission can involve placing illegal cash with a money service business, or enabling the transfer of value by netting-off transactions in different countries without moving any money. A common practice is to split transactions into small sums, or to deposit cash into somebody else's bank account, or to make a transfer of funds on behalf of somebody else

In basic terms, the criminal wants to:

- Place money in the financial system, without arousing suspicion;
- Move money around, often in a series of transactions crossing multiple jurisdictions, so it becomes difficult to identify its original source, and then;
- Move the money back into the financial and business system, so that it appears as legitimate funds or assets.
- Money transmission can involve placing illegal cash with a money service business, or enabling the transfer of value by netting-off transactions in different countries without moving any money. A common practice is to split transactions into small sums, or to deposit cash into somebody else's bank account, or to make a transfer of funds on behalf of somebody else

Money laundering involves three stages:

- **PLACEMENT** – Placement is the first stage of the money laundering process. The aim of this process is to introduce the unlawful proceeds, aka "dirty money", into the financial system without attracting the attention of financial institutions or law enforcement.
- Placement techniques often include structuring (dividing large amounts of currency into less conspicuous smaller sums) currency deposits into amounts
- **LAYERING** – Layering is the second stage of the money laundering process. It is the process by which the proceeds of illegal activities, i.e. the "dirty money", is separated from its origins. It is done by moving funds around the financial system through a series of transactions. Create confusion and complicate the audit trail by making numerous transactions; these
- transactions may reasonably appear to have a legitimate purpose or may appear to have no reasonable, lawful purpose.

- **INTEGRATION** – Integration is the third step of the money laundering process. It may be performed individually or in conjunction with the Placement and Layering stages. Once the origin of the funds has been hidden through sufficient 'layering', the funds are imported back into the financial system.

Being involved in any of these three stages is potentially a criminal activity.

#### **4.Tackling Money Laundering**

**CATCH** is a shorthand way to remember this and it means:

1. Confirm the identity of each customer
2. Appoint an MLRO
3. Train all staff
4. Control the business by having anti-money laundering system in place
5. Hold all records for at least 5 years

#### **5.What is Terrorist Financing?**

A person or an entity commits an offence of Terrorist Financing if they;

- fund-raise or are involved in fund-raising, using or possessing money or other property for the purposes of terrorism
- conceal, transfer or remove from jurisdiction, any money or other property used to finance terrorism
- facilitate the retention or control of money, which is destined for, or is the proceeds of terrorism
- do not comply with a prohibition imposed by a freezing order or enable any other person to contravene the freezing order
- deal with, or make available funds or economic resources which are owned, controlled by or benefitting a designated person (under the Office of Financial Sanctions Implementation List)

Codego has systems in place to help identify prevent and detect money laundering and terrorist financing.

Codego always ensure that its policies, procedures and controls are implemented and kept up to date.

## **6.Legislative References**

The relevant legislation includes the latest versions of:

- Proceeds of Crime Act 2002 – This defines the money laundering offences and gives law enforcement agencies far reaching powers to deal with them.
- The Proceeds of Crime Act also creates offences of failing to make a report about suspicious activity, and tipping off any person that you've made, or intend to make, such a report. This applies to nominated officers and employees of businesses in the regulated sector, such as money service businesses.
- Money Laundering Regulations 2007 – These regulations set out the detailed requirements for organizations and individuals engaged in regulated activities.
- Terrorism Act 2000 – This defines the primary offences related to terrorist funding and requires regulated businesses to report knowledge or suspicion of offences.
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (referred to in this guidance as “the Regulations”) – make important amendments to the Proceeds of Crime Act, the Terrorism Act and the Anti-terrorism Crime and Security Act. It extends the powers of law enforcement to seek further information, recover the proceeds of crime and combat the financing of terrorism.
- Terrorist Asset-Freezing etc. Act 2010 – The Terrorist Asset-Freezing etc. Act 2010 gives HM Treasury power to freeze the assets of individuals and groups reasonably believed to be involved in terrorism, whether in UK or abroad, and to deprive them of access to financial resources.
- Anti-terrorism, Crime and Security Act 2001 – is to ensure the security of dangerous substances that may be targeted or used by terrorist and allows for freezing orders to be made against national security threats and the civil asset seizure regime for terrorism.
- Counter-terrorism Act 2008, Schedule 7 – gives powers to HM Treasury to issue directions to firms in the financial sector in relation to customer due diligence, ongoing monitoring, systematic reporting and limiting or ceasing business.

## 7. Offences

<p>Concealing, disguising, converting or transferring illicit funds or removing such funds from the UK</p>	
<p>Entering into or becoming concerned in arrangements which it is known or suspected will facilitate the acquisition, use or control of illicit funds by or for another person</p>	
<p>Acquiring, using and / or possessing illicit funds</p>	<p>It is possible the Codego and its employees could unwittingly commit these offences if Codego or its services were used by third parties to clean-up money received as proceeds of crime.</p>
<p>Failure to disclose knowledge or suspicion of money laundering to the Money Laundering Reporting Officer (MLRO) where such knowledge or suspicion is gained (or should reasonably have been gained) through the course of business</p>	<p>This offence can be committed by a failure to report a suspicion of money laundering where, based on the information available to the employee, they should reasonably have held such a suspicion. You can be guilty of an offence even if you were not suspicious or were not aware of money laundering, if a reasonable person would have been suspicious or aware. This is why it is so important that you read through this policy and the examples given in it. Although the examples are not exhaustive, if you come across anything that is similar to any of these examples, or which seems out of the ordinary, you must speak to the MLRO immediately, even if you are not suspicious yourself. (See below regarding your reporting obligations.)</p>
<p>'Tipping off', which means informing a suspect or third party that a report of suspicion of money laundering has been made to the National Crime Agency (NCA) or to our MLRO or that the suspect is being investigated</p>	<p>The offence of tipping off is committed under the legislation only when a disclosure (ie. a report) to the NCA or MLRO has been made or is contemplated, not before. So, although you must exercise caution, you must still ask appropriate questions at the outset of the transaction to ensure you understand who we are transacting with and to complete the required due diligence (See PART D, below regarding your CDD obligations). If you become suspicious of money laundering and make a report to the MLRO, it is important from the date of that report you only speak to the MLRO and your line manager about any concerns. You can then discuss with the MLRO what you can say to the people about whom you have suspicions so they are not tipped off that you are concerned.</p>
<p>Doing anything that constitutes an attempt, conspiracy or incitement to carry out money laundering or to aid, abet, counsel or procure money laundering to occur. This is the case regardless of whether the act took place within the UK or outside the UK, so we still need to be aware of potential criminal activity where we are involved in transactions involving off-shore entities. This includes any person who knowingly prejudices an investigation into potential money laundering or provides misleading information</p>	<p>Money laundering is often complex and sophisticated so that the proceeds of crime are distanced from the original criminal. To protect Codego– and you – from being found guilty of an offence, it is important you comply with this AML Policy in all your transactions involving Money Transfer / Currency Exchange, even if you consider that the potential recipient would not be directly committing a money laundering offence. This is especially the case because illicit funds are defined widely enough to catch involvement with 'regulatory' issues which are criminal in nature. For example, a failure to pay stamp duty land tax, a failure to provide source of funds or explanation of origin of funds.</p>