

# MEMORANDUM

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To: Anthony Apponyi  
From: Meryl Morgan  
Date: 30 January 2007  
Re: Money Laundering Requirements for CHAIN MENDER<sup>®</sup>

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Anthony,

## **1. Overview – Money Laundering Regulations 2003 ("MLR 2003")**

- 1.1 Chain Mender Limited ("the Company") when providing CHAIN MENDER<sup>®</sup> will need to comply with the MLR 2003. The MLR 2003 impose a number of statutory obligations on the Company, namely to:
- (a) set up procedures for verifying borrower's identities;
  - (b) set up record keeping procedures for evidence of identity, and CHAIN MENDER<sup>®</sup> transactions;
  - (c) set up internal reporting procedures for suspicious transactions, including the appointment of a nominated officer; and
  - (b) train relevant employees in the procedures for recognising and reporting any suspicion of money laundering.
- 1.2 Breach of the MLR 2003 is a criminal offence, punishable by a fine, and/or imprisonment.
- 1.3 The MLR 2003 is currently being updated. The Government has recently published "*Draft Money Laundering Regulations 2007*" ("MLR 2007") for consultation purposes. It is intended that these draft regulations will eventually replace MLR 2003. It is anticipated that the MLR 2007 be laid before Parliament by mid 2007, allowing firms to meet the implementation deadline of 15<sup>th</sup> December 2007.

## **2. Verification of Borrower's Identity**

- 2.1 Under MLR 2003, the Company has to verify the identity of potential borrowers before the borrowers draw down their loans. Documentary evidence must be obtained to confirm the name, address and date of birth of each borrower.

- 2.2 Estate agents in the course of their normal business also have to comply with the MLR 2003, and obtain documentary evidence of identity. However, in practice not all estate agents insist on such evidence where a property is being sold. Accordingly I recommend that borrowers are requested to provide specified documentary evidence ("the Documents") as part of the drawdown notice. The Documents should be certified by the borrower's solicitors before being sent to the Company's lawyers. The Company should not allow drawdown of a loan until the Documents are received. The attached sheet details the Documents.
- 2.3 As the draft MLR 2007 currently stand, the Company will still be required to obtain the same Documents to verify the identity of potential borrowers.

### **3. Record Keeping Procedures**

- 3.1 Under MLR 2003, for each loan made by the Company, the Company will have to retain:
- (a) copies of the Documents provided by the borrower(s) for 5 years;
  - (b) details of the Loan for 5 years after the Loan has been repaid;
  - (c) details of actions taken for internal and external suspicion reports (see 4.2 below); and
  - (d) details of information considered by the nominated officer for an internal report where no external report is made (see 4.2 below).
- 3.2 The record keeping requirements are the same, regardless of the format in which they are kept. Keeping records may therefore be by way of original documents; photocopies of original documents; on microfiche; in scanned form; or in computerised or electronic form.
- 3.3 Under the draft MLR 2007, the record keeping requirements are the same. The Company will still have to keep records for a period of 5 years beginning on the date the Loan is repaid.

### **4. Internal Reporting Procedures**

- 4.1 Under MLR 2003, a person in the Company's organisation has to be appointed as the nominated officer.
- 4.2 Anyone within the Company's organisation who knows or suspects that a borrower is engaged in money laundering (based on information arising out of the Company providing the Loan), must report his suspicions to the nominated officer. The nominated officer must, if he/she believes that the suspicions are reasonable, report the known or suspected money laundering to the National Criminal Intelligence Service ("NCIS"). The Company must seek consent from NCIS before proceeding with a suspicious transaction or entering into the Loan.
- 4.3 Under the draft MLR 2007, the internal reporting procedures are the same.

## **5. Training for Employees**

- 5.1 Under the MLR 2003, the Company will have to make sure all employees who handle loan applications are aware of the law on money laundering; and regularly given training in how to recognise and deal with transactions which may be related to money laundering or terrorist financing. Such training should be given at regular intervals and details of training recorded. The nominated officer is responsible for overseeing the Company's compliance with its training requirements.
- 5.2 Under the draft MLR 2007, the training requirements are the same.
- 5.3 I assume that your Trainer will be able to assist you with the training requirements.

Regards,  
Meryl Morgan