



1. Introduction

- 1.01 Money Laundering (ML) and Terrorist Financing (TF) represent a significant threat to the financial services industry around the world. Because of its prominence and its reputation for excellence the financial services industry in the UK has become a particular target for criminals attempting to legitimise the proceeds of crime.
- 1.02 In the UK, there has been a long-standing obligation to maintain effective procedures for the detection and prevention of Money Laundering. The UK Money Laundering Regulations applying to financial institutions date from 1993. The offence of ML was contained in various acts of Parliament e.g. the Criminal Justice Act 1988 and the Drug Trafficking Offences Act 1986. Specific obligations are set out in the Terrorism Act 2000. The Proceeds of Crime Act 2002 (POCA) consolidated; updated and reformed the law relating to ML to include all crimes rather than just drug trafficking offences. The Money Laundering Regulations 2007 replaced the original Money Laundering Regulations 2003 and implemented the risk based approach.
- 1.03 Five Star Forex Services Limited is committed to combating ML and TF and maintains an Anti Money Laundering (AML) Policy which articulates, at a high-level, our approach to preventing being used in connection with ML or TF. Five Star Forex Services Limited adopts a proportionate, risk-based approach.
- 1.04 The purpose of this document is to outline the following:-
- Legal and regulatory background to AML/CTF
 - Internal control framework
 - Senior management accountability
 - MLRO roles and responsibilities
 - Risk assessment
 - Customer Due Diligence and Enhanced Due Diligence
 - Monitoring customer activity
 - Reporting suspicious activity
 - Staff training and awareness
 - Record Keeping
- 1.05 The scope of this document is limited to consideration of the specific financial crime and terrorist financing risks associated with Money Laundering and Terrorist Financing.
- 1.06 It is the responsibility of Senior Management to ensure that these procedures are implemented and communicated to staff.



1.07 It is the responsibility of staff to follow the procedures.

2. Background

Definition of Money Laundering

2.01 Money laundering can be defined as the process by which criminals try to disguise the true origin of the proceeds of criminal conduct thereby avoiding prosecution, conviction and the confiscation of criminal proceeds

Anti Money Laundering Legislation

2.02 The UK Anti Money Laundering regime is set out in the following legislation and regulations:-

- Proceeds of Crime Act 2002
- Money Laundering Regulations 2007

2.03 The five principle offences under the Proceeds of Crime Act 2002:-

- conceal, disguise, convert, transfer or remove criminal property from the UK – **Section 327 of the Proceeds of Crime Act**
- enter into or become concerned in an arrangement which the person knows or suspects facilitates the acquisition, use, retention or control of criminal property by another person – **Section 328 of the Proceeds of Crime Act 2002**
- acquire, use or have possession of criminal property – **Section 329 of the Proceeds of Crime Act**
- failing to report knowledge or suspicion of ML, **Section 330 of the Proceeds of Crime Act 2002**
- make a disclosure which is likely to prejudice an investigation which might be conducted following the making of a Suspicious Activity Report – **Section 333a of the Proceeds of Crime Act**

2.04 The Proceeds of Crime Act 2002 imposes legal obligations on every individual within Five Star Forex Services Limited and any breach of the obligations carries the following penalties:-



- Section 327-329 **A maximum of fourteen years in prison and/or a fine**
- Section 330 **A maximum of five years in prison and/or a fine**
- Section 333A **A maximum of two years in prison and/or a fine**

2.05 Included in those obligations under the Money Laundering Regulations 2007 are:-

- Ensure all relevant staff are trained regularly in their awareness of their obligations under all legislation
- Ensure that all relevant staff understand their training
- Adopt a risk based approach to customer due diligence and enhanced due diligence including the ongoing monitoring of any business relationships
- Create policies and procedures that relate to customer due diligence, ongoing monitoring, internal reporting and record keeping

2.06 The Money Laundering Regulations impose obligations on Five Star Forex Services Limited as a company and upon the Money Laundering Reporting Officer ("MLRO"). Any breach of the obligations imposed on the MLRO carries the following penalties:-

- **Two years in prison for the MLRO**
- **A fine for the MLRO and/or Five Star Forex Services Limited**

Definition of Terrorist Financing

2.07 There can be considerable similarities between the movement of terrorist property and the laundering of criminal property. However, there are two major differences between terrorist property and criminal property:-

- often only small amounts are required to commit individual terrorist acts, thus increasing the difficulty of tracking terrorist property
- unlike ML, the funds in question may come from legitimate sources including charitable donations and it can be extremely difficult to identify the stage at which legitimate funds become terrorist property.



Counter Terrorist Financing Legislation

2.08 As with ML, the obligation on Five Star Forex Services Limited is to report any suspicious activity to the authorities. This is defined by the Terrorism Act 2000.

3. Internal Control Framework

3.01 Five Star Forex Services Limited is required to establish and maintain appropriate risk-based policies and procedures in order to prevent operations related to ML/TF and to have systems and controls appropriate to its business.

3.02 Five Star Forex Services Limited must ensure that its systems and controls enable it to identify, assess, monitor and manage ML/TF risk. The nature and extent of these controls depend on:-

- the nature, scale and complexity of its business
- the diversity of its operations, including geographical diversity
- its customer, product and activity profile
- its distribution channels
- the longevity of the client relationship
- the volume and size of its transactions
- the degree of risk associated with each area of its operation
- the source of funds
- the withdrawal restrictions

3.03 This Framework document outlines Five Star Forex Services Limited systems and controls to enable it to identify, assess, monitor and manage ML/TF risk, covering:-

- Senior Management accountability
- provision of management information to Senior Management on Five Star Forex Services Limited ML/TF risks
- the appointment and role of the MLRO
- staff training and awareness on ML/TF
- documentation of Five Star Forex Services Limited policies and procedures relating to:-
 - risk management and risk profile, including the development of new products and changes in the firm's business profile
 - Customer Due Diligence/Enhanced Due Diligence



- monitoring customer activity
- reporting of suspicions
- record keeping

4. Senior Management Accountability

4.01 Regulatory requirements stress the importance of Senior Management responsibility and that Senior Managers are ultimately responsible for their firm's risk management.

Senior Management responsibilities in relation to ML/TF

4.02 Five Star Forex Services Limited Senior Management has the following responsibilities:-

- ensuring Five Star Forex Services Limited fulfils its obligations under the ML regulations, Proceeds of Crime Act and the Terrorism Act
- ensuring Five Star Forex Services Limited has appropriate systems and controls in place to combat the financial crime risk faced by the business
- ensuring Five Star Forex Services Limited control processes and procedures are appropriately designed and implemented
- acknowledging, and being fully engaged in, the decision making processes and taking ownership of the risk-based approach to the risk of Five Star Forex Services Limited being used for ML or TF
- acknowledging the potential for personal liability if Five Star Forex Services Limited systems and controls are deemed inadequate
- adopting and promulgating visibly a formal policy in relation to financial crime prevention
- ensuring Five Star Forex Services Limited maintains appropriate documentation of its risk management policies and risk profile in relation to ML and TF, including documentation of Five Star Forex Services Limited application of those policies
- ensuring relevant staff are provided with regular training of the AML/CTF arrangements
- providing direction to, and having oversight of Five Star Forex Services Limited AML/CTF strategy and policy
- allocating to a Director or Senior Manager overall responsibility for the establishment and maintenance of Five Star Forex Services Limited AML/CTF systems and controls
- appointing an appropriately qualified Senior Member of Five Star Forex Services Limited staff as the MLRO
- ensuring the MLRO has sufficient resources available, including appropriate staff and technology to carry out the function effectively



- commissioning a report from the MLRO on the operation and effectiveness of Five Star Forex Services Limited systems and controls to combat ML/TF and laying it before the Board for consideration
- determining the depth and frequency of information they feel is necessary to discharge their responsibilities
- considering the content of any reports received in respect of matters relating to financial crime, including ML and TF, and taking the necessary action to remedy any deficiencies identified in a timely manner
- ensuring they know of key regulatory and legislative developments and national and international findings relating to ML/TF.

Current arrangements to assist Senior Management discharge their responsibilities

4.03 The following arrangements have been established to assist Senior Management in the discharge of their responsibilities and obligations above:-

- The “Anti-Money Laundering & Combating Terrorist Financing Framework” (this document), which details Five Star Forex Services Limited application of its AML/CTF policies, is approved by the MLRO and the Board
- The Five Star Forex Services Limited Board appointed Mr Rishi as both the MLRO and the Senior Manager with overall responsibility for the establishment and maintenance of Five Star Forex Services Limited AML/CTF systems and controls.
- Mr Rishi produces a report on the operation and effectiveness of Five Star Forex Services Limited systems and controls in place in order to combat ML/TF. The report covers:-
 - those apportioned responsibility for AML systems and controls, and the structure within which they operate
 - identification and assessment of the ML/TF risks faced by Five Star Forex Services Limited
 - operation of systems and controls and adequacy of resources covering:
 - staff training
 - information provided to Senior Management
 - documentation of risk management policies and risk profiles; coverage of new products
 - numbers of new customers



- changes in business profile, position regarding financially excluded persons and monitoring arrangements
- summary of business issues
- key regulatory and legislative developments and findings during the relevant period
- conclusions and recommendations for action

4.04 **The report is submitted to the Five Star Forex Services Limited Board at the regular Board meeting.**

5. The MLRO

5.01 All firms carrying out relevant business under the Money Laundering Regulations 2007 are required to appoint a “nominated officer”. The MLRO is responsible for oversight of the firm’s compliance with the rules on systems and controls against Money Laundering. Five Star Forex Services Limited MLRO also acts as its “nominated officer.”

Five Star Forex Services Limited Money Laundering Reporting Officer and Senior Manager with responsibility for the establishment and maintenance of AML/CTF systems

5.01.1 Mr Rishi has been appointed as the MLRO and is the Senior Manager with overall responsibility for the establishment and maintenance of Five Star Forex Services Limited AML/CTF systems and controls.

5.02 The MLRO, has authority to act independently in carrying out his legislative and regulatory responsibilities. The MLRO has:-

- free and direct access to the appropriate law enforcement and investigative agencies
- free and unrestricted access to all records and premises of Five Star Forex Services Limited where reasonably required to perform his duties
- independence to make report to SOCA without the approval of the Board of Directors and any other Senior Management

5.03 Where the MLRO is temporarily unavailable, for up to a maximum of 12 weeks within any 12 month period, the Deputy MLRO for Five Star Forex Services Limited is authorised to perform the duties of the MLRO.

MLRO’s responsibilities



5.04 The MLRO has established the following arrangements in order to discharge his responsibilities and obligations:

- **Consideration of Internal Suspicious Activity Reports** - The MLRO receives all internal reports as soon as is practicable and gathers all relevant information to determine whether the information contained in the report does give rise to knowledge or suspicion of ML/TF. The decision on whether or not to report externally remains solely that of the MLRO
- **Submission of External reports to SOCA** - submitting external reports to SOCA as soon as practicable following determination that an internal report does give rise to knowledge or suspicion of ML/TF
- **Acting on regulatory/legislative/governmental developments** - the MLRO monitor and review all regulatory developments (Regulatory Update Framework) including those pertaining to ML and TF. The MLRO oversees this process to ensure that Five Star Forex Services Limited obtains, and makes appropriate use of any relevant developments including any UK Government or Financial Action Task Force (FATF) findings concerning the approach to Money Laundering prevention in particular countries or jurisdictions
- **Monitoring the effectiveness of Five Star Forex Services Limited AML/CTF controls** - The MLRO fulfils this obligation in following ways:
 - The MLRO reviews Five Star Forex Services Limited AML/CTF arrangements annually
 - sample testing of account opening processes every month.
- **Monitoring staff training and awareness on ML/TF** – On completion of testing of relevant staff the MLRO will receive the results and any follow-up actions required. The MLRO receives a report detailing those staff who have completed their initial or refresher training as appropriate, and those who have not together with what actions have been taken as a result to ensure they are supervised
- **Acceptance of applications from Politically Exposed Persons (PEPs)** – The MLRO receive notification of all PEPs and under the direction of the MLRO will determine whether these can be accepted and undertakes ongoing monitoring of these accounts
- **Ongoing monitoring of customers' activity** – The MLRO undertake periodic monitoring of customers' transactions
- **The administration, revision and interpretation of Five Star Forex Services Limited AML/CTF Framework** - Any changes to the Policy or the Framework are authorised by



the MLRO who also ensures the changes are implemented into the Policy and Framework and communicated to staff

6. Risk Assessment

6.01 Five Star Forex Services Limited is committed to ensuring that its AML and CTF systems and controls are proportionate to the Money Laundering and Terrorist Financing risks associated with its particular business model.

6.02 A risk-based approach is fundamental to the effective operation of Five Star Forex Services Limited through:

- recognising that the ML/TF risk varies across customers, jurisdictions, products and delivery channels;
- allowing Senior Management to differentiate between customers in a way that matches the particular business risk;
- allowing Senior Management to apply its own approach to procedures, systems and controls, and arrangements; and
- assisting in development of a cost effective system.

6.03 Five Star Forex Services Limited risk-based approach comprises:

- identification and assessment of the ML/TF risks that are relevant to Five Star Forex Services Limited;
- implementation of controls to manage and mitigate these risks to an acceptable level;
- monitoring the risk and reviewing the operations of Five Star Forex Services Limited controls to ensure effective risk management;
- recording the approach and justification.

Identification of high risk areas within Five Star Forex Services Limited

6.04 Five Star Forex Services Limited trading pattern is such that all transactions are carried out for known individuals all of whom are considered low risk.



7. Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD)

- 7.01 Five Star Forex Services Limited procedures for the verification of its customers' identity have been developed considering a risk assessment of Five Star Forex Services Limited business model.
- 7.02 Five Star Forex Services Limited customer identification procedures are designed to reflect the assessed level of risk involved and can be summarised as:-
- where the customer presents a low risk in terms of money laundering normal customer due diligence measures will be applicable
- 7.03 Five Star Forex Services Limited identity verification processes are administered by the MLRO who are responsible for processing and authorising all new customer account openings.

When should identity be verified

- 7.04 The obligation to verify a customer arises at the point when it is clear the customer wants to enter into a business relationship with Five Star Forex Services Limited.
- 7.05 **FX Product** – Five Star Forex Services Limited will not permit any transactions until satisfactory evidence of identity is received.

Customer Due Diligence for low risk customers

Private individuals

- 7.06 The following table, setting out acceptable forms of documentary evidence, is applicable.

Customers must provide one document from **List A** and one from **List B**. The document from **List A** must show the customer's full name, including first and middle names. The document from **List B** should preferably show the customer's full name but surname with initials is acceptable. At least one of the documents must show the customer's address or date of birth. **NB All documentation must be valid. Documents printed from the internet are not acceptable.**



List A	List B
<p>Passport (Current signed passport)</p> <p>UK/EEA Photo card driving licence (full)</p> <p>UK paper style driving licence (full)</p> <p>EU member state ID card</p> <p>Northern Ireland Electoral ID card</p> <p>Shotgun/firearms licence</p> <p>Resident permit (issued by Home Office)</p> <p>Notification of entitlement to a government or local authority funded benefit (i.e. housing benefit, tax credit, pension, educational or other grant) (less than 12 months).</p> <p>HMRC Construction industry registration card or certificate (CIS4, CIS5 or CIS6)</p> <p>HMRC notification document (tax assessment, statement) (P45/60 not acceptable)</p> <p>UK Armed forces ID</p>	<p>Document from a UK regulated financial services firm confirming a relationship: i.e. Bank/Building society investment account or insurance company statement (dated within last 3 months), Mortgage statement (dated within last 12 months)</p> <p>Council tax statement (dated within last 12 months)</p> <p>Utility statement including gas, electricity, water (dated within last 3 months)</p> <p>Telephone (not mobile) bill (dated within last 3 months)</p> <p>Local council rent card or tenancy agreement</p> <p>Legal document recognising title to property</p> <p>Instrument of a court appointment (liquidator/grant of probate)</p>

NB it is imperative that where an applicant produces non-standard documentation that staff do not cite ML regulations as an excuse for not fully activating an account without given proper consideration to the evidence available. In this instance, refer to the MLRO.

Private individuals who cannot provide standard evidence

Minors

7.07 Where an account is opened in respect of a minor, Five Star Forex Services Limited will validate the identity of the parent/guardian unless there is already an existing and validated business relationship. A copy of one of the following, in the name of the minor, is required:

- birth certificate
- passport
- NHS Medical Card
- child benefit documentation



- Child Tax Credit documentation
- National Insurance Card (those aged 16 & over)

Private Individuals - without standard documents, in care homes, or in receipt of a pension

7.08 As evidence of identity, where standard evidence cannot be obtained, Five Star Forex Services Limited will accept:

- an entitlement letter from the DWP; or
- a letter from the DWP confirming that the person is in receipt of a pension

7.09 If this information is not available, it may be possible to accept a letter from an appropriate person e.g. matron of a care home. For guidance, refer to your supervisor or line manager.

Financially Excluded

7.10 Where it is concluded that a prospective customer is unable to provide appropriate evidence of their identity, and cannot reasonably be expected to do so (such as an ageing resident of a care home), Five Star Forex Services Limited will accept as evidence of identity a written statement from a person in a position of responsibility who knows the prospective customer confirming in respect of that person (i) that they are who they say they are, and (ii) details of their full name and current permanent address.

Acceptable persons for this purpose are UK based and can be taken from the following list:

- Solicitors
- Doctors
- Minister of religion
- Teachers
- Care home managers
- Social workers

7.11 Where Five Star Forex Services Limited concludes that a customer is to be treated as financially excluded, a record of this and the reasons for doing so are retained on the customer's file.



Third parties and Beneficiaries

Third Party Donors & Beneficiaries

- 7.12 Identity should be verified not only for each customer but also any other persons providing funds to or receiving funds from any of Five Star Forex Services Limited clients.
- 7.13 Five Star Forex Services Limited requires, for non private customers, evidence from List A and B confirming the following;
- Individual's full name
 - Full business address, postcode and telephone number
 - Registered number with trade / profession

Company Directors

- 7.14 Where it is known that a customer is also a company director, special care should be exercised due to director's details, including addresses and signatures, being available in the public domain.

Corporate Entities, Limited Partnerships and unincorporated businesses

- 7.15 Five Star Forex Services Limited will establish the legal existence of the company from official documents on Companies House or another electronic search engine for companies to ensure that any person purporting to act on behalf of the company is authorised to do so.
- 7.16 Five Star Forex Services Limited will obtain the following information about the company's identity:
- its registered number
 - its registered name (and any trading names used)
 - the address of its registered office (and business address, if different)
 - the names of its directors
 - the names of beneficial owners holding over 25% of the company's voting share capital
 - details of legal form, structure and ownership of the company
 - a schedule of authorised signatories
 - search of the relevant company registry
 - copy of the certificate of incorporation



- confirmation of the company's listing on a regulated market if applicable.

7.17 Five Star Forex Services Limited will identify 2 Directors, all beneficial shareholders and all authorised signatories of a corporate entity either via electronic identification or documentary evidence. Their identity should be verified in line with the standard evidence requirements for individuals set out in 7.06.

Partnerships and Unincorporated Businesses

7.18 Where the customer is a partnership or an unincorporated business whose principal partners/controllers do not already have a business relationship with Five Star Forex Services Limited, their identity should be verified in line with the standard evidence requirements for individuals set out in 7.06.

Politically Exposed Persons

7.19 The term "Politically Exposed Persons" (PEP) applies to a person "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".

7.20 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 extends to members of their immediate family and close associates.

7.21 Prominent public functions include:-

- Heads of state, heads of government, ministers and deputy or assistant ministers
- Members of parliaments
- Members of supreme courts, of constitutional courts or other high level judicial bodies whose decisions are not generally subject to appeal, except in exceptional circumstances
- Members of courts of auditors or of the boards of central banks
- Ambassadors, charges d'affaires and high ranking officers in the armed forces (other than in respect of relevant positions at Community and international level)
- Members of administrative, management or supervisory boards of State-owned enterprises.



7.22 Immediate family members include:

- a spouse
- a partner (including a person who is considered by his national law as equivalent to a spouse)
- children and their spouses or partners; and
- parents

7.23 Closely associated persons include:

- Any individual who is known to have joint beneficial ownership of a legal entity or legal arrangement, or any other close business relations, with a person who is a PEP; and
- Any individual who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit of a person who is a PEP

7.24 Five Star Forex Services Limited maintains appropriate risk-based procedures to determine the:-

- Identification of PEPs through their electronic identification product which is RiskDisks
- Establishing of the source of funds/wealth for PEPs
- Obtaining of Senior Management approval re PEPs
- Conducting of enhanced monitoring of PEPs accounts

Persons who may not be dealt with

Sanction

7.25 As a Member State of the United Nations and European Community, the United Kingdom is sometimes required to apply financial measures, in an effort to maintain or restore international peace and security. Such measures are commonly referred to as sanctions. They are designed to ensure that those against whom sanctions are applied are deprived of financial or economic benefit, thereby encouraging compliance with international standards of behaviour.

7.26 It is illegal to operate accounts for individuals or entities listed in a sanctions order. But business can be conducted with nationals from a sanction country if they are not named specifically as a sanctions target.



7.27 Five Star Forex Services Limited has the following control procedures in place to ensure it does not do business with any persons or entities appearing on applicable financial sanctions lists:

- Five Star Forex Services Limited references all new customer applications against the latest Consolidated List issued by the Treasury Sanctions Unit. Whenever an updated Consolidated List is issued by the Treasury, this is compared against Five Star Forex Services Limited entire current customer base to ensure that none of its existing customers have been added to the list. This check is performed by the MLRO.
- Five Star Forex Services Limited update beneficial ownership of all corporate clients on a six monthly basis to ensure that beneficial ownership has not changed. In any cases where the beneficial owners of a corporate has varied electronic checks will be carried out as above on the new beneficial owners which targets sanctions lists.
- Every occasion a private client carries out a transaction one of the security questions to verify the identity of the private client includes confirmation of their residential postcode. Should a private clients postcode change then a electronic identification check is carried out which will target sanctions lists mentioned above.

7.28 If it is discovered that a prospective or existing customer is included on the Consolidated List, the MLRO will be informed immediately and the account or application frozen. The MLRO will make the necessary report to the Treasury.

8. Monitoring Customer Activity

8.01 In accordance with regulatory requirements, Five Star Forex Services Limited conducts ongoing monitoring of the business relationship with its customers comprising scrutinising transactions throughout the course of the business relationship and ensuring the data held by Five Star Forex Services Limited is up to date.

8.02 The purpose of monitoring customer activity is to:

- assist in identification of any unusual activity, flagging up transactions/activities for further examination
- assist in assessing risk
- provide greater assurance that Five Star Forex Services Limited is not being used for the purposes of financial crime.

8.03 Five Star Forex Services Limited ongoing monitoring of customer activity comprises:



- “Real-time” monitoring of activities/transactions as they arise or are about to take place;
- “Post-event” monitoring within defined parameters.

Real-time Monitoring:

8.04 Real-time monitoring consists of three key elements:

- recognition of unusual or atypical activity by Client Services/Operations staff
- ongoing monitoring by the MLRO of individual accounts based on the risk assessment
- ad hoc monitoring by MLRO

Recognition of unusual activity by Client Services/Operations Staff:

8.05 Five Star Forex Services Limited has adopted the policy of obtaining KYC information at account opening stage for AML purposes. Over the period of Five Star Forex Services Limited business relationship with a customer, Staff will build up knowledge of the customer’s typical behaviour and circumstances.

8.06 The knowledge staff gains regarding a customer’s typical activity places them in a good position to identify unusual transactions and therefore potentially suspicious activity. AML training given to staff specifically includes examples of activity that may be regarded as potentially suspicious for Five Star Forex Services Limited typical customers and product types.

8.07 Monitoring by Client Services/Operations staff can identify potentially suspicious transactions before the transaction is executed; staff may identify suspicious activity based on customer instructions before these are accepted.

8.09 In considering whether any transaction/activity is suspicious, staff must consider the following factors which could evidence potential financial crime, including ML/TF:

- personal details
- what documentation was used to verify identity
- current residential/contact address for the customer
- where bank details held, do these appear reasonable
- was the customer initially reluctant to provide ID information
- if a corporate entity, is its ownership and structure clear and understandable
- does the address given appear vague or unusual and are there any inconsistencies between locations and other information provided



- does the customer have other Five Star Forex Services Limited accounts and overall do the relationships appear to be consistent
- account history
- trading history
- transaction characteristics
- origin/destination of payment

Independent ongoing monitoring by the MLRO

8.10 The MLRO will undertake ongoing monitoring of specific individual accounts. This may occur where activity on an account has been raised as potentially suspicious by staff and continued monitoring is deemed appropriate or where the MLRO have identified cases for further investigation arising from “post-event” monitoring (refer to “Post-event” monitoring below).

8.11 Such accounts are flagged (a “Refer to MLRO” flag is placed on the account) and activity on the account is monitored by the MLRO. In accordance with departmental procedures, staff are required to advise line management as soon as possible where contact is received in relation to a flagged account. Department management maintain a log of all flagged accounts detailing the reason for the flag (flags on accounts are specifically not detailed so as to reduce the risk of “tipping-off”). Flags can be placed on accounts for different reasons e.g. a sensitive account or where any activity on the account must be advised and any instructions must be approved by the MLRO prior to execution. No withdrawals are permitted in these instances prior to investigation and consent being provided by the MLRO.

Ad hoc monitoring by the MLRO

8.12 The MLRO will undertake monitoring of specific accounts or a particular class of accounts in relation to a particular issue or matter e.g. monitoring accounts of directors of a particular company where an issue in relation to a particular case may have arisen. Such activity will be reported in Compliance report as appropriate.

Post-event Monitoring

8.13 In addition to “Real-time” monitoring, the MLRO undertakes independent “Post-event” monitoring of customer activity/transactions.

8.14 The MLRO focuses post-event monitoring resources on customers who have been highlighted as high risk.



- 8.15 The MLRO maintain records of “post-event” monitoring undertaken.
- 8.16 As part of the post event monitoring Five Star Forex Services Limited will carry out the following checks on a six monthly basis:
- beneficial ownership of corporate clients
 - adverse publicity search on high risk accounts from available public sources

9. Reporting Suspicious Activity

- 9.01 Five Star Forex Services Limited has established procedures to facilitate:-
- the internal reporting by staff, where they know; suspect, or have reasonable grounds for knowing or suspecting that a person is engaged in, or attempting Money Laundering or Terrorist Financing
 - the investigation of internal reports by the MLRO and the making of external reports to Serious Organised Crime Agency (SOCA) if appropriate
- 9.02 Training and awareness sessions carried out for staff, including induction training for new staff joining the company, highlighting the requirement to report, where they know, suspect, or have reasonable grounds for knowing or suspecting, a suspicion directly to the MLRO as soon as is practicable.

What is suspicion

- 9.03 A transaction which appears unusual is not necessarily suspicious. Even customers with a stable and predictable transactions’ profile will have periodic transactions that are unusual for them. Many customers will, for perfectly good reasons, have an erratic pattern of transactions or account activity. So the unusual is, in the first instance, only a basis for further enquiry, which may in turn require judgement as to whether it is suspicious.
- 9.04 A member of staff, including the MLRO, who considers a transaction or activity to be suspicious, would not necessarily be expected either to know or to establish the exact nature of any underlying criminal offence, or that the particular funds or property were definitely those arising from crime or terrorist financing. However, staff need to demonstrate they have taken reasonable steps in the particular circumstances, in the context of a risk based approach, and the rationale for their actions. (See section 8 Monitoring Customer Activity for the consideration of factors which might lead to a suspicion.)



- 9.05 A disclosure must be made where there are grounds for suspicion that a person is engaged in Money Laundering. “Money laundering” is defined in POCA to also include any *attempt* to commit an offence.

How to make an Internal Report

- 9.06 To make an Internal Suspicious Activity Report (SAR) report staff will submit by e-mail to the MLRO a record of the client name client number and their reasons for such suspicion or knowledge.

- 9.07 When submitting an internal SAR, the following flag should be added to the customer’s account:

“Refer to MLRO”

- 9.08 The purpose of this flag is to prohibit any activity on the customer’s account until further notice is received from the MLRO.

What does the MLRO do with an Internal Report

- 9.10 All SARs are considered by the by the MLRO. The assessment will consider all matters relevant to the SAR and any information held by Five Star Forex Services Limited about the customer and related customer accounts. This may include, but is not restricted to:

- the financial circumstances of the customer and any other persons involved
- features of the transaction
- the level of identity information held on the customer and any information on the customer’s personal circumstances that may be available
- transaction patterns and volumes through the customer’s account and other related accounts
- the length of the business relationship

- 9.11 Having considered the internal SAR the MLRO will decide whether or not to report to SOCA, documenting the reasons for his decision. External reports are made electronically using the standard SOCA disclosure report format and will clearly state where consent to proceed with a transaction is required from SOCA.



- 9.12 Five Star Forex Services Limited will freeze funds if a customer is identified as being on the Consolidated List of suspected terrorists or sanctioned individuals and entities, issued by HM Treasury and published on their website, and make an external report to HM Treasury
- 9.13 When considering an internal SAR, the MLRO, taking account of the risk posed by the transaction or activity being addressed, will need to strike the appropriate balance between the requirement to make a timely disclosure to SOCA
- 9.14 If the MLRO decides not to make a report to SOCA, the reasons for not doing so will be documented or recorded electronically and retained with the internal SAR.
- 9.15 The MLRO will advise the member of staff who made the internal SAR whether or not any transaction in question may proceed. Where a transaction may not proceed, pending receipt of consent from SOCA, the MLRO will consult with the Departmental Manager to determine the best course for dealing with subsequent communication with the customer. Where required to prevent a transaction proceeding until consent is received, a note is added to the customer account that the transaction is suspended until advised otherwise by the MLRO.
- 9.16 Staff training covers the requirement to avoid tipping off the customer, or any other person, that an internal SAR or a report to SOCA has been made. To minimise the risk of tipping off, knowledge of internal SARs and SOCA reports is generally restricted to the MLRO.
- 9.17 Any contact between Five Star Forex Services Limited and SOCA and/or other law enforcement agencies is coordinated through the MLRO.

10. Staff Training and Awareness

- 10.01 One of Five Star Forex Services Limited key controls in mitigating the threat of being used for Money laundering or Terrorist Financing is having staff who are aware of and alert to the threat. All staff, whether on a full-time, part-time or contract basis, are made aware of Five Star Forex Services Limited anti-money laundering/ combating terrorist crime policy and framework and the obligations arising from them for both themselves and Five Star Forex Services Limited.



What training is provided

10.02 Five Star Forex Services Limited provides training on Anti-Money Laundering and Combating Terrorist Financing issues and the requirements of its policy and framework, to those relevant staff using the material provided by Western Union.

11. Record Keeping

11.01 Five Star Forex Services Limited maintains the following records in respect of its Anti-Money Laundering and Combating Terrorist Financing procedures:

- Evidence obtained of customers' identity
- Details of customer transactions
- Internal and external SAR reports
- Training records
- MLRO Reports

Date / /

Signature of MLRO _____