



Prevention of Financial Crime Policy

Version	V1
Effective Date	February 2025
Document Owner	Board Risk Committee
Executive Sponsor	Deputy Chief Executive
Policy Custodian	Risk Function (MLRO)

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Summary of Policy Statements

FC01	The prevention and detection of financial crime is a key business activity across the Society, which is subject to a robust control environment.
FC02	The Society will apply appropriate/proportionate due diligence to new customers and monitors activity through the course of the relationship.
FC03	The Society applies appropriate financial crime due diligence before entering into a third-party relationship.
FC04	The Society maintains an appropriate control environment to prevent internal and external fraud and will act to protect the Society and its members, if fraudulent activity is suspected.
FC05	The Society has a zero-tolerance approach to bribery and corruption and upholds ethical behaviours in its business activities at all times.
FC06	All colleagues are responsible for the identification and reporting of suspected financial crime activity, which may be ultimately escalated to the appropriate regulatory authorities and/or law enforcement agencies.

1. Policy Objective

- 1.1 This policy sets out the Society's approach to the prevention and detection of financial crime activity. The policy establishes the systems and controls to ensure financial crime risks are identified, measured and managed within the boundaries of risk appetite set by the Board.

2. Scope

- 2.1 It is Society policy to comply with all applicable laws and regulations and operate a proactive and open dialogue with regulatory authorities regarding areas of non-compliance.
- 2.2 The policy applies to all Society colleagues, irrespective of working location, including permanent, fixed term, voluntary and temporary colleagues, contractors, consultants, secondees and employees of local agencies or any person associated with the Society or its subsidiaries.
- 2.3 The Society's definition of a financial crime within this Policy includes: money laundering, terrorist and proliferation financing, tax evasion, external fraud, internal fraud, sanctions breaches and bribery and corruption.

3. Alignment to Risk Appetite

- 3.1 This policy aligns to the 'Operational Risk' Principal Risk as prescribed in the Society's Enterprise Risk Management Framework ("ERMF").
- 3.2 The Board approved strategic risk appetite, as it aligns to Operational Risk, falls under the governance of this policy by incorporation.

4. Minimum Controls / Limits

4.1 In addition to the risk appetite parameters prescribed in section 3.2, the specific policy statements and supporting systems of control are set out below. Controls are applied consistently across the Society unless otherwise stated.

FC01	The prevention and detection of financial crime is a key business activity across the Society, which is subject to a robust control environment.
FC01.1	The Society maintains an appropriate operational infrastructure, including systems and standards/procedures, which are reviewed at least annually through the refresh of the MLRO report, BRC approved Financial Crime Strategy and triennial Policy approval.
FC01.2	The Society has a dedicated and sufficiently resourced Financial Crime Prevention Team ("FCPT"), which maintains requisite skills/knowledge and undertakes appropriate internal and external training, and acts as a Subject Matter Expert (SME) to the business.
FC01.3	Financial crime risks arising from new products and technologies, including the risk posed by the distribution channel, target customers and segments, will be assessed taking the complexity of the transactions and operating environment in to consideration, ensuring appropriate controls are deployed, prior to launch.
FC01.4	On a regular basis, the FCPT, Compliance Monitoring or Quality Monitoring Teams will undertake reviews assessing the adequacy of the financial crime prevention and detection measures across the Society, taking into account the level of risk posed to the Society, the findings from previous reviews and any prevalent issues.
FC01.5	A risk based approach to the provision of financial crime prevention training and awareness will be applied. All colleagues are provided with relevant training and testing on joining the Society and on an annual basis thereafter. This is supplemented by bespoke training based on the role of the individual within the Society.
FC01.6	The Chief Risk Officer is the Society's nominated Money Laundering Reporting Officer ("MLRO") (SMF17), who is responsible for Society compliance with financial crime statutory and regulatory requirements.
FC01.7	The Society has established governance for the oversight of financial crime, including the Board, BRC, CORC and working group structure.
FC01.8	Senior Management will receive financial crime related MI and reporting at an appropriate frequency, including the production of the annual MLRO Report for management committees.
FC01.9	The Society will maintain membership of appropriate fraud / AML industry forums and information sharing networks.

FC02	The Society will apply appropriate/proportionate due diligence to new customers and monitor activity through the course of the relationship.
FC02.1	New customers will be residents of UK, with the exception of the Society's treasury counterparties (where differing requirements apply as per the Wholesale Credit Policy), and subject to compliance with appropriate customer due diligence ('CDD') and risk assessment procedures.
FC02.2	Enhanced Due Diligence ("EDD"), and the agreement of the MLRO or Deputy MLRO, will be applied before entering into a business relationship or upon recognition of an existing relationship with a Politically Exposed Person ("PEP") or any other identified higher risk individual(s).
FC02.3	Risk based CDD checks will be carried out on new Treasury Counterparties & Commercial accounts and will be subject to ongoing monitoring and risk assessment.
FC02.4	All customers will be screened prior to, or at the point of on boarding, and on a routine basis, against the consolidated list maintained by UK HM Treasury's Office for Financial Sanctions Implementation (OFSI) and the US Office of Foreign Assets Control (OFAC).
FC02.5	Enhanced monitoring of all customers classed as higher risk or who live in a jurisdiction assessed/classed as carrying a higher Money Laundering, Terrorist and Proliferation Financing risk (as determined by the Society's High Risk Jurisdiction risk matrix) will be applied.
FC02.6	Activity and transaction monitoring will be effectively deployed using a combination of techniques & systems to complement CDD and colleague vigilance. Regular reviews will be undertaken of systems and rules to ensure these remain fit for purpose.
FC02.7	Records are retained in accordance with minimum regulatory requirements, JMLSG guidance and in line with the Society's Data Retention Policy.

FC03	The Society applies appropriate financial crime due diligence before entering into a third-party relationship.
FC03.1	The Society will conduct proportionate financial crime due diligence to those third parties determined necessary, due to criticality or functionality, via the third party management framework and ensure alignment to the prevention of financial crime standards before entering into a contract.
FC03.2	Vetting will be performed on mortgage intermediaries before joining the Society's panel.

FC04	The Society maintains an appropriate control environment to prevent internal and external fraud and will act to protect the Society and its members, if fraudulent activity is suspected.
FC04.1	The Society deploys effective controls, as outlined in FC01, FC02 and FC03, to prevent instances of external fraud.
FC04.2	The Society's underwriting process and ongoing portfolio monitoring have established controls and checks to prevent and detect instances of mortgage fraud.
FC04.3	Robust vetting controls will be applied during the recruitment process (colleagues and contractors) and role dependent checks on an ongoing basis throughout the period of employment.
FC04.4	Financial transactions are conducted in line with approved procedures (including segregation and reconciliation processes) and data is handled/protected in line with Society's Data Protection Policy.
FC04.5	Appropriate mandates (in accordance with the Board approved Delegated Authorities Manual) are delegated to individuals with independent oversight in place where considered necessary.
FC04.6	All suspected fraudulent activity will be fully investigated, in line with established procedures and may result in civil or criminal action being taken, where appropriate.
FC04.7	Appropriate action will be taken where a customer is a victim of fraud, which may include putting them back into the position they would have been in, had the fraud not taken place and we will take all necessary steps to recover any funds.

FC05	The Society has a zero-tolerance approach to bribery and corruption and upholds ethical behaviours in its business activities at all times.
FC05.1	Colleagues must not engage in any form of bribery, either directly or through any third party.
FC05.2	Colleagues must report any instances where they have been subject to attempted bribery.
FC05.3	Suspected bribery or corrupt activity will be fully investigated, in line with established procedures and disciplinary action will be taken where appropriate.
FC05.4	Colleagues must not offer or accept any inappropriate gifts or hospitality subject to the thresholds/criteria outlined within the Prevention of Financial Crime Control Standards.
FC05.5	Gifts given or received during the normal course of business will be recorded in the Society's Gift Register, maintained by the Secretariat & Regulatory Advice Team, subject to the thresholds/criteria outlined within the Prevention of Financial Crime Control Standards
FC05.6	The Society will not knowingly enter into relationships with business partners who are involved in, or associated with, bribery and / or corrupt practices.
FC05.7	The Society accepts and supports donations to a range of charities and through a number of mechanisms. Donations are only made where they are legal and ethical under local laws and practices.

FC06	All colleagues are responsible for the identification and reporting of suspected financial crime activity, which may be ultimately escalated to the appropriate regulatory authorities and/or law enforcement agencies.
FC06.1	All colleagues are required to report suspected or actual financial crime activity via established procedures, line management and/or the channels provided by the Society's Speak Up Standards.
FC06.2	A Suspicious Activity Report ("SAR") will be submitted to the relevant law enforcement or crime authorities (i.e. the UK's National Crime Agency (NCA)) where there are reasonable grounds for knowing or suspecting that a person is engaged in money laundering or terrorist/proliferation financing activity. Only nominated officers can submit SARs to the relevant authorities (nominated officers include the FCPT and/or individuals confirmed as competent for SAR reporting by the MLRO).
FC06.3	Upon identifying a potential sanctions match against relevant official lists, the Society will submit the required reports to the OFSI at HM Treasury.
FC06.4	Where the Society believes that fraudulent activity or bribery/corruption has taken place, a report will be submitted to the relevant law enforcement, crime authorities or the regulator as appropriate.
FC06.5	The Society will actively participate in the FCA's Information From Lenders ("IFL") scheme, informing the FCA of suspected fraudulent mortgage applications and any mortgage intermediaries involved.
FC06.6	The Society will fully co-operate with law enforcement and other authorities throughout the course of an investigation and provide requested information, in accordance with the Society's Data Protection Policy or as directed by Court Order.
FC06.7	The Society will fully comply with all its regulatory reporting obligations.

5. Responsibilities

The principal roles and responsibilities regarding the approval, oversight and implementation of this policy (Level 1b) as set out below are aligned with the Society's approved mapping to PRA / FCA prescribed responsibilities (PR) and FCA Business Activities (BA).

Board Risk Committee: The BRC is the Owner of this policy and is responsible for its review and approval on a triennial basis on behalf of the Board (PR D).

Conduct and Operational Risk Committee: The BRC has delegated responsibility to CORC to oversee the annual policy approval process and the effective implementation of the policy.

Chief Risk Officer as MLRO & Risk custodian: The CRO is the executive Sponsor responsible for the annual review of this policy and operational implementation and oversight of this policy (PR D).

Risk Function: The Risk Function operates as the Custodian responsible for the development and endorsement of this policy.

The Society's approach to monitoring, compliance and assurance risk management appropriately aligns to a three lines of defence model. This ensures a clear delineation of responsibilities between control over day-to-day operations, financial crime risk oversight and independent assurance activities.

Approval Process:

	Executive Sponsor/ Risk Custodian	Exec Committee	Board Sub- Committee
Annual Review	<ul style="list-style-type: none"> Full review annually. Approval of general housekeeping activity, with onward reporting of policy changes to relevant Exec Committee for approval. 	<ul style="list-style-type: none"> Full review triennially, ahead of BRC review. Approval of policy changes, with onward reporting of policy changes to BRC. 	<ul style="list-style-type: none"> Full review triennially. Noting of annual policy changes outside triennial review process (via MI pack).
Intra-year Review	<ul style="list-style-type: none"> Approval of policy tightening, with noting at Exec Committee and BRC. 	<ul style="list-style-type: none"> Approval of policy loosening, with noting at BRC. 	<ul style="list-style-type: none"> Noting of intra-year policy changes (via MI pack).

6. Supporting Material

- 6.1 This policy should be interpreted in the context of the overarching ERMF (which incorporates the Society's broader risk management arrangements with regard to strategic risk appetite, policy management, organisational design and risk reporting). The ERMF also provides further detail with regard to the three lines of defence model in which the Society operates.
- 6.2 Other relevant documentation is referenced below.

Document	Contact
Prevention of Financial Crime Standards	Head of Financial Crime Prevention
Data Retention Standards	Head of Information Security and IT Risk
IT Risk and Data Protection Policy	Head of Information Security and IT Risk
Colleague Policy (& Speak Up Standard)	Chief People Officer
Conflict of Interest Standard	Chief People Officer
Third-Party Management Policy & associated Standards	Director of Financial Planning

Appendix 1: Document Control

Revision history

Version	Status	Author	Description of Change
1.0	Live	Stephen Senior	Redraft for publication

Approvals

Version	Status	Approval date	Approved by	Job Designation
1.0	Live	25 Feb, 2025	A Mellor	Chief Risk Officer

Distribution and Review Audience³

Name	Job Designation

Circulation to the Regulator

Regulatory Body	Version	Date	Rationale

³ The Policy is also available to colleagues across the Society via the Policy Hub, located on Collin.

Appendix 2: Definitions

Glossary

AML	Anti-Money Laundering
BRC	Board Risk Committee
CDD	Customer Due Diligence
CEO	Chief Executive Officer
CRO	Chief Risk Officer
EDD	Enhanced Due Diligence
ERMF	Enterprise Risk Management Framework
FAFT	Financial Action Task Force
FCA	Financial Conduct Authority
FCPT	Financial Crime Prevention Team
IFL	Information From Lenders
JMLSG	Joint Money Laundering Steering Group
MI	Management Information
MLRO	Money Laundering Reporting Officer
NCA	National Crime Agency
OFAC	Office of Foreign Assets Control
CORC	Conduct and Operational Risk Committee
PEP	Politically Exposed Person
PR	Prescribed Responsibility
SAR	Suspicious Activity Report
SMF17	Senior Management Function 17

Key terms

Money Laundering	Money laundering is the generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source.
Bribery	The act of offering, giving, receiving, or soliciting something of value to influence the actions of an official or other person in a position of authority.
Fraud	the intentional use of deceit, a trick or some dishonest means to deprive another party of their money, property or a legal right, normally to gain some personal advantage.
Proliferation Financing	Providing funds or financial services for the development, acquisition, or proliferation of weapons of mass destruction (WMDs) and their delivery systems.