

# 1. Introduction

- 1.1 The Policy seeks to set out Edinburgh Whisky LTD responsibilities, procedures and controls, in order to ensure compliance with the UK's anti money laundering regime. It details the measures taken to ensure a risk based approach to the problem of money laundering and terrorist financing is applied by all relevant management and staff.

It is our policy that:

- UK legal and regulatory anti-money laundering obligations will be met in full
  - Customers' identities will be verified before doing business with them
  - Customer identification will take place in other areas on a risk sensitive basis
  - Positive management action will be exercised in order to minimise the risk of our services being abused for the purposes of laundering funds
  - Where customer identification cannot be achieved we will not continue our business relationship
  - Transactions with individuals or businesses whose conduct gives rise to suspicion of involvement with illegal activities will be reported to the National Crime Agency and will not proceed without consent from the NCA. In the absence of such consent our relationship with such individuals or businesses will be terminated forthwith.
- 1.2 Sonny Charles as the MLRO of Edinburgh Whisky LTD has responsibility for ensuring that the firm complies with the requirements of 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, the Proceeds of Crime Act 2002 and the UK's terrorism legislation. These policies and procedures must be adhered to by all management and staff and will enable the firm to demonstrate to supervisors that effective risk based procedures are in place.

## 2. Assessment of Risk

2.1 The management of Edinburgh Whisky LTD has reviewed the attendant money laundering and terrorist financing risks within the firm and has concluded that there is a risk of the firm being used to facilitate money laundering. The firm starts from the premise that the vast majority of customers are conducting legitimate business and will apply a risk based system whereby customers or services which are adjudged to pose a greater risk will be subject to more stringent due diligence prior to the firm conducting business with them.

The firm has established procedures to address those risks, encompassing the following:

- Customer due diligence
- Monitoring and controls
- Record keeping
- Training
- Disclosure of suspicious activity

2.2 Each transaction is to be deemed as carrying a risk and the procedures have been established to satisfy the Regulations on that basis. Risk assessment needs to be a dynamic ongoing process applicable to the risks which apply to the firm. As methods used by money launderers change over time, these procedures will be regularly assessed by management in conjunction with the Nominated Director / Money Laundering Reporting Officer (MLRO) to ensure their ongoing effectiveness.

### 3. What is Money Laundering?

- 3.1 Money laundering is the term used to describe the process by which criminals try to hide the origins of the proceeds of their crimes, making it look like those proceeds were acquired legitimately. Similar processes are often used by those seeking to disguise the source of terrorist funds.
- 3.2 Money laundering can take a number of forms:
- Handling the proceeds of crime
  - Being directly involved with criminal or terrorist property
  - Entering into arrangements to facilitate the laundering of criminal or terrorist property
  - Investing the proceeds of crime into other financial products, property purchase or other assets
- 3.3 Members of staff can be caught up in the commission of money laundering offences if they suspect money is being laundered and either become involved in the illegal act in some way or do not report their suspicions in the prescribed manner.

## 4. Duties under the The Money Laundering, Terrorist Financing & Transfer Of Funds (Information on the Payer) Regulations 2017 as amended 2019

4.1 Edinburgh Whisky LTD has put in place money laundering controls in order to anticipate and prevent the business being used by criminals to launder money or to fund terrorism.

Specifically, we will:

- Verify the customer's identity before entering into a business relationship or carrying out an occasional transaction; electronic verification will be undertaken using the Veriphy system
- The Veriphy system is registered with the Information Commissioner's Office, Registration Number Z9851928
- The Veriphy system uses this range of positive information sources:
  - Full Electoral Roll
  - 12 Years Historic Electoral Roll
  - Telephone Number Database
  - Extensive Dates of Birth File
  - Financial Data from Experian/Equifax/LexisNexis
  - Registers of Scotland Data
  - Directors Register (UK)
  - Shareholder Register
  - GB Driving Licence Verification
  - UK and International Passport Verification
  - NI Number Verification
  - Register of Births

The Veriphy system accesses the following negative information sources:

- General Register Office Death Registration Information - employed to identify Impersonation of the Deceased (IOD) fraud
- Halo (commercially aggregated mortality database) - employed to identify IOD fraud
- International Sanction Files
- Politically Exposed Person (PEP) Database
- Smartdepart Gone Away File

- We will enter into the Veriphy system the following client information: full name, date of birth, details of address, and, where available, details of passport, GB driving licence, and/or NI numbers
- Conduct ongoing monitoring of the business relationship appropriate to our knowledge of the customer
- Keep records of our verification and transactions for at least 5 years after the business relationship has ended
- Put in place checks, controls and procedures to anticipate and prevent money laundering and terrorist financing
- Train any and all appropriate staff in the procedures and legal requirements relating to money laundering and terrorist funding at induction and at least annually
- Appoint a Nominated Director / Money Laundering Reporting Officer who will receive any internal reports of suspicious activity and, if necessary, forward such reports to the National Crime Agency (NCA)

4.2 These requirements under the Regulations will be carried out on a risk sensitive basis taking into account the type of business we transact and the actions implemented will cater for the risk which has been assessed.

## 5. Customer Due Diligence

5.1 Customer Due Diligence will be carried out when:

- A new customer is acquired
- An occasional transaction is carried out
- There is suspicion of money laundering or terrorist financing
- There are doubts about previously obtained customer information
- A risk assessment on an individual customer deems it necessary

5.2 In every circumstance, a new customer's identity will be confirmed using an electronic check utilising the Veriphy system.

5.3 In every circumstance, a new customer will be checked against the Politically Exposed Persons (PEP) file, the UK Sanctions list and the US Office of Foreign Assets Control. These checks are integral to the Veriphy AML check, and possible matches will be displayed. The information included in such matches will allow discounting of false positives. Acceptance of PEPs as clients will necessitate the approval of Senior Management. All such clients will require Senior Management scrutiny of transactions in which they have involvement. This will entail enhanced due diligence to ascertain the source of funds for any such transaction. Where a match against the Sanctions list is returned, the MLRO will be informed so that additional online searches of the relevant database may be made, in order to confirm or discount the match. If the match is confirmed the relationship will be terminated and the NCA informed. If the match is discounted, the MLRO will make a report detailing the reasons for discounting the match.

5.4 If these checks are carried out using Veriphy's electronic money laundering check, then the following procedure should be adopted. The customer information which will be gathered will be:

- Customer Gender
- Customer's Date of Birth
- Customer's Title (e.g. Mr, Mrs, Ms, and Miss etc.)
- Customer's First Name
- Customer's Surname
- Customer's Current Address including Postcode

Further additional information may be supplied, including:

- Additional Names (e.g. Customer's Middle Name(s))
- Driver's Licence Information
- Passport Information
- National Insurance number

## 5. Customer Due Diligence (cont.)

5.5 The customer **must** be verified prior to the firm undertaking business with them and the customer will be told that this check is being undertaken to comply with the requirements of the Money Laundering Regulations.

5.6 The results of the electronic money laundering check will be stored in the customer file and will be retained for at least 5 years after the end of the business relationship.

5.7 Where a potential customer is shown to be on either the Sanctions lists or the PEP file, the Nominated Director / Money Laundering Reporting Officer will be informed immediately. It is a criminal offence to make funds available to targets on the sanctions list. Where a check flags up that a person may be a PEP, enhanced due diligence will be required. In both instances, guidance should be sought from the Money Laundering Reporting Officer before any action is taken.

5.8 Where an electronic verification fails to identify the customer, but there are no records of the customer on either the Sanctions lists or the PEP file, the following procedure will be followed:

- Confirm the customer details have been registered correctly
- Confirm whether the customer has moved recently and check any previous addresses
- Request any additional data, as set out in 5.4 above, obtained from copy ID documents
- Re-submit the electronic check with the amended data

If the check still fails, but there are no suspicious circumstances, documentary evidence can be gathered in line with the Regulations (Appendix II). All instances where the customer could not be verified will be retained and held on file.

5.9 Where documentary evidence also fails to confirm the identity of the customer, the Money Laundering Reporting Officer will be informed immediately in order that consideration may be given to reporting to NCA.



## 5. Customer Due Diligence (cont.)

In these circumstances the customer will not be informed of any delay in the transaction nor that they have been reported to the Money Laundering Reporting Officer.

Where the customer is not met in person, we will apply an additional verification check to manage the risk of impersonation fraud. The additional check may include:

- telephone or video call contact with the customer prior to opening the account on a home or business number which has been verified (electronically or otherwise)
- communicating with the customer at an address that has been verified

5.10 Where a customer is a partnership, a private company or a listed company, the identity of the entity will be confirmed by reference to their registration number and the registered address. For UK limited companies and LLPs, a check will be made using the Veriphy system to obtain a company report showing details of company activity, structure, and ownership. The company report will show, where available: company summary, identification, credit score, credit limit, contact information, director details, share capital structure, group structure, financial statements, Profit & Loss account, balance sheet, ratios, negative information (CCJs, bankruptcies), payment information, company status (dissolution, compulsory strike off, winding up etc), filing history (returns, appointments etc), web address.

Individual AML checks will be undertaken on those with beneficial ownership greater than 25%, and on individuals who otherwise are acting on behalf of the entity in its relationship with Edinburgh Whisky LTD

The ability of the individual to act on behalf of the entity will also be confirmed where it is deemed appropriate by the Money Laundering Reporting Officer. Details of proof of beneficial ownership and records of Persons with Significant Control should be collected and checked, and senior managers should be identified in cases where beneficial owners cannot be identified.

For partnerships, details of the following will be obtained and checked using Veriphy: full names and addresses of all partners who exercise control over the management of the partnership, and all names and addresses of individuals who own or control over 25% of

its capital or voting rights. Membership of relevant professional associations will also be confirmed.

In relation to trusts, the following will be obtained:

- Name of settlor
- Full name of trust
- Nature, purpose, and objects of trust
- Country of establishment
- Names of all trustees
- Names of beneficiaries
- Names of any protector or controller

These should be verified using a copy of the trust deed as certified by an authorised person, usually a lawyer. We will check with the relevant professional association to confirm the authority of the certifier.

The identity of the person we are dealing with in relation to the trust will be verified, and their authority to act confirmed. We will also verify the identities of beneficiaries and settlors of the trust.

In relation to the estates of deceased persons in the course of administration, the beneficial owner is the executor or administrator for the time being. Court documents granting probate or letters of administration will be seen to prove authority, and their identities will be verified.

Where assets are being dealt with under a power of attorney, the identity of the person having such power should be verified, as well as that of the donor.

- 5.11 An individual is a beneficial owner if they own 25% or more of the entity. A beneficial owner means the person who ultimately owns or controls the customer or on whose behalf a transaction or activity is being conducted. The fact that the firm adequately identifies the beneficial owner in any transaction is important as money launderers will often seek to use third parties to carry out transactions on their behalf. Firms need to understand the structure of ownership and control and record any difficulties

encountered. Any discrepancies in information with that held on the registers should be reported to Companies House.

- 5.12 Enhanced Due Diligence must be carried out where appropriate. Enhanced due diligence means that where there is a higher risk present, the firm must take steps to obtain additional information about the customer, such as further proof of identity or more information about the customer's background or business. In addition, the firm needs to ensure that we only seek such information as is needed to carry out this process, that we do not keep the information longer than is necessary and that the information is kept up to date. All such instances should be referred to the Money Laundering Reporting Officer for guidance on how to proceed.

## 5. Customer Due Diligence (cont.)

Those circumstances where it is appropriate are:

- Where a customer is not physically present (non face to face)
- Where a customer or an immediate family member has the potential to be a politically exposed person (PEP). The definition of politically exposed person (PEP) is taken as an individual with a high-profile political role, or who has been entrusted with a prominent public function. They present a higher risk for involvement in money laundering and/or terrorist financing because of the position they hold, which might be government official, political party official, senior executive, or relative or close associate of the preceding.
- Where a customer is reluctant to provide satisfactory identification
- Where the customer appears to be acting for an unidentified third party
- business from abroad, particularly tax havens, high risk third countries or countries with high levels of corruption, or where terrorist organisations operate
- corporate entities that have a complex ownership structure or a cross border element

5.13 The above is not an exhaustive list and staff should be aware that the methods used by money launderers change regularly. Anything which makes staff suspicious should be referred to the Money Laundering Reporting Officer for advice. Staff should always utilise common sense and experience when faced with an unusual situation.

5.14 The enhanced due diligence measures taken must include:

- Obtaining additional information on the customer and on the customer's beneficial owner
- Obtaining additional information on the intended nature of the business relationship
- Obtaining information on the source of funds and source of wealth of the customer and of the customer's beneficial owner
- Obtaining information on the reasons for the transactions
- Obtaining the approval of the Money Laundering Reporting Officer for establishing or continuing the business relationship
- Conducting enhanced monitoring of the business relationship by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination

## 6. Monitoring and Controls

- 6.1 All Customer Due Diligence checks will be carried out and will be retained in the appropriate file
- 6.2 Any reports on suspicious activity will be reported to the Money Laundering Reporting Officer immediately, by completion of the internal reporting form (Appendix 1).
- 6.3 The Money Laundering Reporting Officer will ensure that all appropriate staff are aware of the procedures.
- 6.4 Awareness and understanding of the procedures will form part of the employee's performance assessment.
- 6.5 The Money Laundering Reporting Officer will inspect a sample of the customer files to ensure compliance with the Regulations on a regular basis.
- 6.6 The Money Laundering Reporting Officer will report to the management of Ednburgh Whisky LTD on the continuing adherence to the Policy and will specifically report any deficiencies which have been identified, along with the actions required to rectify the situation.
- 6.7 The Money Laundering Reporting Officer will regularly review existing customers and conduct ongoing monitoring including further due diligence where necessary so that the firm can monitor changes in the circumstances and behaviour of those customers. If any member of staff becomes aware in the course of business that there has been a change in a customer's circumstances, the matter should be brought to the attention of the Money Laundering Reporting Officer.

## 7. Record Keeping

- 7.1 All records of electronic money laundering checks on customers, or copies of documents obtained will be retained and held for 5 years after the end of the business relationship or from the date on which the transaction was completed.
- 7.2 All supporting documentation obtained as part of the Customer Due Diligence process will be retained in the appropriate file for 5 years after the end of the business relationship or from the date on which the transaction was completed, as will all transaction records relating to customers.
- 7.3 All internal reports of suspicious activity together with records of reports made to NCA will be retained by the Money Laundering Reporting Officer. Staff should not keep such records on the customer file as there is a danger that the criminal offence of Tipping Off could be committed if the customer is made aware that a report has been made.

## 8. Training

8.1 Relevant staff will receive training in both the law relating to money laundering and terrorist financing and in how to recognise and deal with suspicious transactions.

8.2 Staff training will cover:

- The relevant money laundering legislation including the Regulations, the Proceeds of Crime Act 2002 and Terrorism Act offences
- The policies and procedures which have been established by Edinburgh Whisky LTD
- The assessment of risk which has been established
- The responsibilities of staff for the prevention of money laundering
- The process for undertaking the Customer Due Diligence checks
- How to recognise suspicious transactions and activities
- The documents and procedure for making a report to the Money Laundering Reporting Officer
- The disclosure of suspicious activity and obtaining consent from NCA
- The requirement to keep all information confidential

8.3 All existing relevant staff will be trained and all new staff will be trained as part of their induction programme.

8.4 Confirmation that the individual staff members understood the training will be recorded.

8.5 A record of all staff who have been trained will be retained.

8.6 All staff will be informed of the procedures and the monitoring process for ensuring continuing compliance.

## 9. Disclosure of Suspicious Activity

- 9.1 Any member of staff who knows, or has reasonable grounds to suspect that a customer is engaged in money laundering or terrorist activity will report those suspicions to the Money Laundering Reporting Officer. This would include any suspicious approaches even where no transaction takes place.
- 9.2 The Money Laundering Reporting Officer will consider the report and decide whether to pass the suspicions to NCA. If the transaction has not yet taken place, the Money Laundering Reporting Officer can ask NCA for consent to proceed. If for any reason, suspicion arises after a transaction takes place or after the customer's business has been accepted, the Money Laundering Reporting Officer will still make a report to NCA and staff should refer to the Money Laundering Reporting Officer for advice on how to proceed.
- 9.3 There are a number of situations where suspicion may arise, again this is not an exhaustive list:
- Checking a new customer's identity is difficult
  - There is reluctance from a new customer to provide details of their identity
  - There is no obvious reason for the customer to be trading with Edinburgh Whisky LTD
  - There is a change in the pattern of transactions carried out by an existing customer
  - The size of the transaction is not consistent with previous activity
  - The financial circumstances of an existing customer have changed dramatically
  - Money is paid by a third party who has no obvious link with the transaction
  - There is an unusually large cash transaction
- 9.4 Once the Money Laundering Reporting Officer has been notified of a suspicious transaction, any subsequent transactions by that customer will be reported to the Money Laundering Reporting Officer.



## 9. Disclosure of Suspicious Activity (cont.)

- 9.5 If the Money Laundering Reporting Officer decides not to report the case to NCA, the rationale will be documented and retained by the Money Laundering Reporting Officer.
- 9.6 The reporting format is set out in Appendix 1. The first part of the report is completed by the member of staff who identifies the suspicions. The form is then completed by the Money Laundering Reporting Officer.
- 9.7 Reports to NCA can be made using a number of methods which are found on the NCA website, [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk). The preferred method is by using the SARs online system and the process for using the system and other methods of reporting can be found on the website. The Money Laundering Reporting Officer will deal with all such issues and once a member of staff has reported suspicions then they may not take any further action without reference to the Money Laundering Reporting Officer.
- 9.8 If NCA refuses to provide consent, we will not proceed with the transaction.
- 9.9 Under no circumstances will a staff member disclose to anyone anything concerning a case which has been referred to the Money Laundering Reporting Officer or to NCA.
- 9.10 All staff will be aware that they cannot divulge to a customer that:
- The transaction is being or was delayed because a suspicious activity report was made
  - Details of the transaction have or will be reported to NCA
  - They are being investigated by law enforcement agencies

## 10. Money Laundering Reporting Officer

10.1 The representative of Edinburgh Whisky LTD who will act as the Money Laundering Reporting Officer is:

Sonny Charles

Edinburgh Whisky LTD

Address: 4 Hope Street, Edinburgh, EH2 4BD

Telephone: 0131 322 1234