

## COMPANY NOTARY LIMITED ('CNL')

### ANTI-MONEY LAUNDERING, TERRORIST FINANCING AND SANCTIONS POLICY

18 October 2023

#### Glossary

AML	Anti-Money Laundering
CDD	Client Due Diligence
Criminal Conduct for the purposes of POCA	Conduct that constitutes an offence in any part of the UK or conduct outside of the UK that would constitute a criminal offence in the UK attracting a maximum sentence of more than 12 months' imprisonment.
Criminal Property for the purposes of POCA	property that constitutes or represents a person's benefit in whole or in part from criminal conduct whether directly or indirectly. All crimes are covered and there is no de minimis
CTF	Counter-Terrorist Financing
EDD	Enhanced Due Diligence
ISAR [ <i>applicable only if you have staff</i> ]	Internal suspicious activity report to the Nominated Officer
Legal Sector Guidance	Legal Sector Affinity Group Anti-Money Laundering Guidance for the Legal Sector, including in particular Part 2 (c) which applies specifically to notaries, as updated from time to time.
MLR	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended)
NCA	National Crime Agency
Nominated Officer	Individual responsible for compliance with the MLR, also known as MLRO
Notary	Those notaries who perform notarial acts through Company Notary Limited (whether under the brands Company Notary or Family Office Notary)
PEP	A politically exposed person, an individual who is entrusted with a prominent public function. Includes family members, known close associates of a PEP and PEPs in the UK
POCA	The Proceeds of Crime Act 2002 (as amended)
RDD	Regular Due Diligence
Sanctions	The financial and trade sanctions measures made under powers contained in the Sanctions and Anti-Money Laundering Act 2018 (SAMLA).
SAR	Suspicious Activity Report to the NCA
SDD	Simplified Due Diligence
TA	The Terrorism Act 2000

#### 1 Introduction

- 1.1 This policy contains the policies, controls and procedures we have adopted to comply with our obligations under the MLR and in respect of Sanctions.

## ANTI-MONEY LAUNDERING, TERRORIST FINANCING AND SANCTIONS POLICY

18 October 2023

- 2 Definition of money laundering and terrorist financing**
- 2.1 Money laundering is the process through which the origin of the proceeds of crime is changed so that the proceeds appear to be legitimate.
- 2.2 Terrorist financing is providing or collecting funds to be used to carry out an act of terrorism.
- 3 The role of a Notary in the AML and CTF regime**
- 3.1 A Notary Public is an independent legal professional for the purposes of the AML and CTF regimes.
- 3.2 Notary Public's have obligations under the AML and CTF regimes to spot and report money laundering and terrorist financing. CNL and its Notaries have Sanction obligations. Failure to meet these obligations can lead to criminal penalties, substantial fines and damage to reputation.
- 4 The stages of Money Laundering.**
- Placement**—placing criminal property into the financial system
- Layering**—moving money that has been placed in the financial system to obscure its origin
- Integration**—the money ultimately reappears in the financial system as legitimate funds
- Our notarial practice is at greatest risk of becoming involved in the layering stage but could be involved in any stage.
- 5 Red Flags**
- 5.1 We are alert to the warning signs of money laundering, Sanctions violation and terrorist financing and we are obliged to make the sort of enquiries that a reasonable person with the same qualifications, knowledge and experience as I would make.
- 5.2 Typical signs (Red Flags) of money laundering, Sanctions violation and terrorist financing can be:
- 5.2.1 obstructive, evasive or secretive clients
- 5.2.2 clients who do not appear to be running the transaction
- 5.2.3 corporate clients that we can't find online or that use free email addresses
- 5.2.4 clients who have unusual knowledge of the AML, Sanctions and CTF regimes
- 5.2.5 clients based a long way from us with no apparent reason for instructing
- 5.2.6 clients who provided false or stolen identification documentation
- 5.2.7 clients or instructions involving high-risk third countries—which means a country that has been identified by the UK government as high risk. See [www.gov.uk/government/publications/money-laundering-advisory-notice-high-risk-third-countries--2/hm-treasury-advisory-notice-high-risk-third-countries](http://www.gov.uk/government/publications/money-laundering-advisory-notice-high-risk-third-countries--2/hm-treasury-advisory-notice-high-risk-third-countries)
- 5.2.8 clients with a strong connection to countries in respect of which Sanctions are in force;
- 5.2.9 individuals or organisations that are listed on the Sanctions list provided by UK Government;
- 5.2.10 corporate clients with unusual or excessively complex structures
- 5.2.11 long-term clients that start making requests that are out of character
- 5.2.12 clients who request arrangements that do not make commercial sense
- 5.2.13 client who have criminal associations
- 5.2.14 instructions that change for no logical reason
- 5.2.15 clients who want to pay higher fees than usual
- 5.2.16 clients who put a member of the CNL team under undue pressure to meet them and witness their signature via video conference (accepting the Faculty Office has issued

## ANTI-MONEY LAUNDERING, TERRORIST FINANCING AND SANCTIONS POLICY

18 October 2023

guidance in 2023 relaxing the need for face to face in certain instances, but the need for diligence and discernment in these cases remains)

5.2.17 clients who put a member of the CNL team under pressure to relax our usual identity verification procedures or to accept unusual documents in support of verification when we do not feel comfortable to do so or it does not make sense

### 6 Money laundering offences under POCA

6.1 The principal offences - Carry a maximum penalty of 14 years' imprisonment, a fine or both.

6.1.1 POCA section 327

An offence is committed if someone conceals, disguises, converts, transfers, or removes from the UK criminal property. This includes concealing or disguising its nature, source, location, disposition, movement, or ownership or any rights with respect to it.

6.1.2 POCA section 328

An offence is committed if someone enters into or becomes concerned in an arrangement which they know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another

6.1.3 POCA section 329

An offence will be committed if someone acquires, uses, or has possession of criminal property.

6.2 The Regulated Sector Offence of Failure to Disclose

**6.2.1 Failure by a staff member to make an ISAR to the Nominated Officer where they know or suspect money laundering is an offence which is punishable by up to 5 years imprisonment, a fine or both.**

6.3 Tipping-off and prejudicing an investigation

6.3.1 An offence will be committed if someone discloses that they, or anyone else has made an ISAR to the Nominated Officer or a SAR to the NCA of information which came to them during business, and that disclosure is likely to prejudice any investigation that might be conducted.

6.3.2 The offence of prejudicing an investigation will be committed if someone discloses that an investigation is being contemplated or carried out and that disclosure is likely to prejudice that investigation.

### 7 Terrorist financing offences

7.1 The TA introduces offences like those contained in POCA, for example, the offences of use or possession or laundering money for terrorist purposes, becoming involved in an arrangement which you suspect can be used for terrorist purposes, and tipping-off. It also has a specific offence for fundraising for terrorist activities.

### 8 MLR

8.1 The MLR require CNL to introduce policies, procedures and controls to combat money laundering and terrorist financing. They apply to notaries in relation to certain types of work only (conveyancing / probate). Failure to comply with the MLR can carry a maximum penalty of two years' imprisonment, a fine or both. **CNL does not undertake work which requires these systems of controls to be put in place.**

### 9 Reporting suspicions – a SAR

9.1 POCA and TA impose obligations to report knowledge or suspicion of money laundering or terrorist financing by way of a SAR.

9.2 Knowledge and Suspicion

## ANTI-MONEY LAUNDERING, TERRORIST FINANCING AND SANCTIONS POLICY

18 October 2023

'Knowledge' under POCA means actual knowledge.

'Suspicion' is a possibility which is more than fanciful. A vague feeling of unease will not suffice. There is no requirement for the suspicion to be clear or firmly grounded on specific facts, but there must be a belief which is beyond mere speculation. The test for whether you hold a suspicion is generally subjective, but there is an objective element to the test, i.e. would a reasonable person, with the same knowledge, experience and information, have formed a suspicion.

- 9.3 After a SAR has been lodged with the NCA they have seven working days following receipt to decide whether to give consent. If they give consent, or do not refuse consent, the person lodging has a defence to a principal money laundering or terrorist financing offence so that person can continue to act within the limits of the consent requested. If the NCA refuse consent they have a further 31 days to take action. If the person lodging hears nothing within this period, they are deemed to have consent. In exceptional circumstances the NCA may apply to court under the provisions of the Criminal Finance Act 2017 to extend the period for further 31-day periods, up to a maximum of 186 days over the original 31 days.

### 10 CDD and Procedures

- 10.1 CDD is required when one of our notaries is instructed to act on the types of transaction listed in Regulation 12 of the MLR (set out below in subclauses numbered 10.1.1 – 10.1.5) and the exemptions set out in the Legal Sector Guidance, in particular those set out in Part 2(c) do not apply:
- 10.1.1 **The buying and selling of real property or business entities;**
  - 10.1.2 **The managing of client money, securities or other assets;**
  - 10.1.3 **The opening or management of bank, savings or securities accounts;**
  - 10.1.4 **The organisation of contributions necessary for the creation, operation or management of companies;**
  - 10.1.5 **The creation, operation or management of trusts, companies or similar structures.**
- 10.2 The Legal Sector Guidance, which is approved by HM Treasury, states in Part 2(c) that **the MLR do not apply to work undertaken by a notary acting solely as a public certifying officer where he or she has no substantive role in the underlying transaction.** As such, the MLR does not apply to the vast majority of our notarial practice activities, including the taking of affidavits and declarations, protests, translating, certifying the execution of documents and authentication work in general. Although the MLR will not apply to work of that nature, as our Notaries offer notarial services, each Notary is still subject to obligations under the Notaries Practice Rules and Code of Practice positively to identify intervening parties and to keep records of the means of identification employed. Our Notaries will determine with each new instruction whether the MLR will apply and will undertake CDD as required.
- 10.3 There are four components of CDD:
- 10.3.1 identifying and verifying the client's identity
  - 10.3.2 identifying the beneficial owner where this is not the client
  - 10.3.3 obtaining details of the purpose and intended nature of the business relationship
  - 10.3.4 conducting ongoing monitoring of business relationships with my clients.
- 10.4 There are three levels of CDD:
- 10.4.1 simplified due diligence (SDD)
  - 10.4.2 enhanced due diligence (EDD)
  - 10.4.3 regular due diligence (RDD)
- 10.5 Beneficial owners

## ANTI-MONEY LAUNDERING, TERRORIST FINANCING AND SANCTIONS POLICY

18 October 2023

Where the client is beneficially owned by another person and if MLR applies, our notaries will take reasonable measures to verify the identity of the beneficial owner to be satisfied that they know who they are, and if the beneficial owner is a trust, company, foundation or similar entity, they will take reasonable measures to understand the ownership and control structure of that entity

10.6 Person acting on the client's behalf

Where a person is purporting to act on behalf of the client and if MLR applies, our Notaries will verify that they are authorised to act on the client's behalf, identify them, and verify their identity based on documents or information obtained from a reliable independent source.

10.7 Our Notaries will conduct CDD, if required:

10.7.1 when we establish a business relationship with a client

10.7.2 when our Notaries carry out an occasional transaction for a client

10.7.3 when we or our Notaries suspect money laundering or terrorist financing

10.7.4 when our notaries doubt the authenticity or adequacy of documents or information previously obtained for the purposes of identification or verification

10.7.5 where the client has not been in regular contact for three years or more

10.7.6 in relation to existing clients, when their circumstances change.

10.8 We determine the extent of our CDD measures on a risk-sensitive basis, depending on the type of client, business relationship and the matter. We must also be able to demonstrate to the Faculty Office, our supervisory body, that the extent of our CDD measures are appropriate in view of the risks of money laundering and terrorist financing identified in CNL firm-wide risk assessment and as identified by the Faculty Office.

10.9 CNL has a policy that our Notaries will not undertake work as notaries which fall within the list of transaction types set out in Regulation 12 of the MLR.

10.10 We do not usually conduct the full CDD process for each new matter open for an existing client. If the instructions have changed from the usual instructions we receive from that client, we start again from the beginning and re-assess the risk presented by the business relationship with that client. Once the risk assessment is complete, we decide what level of CDD to apply and what information and documentation we need from the client or from independent sources.

10.11 Sometimes clients are unable to provide standard verification documents, but if that is consistent with the client's profile and circumstances and we are not suspicious, then our Notaries consider accepting other forms of documentation from that client.

### 11 CDD records

If we are required to conduct CDD on a client, we keep a copy of our risk analysis form and the supporting records. The documents are retained in line with my document retention policy.

### 12 CDD—different levels of CDD (if MLR applies to the transaction/activity)

12.1 Simplified due diligence (SDD)

SDD is a downwards adjustment of the level of measures we take to comply with CDD requirements where the business relationship or transaction presents a low risk of money laundering or terrorist financing. We must take into account CNL's firm-wide risk assessment, information provided by the Faculty Office and the risk factors set out in the MLR.

12.2 Enhanced due diligence (EDD)

EDD is high-level measures required to mitigate the increased risk presented by certain

## ANTI-MONEY LAUNDERING, TERRORIST FINANCING AND SANCTIONS POLICY

18 October 2023

clients and certain transactions. We apply EDD measures and enhanced ongoing monitoring in any case identified as presenting a high risk of money laundering or terrorist financing in CNL's firm-wide risk assessment or by the Faculty Office, in any transaction with a person based in a high-risk third country, where the client is a PEP, where a client has provided false or stolen identification documentation and where we do not meet (in person or e-meet) new clients (outside of Covid-19 protocols or well established clients).

We use internet search engines to determine whether a client or its beneficial owner is a PEP.

For transactions involving PEPs we:

12.2.1 consider whether there are any warning signs of corruption,

12.2.2 consider whether there is any evidence that government or state funds are being used inappropriately

12.2.3 take adequate measures to establish the source of wealth and the source of funds which are involved in the proposed business relationship or transaction

12.2.4 conduct enhanced ongoing monitoring of that client

For all other (non-PEP) high-risk clients we:

12.2.5 as far as we can, examine the background and purpose of the transaction

12.2.6 increase ongoing monitoring

12.2.7 seek additional independent, reliable sources to verify information provided by the client

12.2.8 take additional measures to understand the background, ownership and financial situation of the client and other parties to the transaction

12.2.9 increase the monitoring of the business relationship.

12.3 Regular due diligence (RDD)

We apply RDD when SDD and EDD are not appropriate.

### 13 CDD—beneficial owners (if MLR applies to the transaction / activity)

13.1 Where the client is beneficially owned by another person, we:

13.1.1 identify the beneficial owner (being anyone who directly or indirectly holds more than 25% of the share capital or voting rights of the entity) and take reasonable measures to verify their identity and if the beneficial owner is a trust, company, foundation or similar entity arrangement, take reasonable measures to understand the ownership and control structure of that entity.

13.1.2 we obtain at least their name and record any other identifying details which are readily available or ask my client for the information. We assess the verification we need, considering the client's risk profile, any business structures involved and the proposed transaction.

### 14 CDD—source of funds

14.1.1 Scrutinising the source of funds is more than asking for the money to come from a bank account in the clients' name. We focus on understanding how the client can legitimately fund the transaction.

14.1.2 If we have any concerns about the source of funds, the notary concerned will consider whether SAR should be submitted.

### 15 Where we cannot conclude the CDD exercise (if MLR applies)

15.1 We:

15.1.1 do not carry out a transaction through a bank account with the client or on their behalf

15.1.2 do not establish a business relationship or carry out an occasional transaction with

**ANTI-MONEY LAUNDERING, TERRORIST FINANCING AND SANCTIONS POLICY**

**18 October 2023**

the client

15.1.3 terminate any existing business relationship with the client

15.1.4 do not accept or return funds from the client or on the client's behalf

15.1.5 consider whether our Notary should submit a SAR to the NCA.

**16 CDD—Reliance**

16.1 The MLR allow us to rely on a third party for the required CDD measures, however:

16.1.1 they are very specific about exactly who we can and cannot rely on

16.1.2 we remain liable for any failure in the third parties' application of those measures

16.1.3 we are required to obtain from the third party all the information needed to satisfy CDD requirements and enter written arrangements with that third party which enable me to obtain copies of any relevant documents and require the third party to retain those documents

16.2 The provisions work both ways and we can be relied on by other companies to perform CDD measures on a mutual client. However, agreeing to reliance is a serious matter. Any such requests from other companies are considered carefully. In many instances, our client is not the same client as theirs in the transaction, and our position as a public certifying officer may mean that the MLR do not apply to my role in the transaction and I have not been obliged to collect the information required to satisfy CDD.

**17 CDD—ongoing monitoring (if MLR applies)**

17.1 Ongoing monitoring must be performed on all matters to detect unusual or suspicious transactions. We conduct ongoing monitoring by keeping in regular contact with our clients and we revisit the CDD we hold on them, every three years.

**18 Payment of fees and receipt of transaction funds from a third party**

18.1 Where we cannot verify the source of the funds for a transaction or where there does not appear to be a legitimate reason for a third party to be paying, this may be a warning sign of money laundering or terrorist financing.

18.2 If the funds for a transaction or for my fees are coming from a third party, we check that the funds are coming from a legitimate source for legitimate reasons.

**19 Payments, including Cash payments**

19.1 CNL does not intervene in any payments relating to a transaction a notarial act relates.

19.2 CNL only receives payments from clients for the performance of notarial acts and related disbursements and expenses.

19.3 We have a policy of never accepting cash, save in relation to Notary fees in rare instances (i.e our iZettle, Go Cardless or if our SQUARE POS fails to read a credit card).

**20 Training and awareness**

All relevant employees and consultants will be trained on the law relating to money laundering, terrorist financing and Sanctions at least every 2 years. All notaries in the practice will complete accredited training annually.

**21 Sanctions Policy**

21.1 CNL is committed to complying with all Sanctions laws applicable to our notarial activities.

21.2 This policy applies to all persons working for CNL or on our behalf in any capacity, including employees at all levels, directors, officers, agency workers, seconded workers, volunteers, interns, agents, contractors, external consultants, third-party representatives and business partners.

21.3 The CNL director has overall responsibility for:

**ANTI-MONEY LAUNDERING, TERRORIST FINANCING AND SANCTIONS POLICY**

**18 October 2023**

- 21.3.1 ensuring this policy complies with CNL's legal and ethical obligations, and that all those under our control comply with it;
  - 21.3.2 implementing this policy, monitoring its use and effectiveness, dealing with any queries about it, and auditing internal control systems and procedures to ensure they are effective;
  - 21.3.3 reviewing the Sanctions policy bi-annually and in providing training to team members
  - 21.3.4 provide legal advice and guidance on specific situations on request, including on resolution of issues and red flag reviews;
- 21.4 Where we have reasonable cause that a client (individual or organisation) may be affected by the Sanctions lists, or if the notarial act s to be used in a country for which there are Sanctions in place, the Notary is expected to ask questions and carry out his/her own diligence before proceeding with accepting the client as a CNL client or performing notary activities.
- 21.5 There are several issues which should cause our Notaries to conduct further investigation into whether a particular transaction or relationship may present a potential Sanctions regulatory issue. All Notaries shall look for these 'red flags' or suspicions that may indicate the direct or indirect involvement of a restricted territory, restricted party, controlled item, service, end-use or any other sanctions compliance concern
- 21.6 CNL has determined that it's risk assessment is low and that consulting the consolidated Sanctions lists provided by HM Government (Treasury) is the principle diligence tool. Notaries are aware of this list and how to access the live version using <https://sanctionssearchapp.ofsi.hmtreasury.gov.uk>
- 21.7 All CNL team members have the obligation to read and comply with this policy, to understand and identify any red flags that may arise and to escalate potential compliance concerns relating to sanctions to the CNL Director. They should not take any actions prior to receiving advice and/or instructions.
- 21.8 Any CNL team member who violates this policy may be subject to disciplinary action in addition to any other potential actions or penalties resulting from a breach
- 21.9 This Sanctions policy is owned by the CNL Director. It is subject to review and update from time to time and any updates shall be added to the CNL Dropbox.

**22 Monitoring and reviewing this policy**

We will review these policies, controls and procedures annually and more frequently if there are any major changes in the law or if there are changes in CNL's practice which impact on this policy.

*D A Stallwood*

**Dawn Ann Stallwood,  
Managing Director and Sole shareholder of Company Notary Limited.  
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