

REPRESENTATIVE EXAM MODULE 3



GENISTAR
Financial Freedom For All

TOPICS AND EXAM INFORMATION

In this module we'll be covering:

- Anti-Money Laundering or AML

EXAM

After you have gone through the learning materials, you will take an exam to test your comprehension.

- Multiple-choice questions
- Not timed
- Refer to your notes
- Three attempts to pass

ADDITIONAL SUPPORT

The video presentation should cater to most learning styles, but if you have additional support needs, you must notify us before you use your 3 attempts.



ANTI-MONEY LAUNDERING (AML)

WHAT IS ANTI-MONEY LAUNDERING (AML)?

- Anti-money laundering (or AML for short) refers to a set of policies and legislation that requires financial institutions, such as Genistar, to monitor their clients and representatives in order to prevent money laundering.
- AML laws require firms to report any money laundering or other financial crime they detect.

ANTI-MONEY LAUNDERING (AML)



ANTI-MONEY LAUNDERING
(Laws & Regulations)



GENISTAR
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CLIENTS & REPRESENTATIVES

MONEY LAUNDERING

WHAT IS MONEY LAUNDERING?

No, it's not what happens when you forget to take your wallet out of your pocket before throwing your clothes into the wash!



WHAT IS MONEY LAUNDERING?

- Money laundering is the **illegal** process of making large amounts of money generated by criminal activity, appear to have come from a legitimate source.
- Large amounts of cash create suspicion, so the money is filtered into the financial system via bank accounts to avoid detection.
- The money from the criminal activity is considered dirty, and the process 'launders' it to make it look clean.

ANTI-MONEY LAUNDERING (AML)

***MONEY LAUNDERING MAKES
DIRTY MONEY LOOK CLEAN***

'DIRTY' MONEY FROM A CRIME



WASHED (LAUNDERED) THROUGH
THE FINANCIAL SYSTEM



COMES OUT LOOKING 'CLEAN'

THE 3 STAGES OF MONEY LAUNDERING

MONEY LAUNDERING IS NOT A SINGLE ACT BUT IS A PROCESS THAT IS ACCOMPLISHED IN THREE BASIC STEPS:



Crime produces a large amount of 'dirty' money.



1. PLACEMENT

The 'dirty' money is **placed** in the financial system and moved away from the location of the crime.

OFF-SHORE BANKING



SHELL COMPANIES

RESALE OF GOODS



PROCEEDS OF A LEGITIMATE BUSINESS

2. LAYERING

Multiple, complex **layers** of financial transactions are created. A series of smaller transactions conceal the source of the funds.



3. INTEGRATION

The laundered money now looks clean and is **integrated** into the legitimate economy. The criminal can now use the funds without attracting attention from law enforcement.

IF YOU SUSPECT IT, REPORT IT

- Genistar is a low-risk company in relation to money laundering, but it is extremely important that all representatives are familiar with the warning signs.
- If you know or suspect a money laundering offence is taking place, it is your legal responsibility to inform your firm's Money Laundering Reporting Officer (MLRO). Serious criminal sanctions may be imposed for breaches of the AML legislation.
- The best way to avoid money laundering is to **KNOW YOUR CLIENT**. If anything looks suspicious or unusual, report it.

KNOW YOUR CLIENT



REPRESENTATIVE

COMMON WARNING SIGNS



SECRETIVE CLIENTS



UNUSUAL SOURCE
OF FUNDS

Despite criminals continually adapting to changing markets and opportunities, there are signs to look for which can alert you to possible money laundering.



UNUSUAL TRANSACTIONS



THIRD-PARTY FUNDING

PREVENTION

Genistar is a low-risk company in relation to money laundering, but it is extremely important that everyone at Genistar is familiar with their legal responsibilities: Serious criminal sanctions may be imposed for breaches of the legislation.

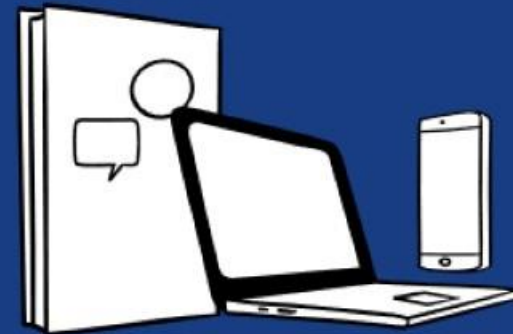
You can reduce the chance of money laundering occurring and protect yourself from regulatory or law enforcement action with a few key steps:



Stay alert to warning signs.



Ask questions – If anything looks unusual, ask questions to find out more.



Document the answers you are given.



Report any suspicious activity immediately.

MONEY LAUNDERING OFFENCES (POCA)

ANTI-MONEY LAUNDERING (AML)

THE PROCEEDS OF CRIME ACT 2002 (POCA)

The Proceeds of Crime Act criminalises any person involved in any way with the proceeds of any crime if the person knows or even suspects that the property is criminal property.

These offences can carry penalties of up to 14 years imprisonment and/or an unlimited fine.

The principal money laundering offences created by the Proceeds of Crime Act 2002 (POCA 2002) are:



CONCEALING
Trying to hide the proceeds.



ASSISTANCE
Helping someone conceal the proceeds.



ARRANGING
Any transaction involving criminal proceeds.



ACQUIRING
Gaining anything from criminal activity.



TIPPING OFF
Informing someone they are under suspicion.



FAILURE TO DISCLOSE
Not reporting your suspicion/knowledge.

POLITICALLY EXPOSED PERSONS (PEP)

- A politically exposed person (PEP) is someone who holds a prominent public function. This could be at an international, state, or sometimes even community level.
- A Politically Exposed Person has a higher risk for potential involvement in corruption and money laundering because of their position of influence.

Some examples of PEPs might be people who hold high positions in:

- Central banks
- International organisations
- State government
- Parliament
- Armed forces
- State-owned enterprises

PEPs also include:

- The person's family members
- Close business associates
- Beneficial owners of the person's property (someone who enjoys the benefits of ownership even though the title of the property is in another person's name).

MONEY LAUNDERING AND INSURANCE

- Life insurance firms are at a risk of money laundering because of the flow of funds into and out of their businesses: most life insurance firms offer flexible policies and investment products that offer opportunities for customers to deposit and withdraw large amounts of cash with a relatively minor reduction in value.
- At Genistar, we do not market life insurance policies that contain a cash value, but it is important to know how money laundering might operate in the insurance industry in general.

CRIMINAL:
How flexible is your policy? Can I take money out at any time?



INSURANCE AGENT:
Oh no, this is a warning sign!



MONEY LAUNDERING THROUGH INSURANCE: EXAMPLES

The idea is to purchase a policy with 'dirty' money and then take out 'clean' money by various methods.

Here are some examples:

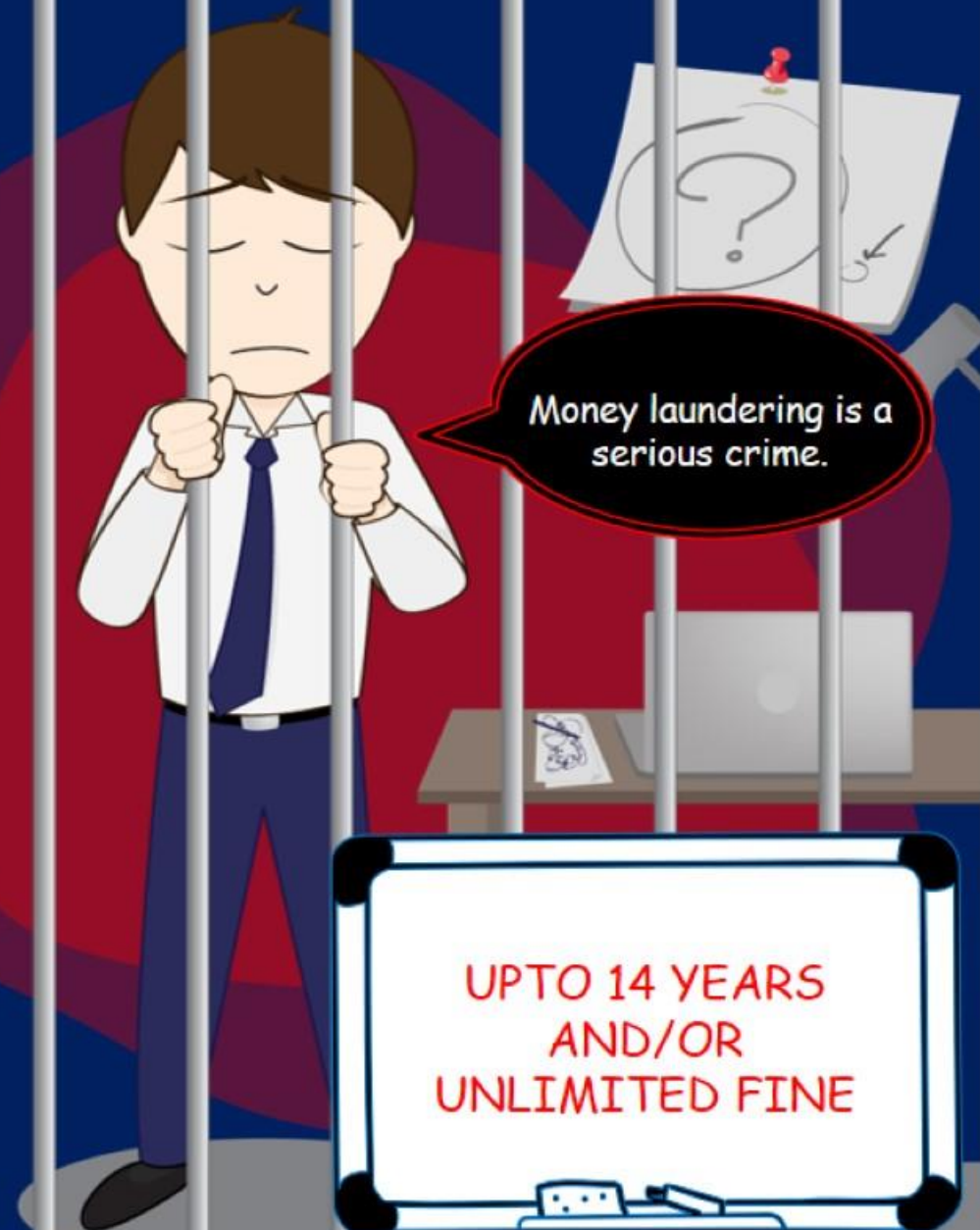
- **FUNDING** – Overfunding life insurance policies and moving funds in and out of the policy.
- **REFUNDS** – Refunding premiums during the cooling off period, or deliberately overpaying the premiums.
- **SURRENDERS / REDEMPTIONS / WITHDRAWALS** – This is where the money launderer surrenders the policy and gets repossession of the money although at a loss.
- **TOP-UPS** - After paying a small initial premium in order to avoid regulatory attention, money launderers can top up their policy payments to offload more criminal funds.
- **TRANSFERRING OWNERSHIP / DESIGNATING BENEFICIARY** - Customers can purchase life insurance policies and transfer ownership to a criminal third party who subsequently withdraws the money.
- **SINGLE PREMIUM** – Policies that allow money launderers to offload large amounts of money in a single transaction.
- **IBA FEES** - A representative recruits several new recruits using their own bankcard to pay for the IBA fees. This can raise suspicion of money laundering, as if these IBA fees were refunded, they would go back to the representative as '**clean**' money.

YOUR RESPONSIBILITY

If you know **or even suspect** that an individual may be laundering money or participating in any financial crime, it is an offence to help them **in any way**.

If you are convicted of failure to report a suspicion, it could result in you receiving the maximum prison term of 14 years and/or an unlimited fine.

The test of whether you know, **or suspect** is wide and places a clear responsibility on you to act professionally and ethically. The act is worded in such a way that it is impossible to turn a blind eye. It is no defence to claim that you did not **realise what was happening**, as you can be convicted if there are **reasonable grounds** for **knowing or suspecting**.



WHAT TO DO

BE ALERT!

Know your customers and recruits and make sure the products they request are appropriate to their situation.

Be aware of unusual or suspicious behaviour.

If anything seems suspicious, report it immediately to the Money Laundering Reporting Officer (MLRO) and do not tell anyone else.

Genistar's Money Laundering Reporting Officer can be contacted at mlro@genistar.net. The MLRO will then guide you on what to do next.



SECRETIVE CLIENTS



UNUSUAL SOURCE OF FUNDS



UNUSUAL TRANSACTIONS



THIRD-PARTY FUNDING

THE OBLIGATIONS OF GENISTAR

- Client Due Diligence (CDD) must be carried out before any business is undertaken (be it a new recruit or a client application).
- This means Genistar must identify individuals and, where applicable, beneficial owners in order to verify their identities. (Photocopies of ID are not acceptable).
- Genistar performs an electronic background check on all individuals which will flag if someone is classified as a Politically Exposed Person (PEP).
- Any member of Genistar who knowingly confirms an individual's identity with incorrect verification details, may be committing a criminal offence. An example would be confirming that ID (passport or driver's license) had been seen when only a photocopy was seen.



GENISTAR

OTHER FINANCIAL CRIMES

Financial crime is any kind of criminal conduct relating to money or to financial services or markets.

In addition to money laundering, there are many other forms of financial crime, some of which are:



ELECTRONIC CRIME



FRAUD



**TERRORIST
FINANCING**



**BRIBERY &
CORRUPTION**

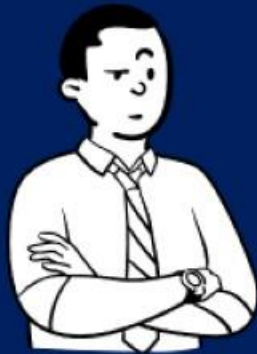


**MARKET ABUSE &
INSIDER TRADING**

WHAT TO DO IF YOU SUSPECT MONEY LAUNDERING OR FINANCIAL CRIME TAKING PLACE

You must report any suspicious or suspected cases of money laundering or financial crime to the Money Laundering Reporting Officer (MLRO) immediately and not tell anyone else.

Genistar's Money Laundering Reporting Officer can be contacted at mlro@genistar.net. The MLRO will then guide you on what to do next.



SUSPECT IT?



REPORT IT!

YOUR RESPONSIBILITY

As a representative of Genistar, we expect you to:

- Comply with all laws, rules and regulations pertaining to our business.
- Conduct yourself honestly and ethically.
- Do your best to ensure good outcomes for our customers.
- Uphold our values and protect our reputation.
- Speak up if you see a potential violation of law or company policy.

All members of Genistar also have individual and collective responsibilities with regards to our company's conduct and ethics.

If you are unsure whether an action is permitted by law or company policy, seek advice from the Compliance Department.

I'm not sure if that is allowed. I better check with Compliance...





THANKS FOR WATCHING!

You must now answer some questions about what you have just learnt!



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