

Anti-Money Laundering (AML) and Prevention of Counter Terrorist Financing (CTF) Policy



Trading Name:	Merkur Bingo and Merkur Slots
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MLRO Name and Title:	Amanda Kiernan – Head of Compliance and MLRO

Revision History

Version	Revision Date	Revised by	Section Revised
1.0	December 2022	Amanda Kiernan – Head of Compliance & MLRO	Full review
2.0	November 2023	Amanda Kiernan – Head of Compliance & MLRO and Mark Wells – Deputy Nominated Officer	New Policy format Updated to GC 'The 2023 money laundering and terrorist financing risks within the British gambling industry' guidance (November 2023) https://www.gamblingcommission.gov.uk/guidance/the-2023-money-laundering-and-terrorist-financing-risks-within-the-british

Version	Section	Reason	Sign-off
1.0	All	New Policy	Amanda Kiernan – Head of Compliance (MLRO)
2.0	All	Full re-write and new format	Amanda Kiernan – Head of Compliance (MLRO)

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1. INTRODUCTION

MERKUR Casino UK is fully committed to delivering the highest standards in the Prevention of Money Laundering (ML) and Terrorist Financing (TF). This policy outlines robust and effective procedures which have been implemented to ensure compliance with the current regulations, laws and standards.

This policy provides guidance and a systematic approach for the Company's employees to follow, to ensure that they fully understand both their own and the company's responsibilities under the Gambling Commission's Licence Conditions and Codes of Practice (LCCP), Gambling Commission/wider industry guidance/learning and the Company's own procedures. This policy is presented in an easy to read and understandable format which contains information on all relevant procedures and guidance relating to Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF).

This policy extends to all employees, defined as: permanent, fixed term, temporary, third-party representatives, sub-contractors, agency workers, volunteers, interns and agents engaged with the Company in the United Kingdom or Overseas. It is the employee's responsibility to ensure that they read and understand this policy and that they are familiar with its contents. Employees with personal licences (PML) issued by the Gambling Commission (GC) are reminded that it is their responsibility to keep themselves updated with any changes in gambling legislation/guidance or the LCCP. To keep up to date with Gambling Commission communications employees are recommended to subscribe for the fortnightly Gambling Commission e-bulletin/newsletter.

The policy does not form part of any employee's contract of employment and the Company may amend it at any time. Any employee who breaches this policy will face disciplinary action in accordance with the Company's disciplinary policy, which could result in dismissal for misconduct or gross misconduct. The disciplinary policy is available to view in the Employee Handbook.

1.1 Responsibility for the Document

The Head of Compliance/Nominated Officer will have overall responsibility for the Company Anti-Money Laundering and Prevention of Terrorist Financing Policy. This includes operational management of this policy and responsibility for Company AML/CTF issues including reviewing, updating and the maintenance of Company AML/CTF policies, procedures and controls.

Any changes to this document will be devised and written by the Nominated Officer with the approval of the Compliance Risk Committee. Changes and approval are to be recorded in the Revision History at the front of this document.

The Head of Compliance/Nominated Officer will ensure that all changes to the Anti-Money Laundering and Prevention of Terrorist Financing Policy are communicated to both the members of the Compliance & Risk Committee and business. It is the responsibility of the Operational Teams to ensure that any changes to the Anti-Money Laundering and Prevention of Terrorist Financing Policy are communicated and trained to all relevant employees with training records updated accordingly.

The Group Compliance Committee will be advised of changes to the Anti-Money Laundering and Prevention of Terrorist Financing Policy through the minutes of the Compliance and Risk Committee meetings with any comments documented in the Group Compliance Committee meeting minutes.

Updated versions of the Anti-Money Laundering and Terrorist Financing policy will be uploaded to MyMERKUR which can be accessed by employees.

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1.2 Gambling Commission

The Gambling Commission was created under the provisions of the Gambling Act 2005 and is responsible for regulating the Gambling Industry within the United Kingdom.

Three key regulatory goals underpin the Gambling Commissions activity, these regulatory goals are defined by the Gambling Act 2005 and are known as the Licensing Objectives. These Licensing Objectives are mandatory and are detailed below.

- Preventing gambling from being a source of crime and disorder, being associated with crime and disorder or being used to support crime.
- Ensuring the gambling is conducted in a fair and open manner.
- Protecting children and other vulnerable people from being harmed or exploited by gambling.

Under the Money Laundering Regulations, the Gambling Commission is designated as the supervisory authority for the gambling sector.

Where the Company or a licensed employee fail to uphold the licensing objectives, for example by being ineffective in applying AML/CTF controls or ignoring their responsibilities under POCA, the Regulations, the Terrorism Act or failing to comply with the Licensing Conditions and Codes of Practice (LCCP), the Gambling Commission will consider reviewing the company operator's licence and/or the individual employee's personal licence (PML) under Section 116 of the act. Where failings are identified sanctions can result in penalties from advice to conduct up to revocation under Sections 118 and 119 of the Gambling Act 2005 (the Company can also be subject to financial penalties under Section 121 of the Gambling Act).

1.3 Licence Conditions and Codes of Practice

The LCCP sets out the code of practice provisions (issued under Section 24 of the Gambling Act 2005) which the Company must meet in order to hold its operating licence. The latest LCCP revision is dated 12 September 2022.

<https://www.gamblingcommission.gov.uk/licensees-and-businesses/lccp>

The LCCP is broken down into three parts; Operating Licence Conditions attached to operating licences (mandatory), the Code of Practice Provisions (social responsibility and ordinary provisions) and Personal Licence Conditions attached to personal licences.

The principal codes of practice are divided into Social Responsibility Code Provisions (SRCP) which are mandatory and Ordinary Code Provisions (OCP) which are considered best practice.

The key Operating Licence Conditions (both AML and Safer Gambling/Social Responsibility) relating to MERKUR Casino UK are.

- Prevention of money laundering and terrorist financing (12.1.1)
- Reporting of suspicious offences (15.1.1, 15.1.3).
- Reporting of key events (15.2.1, 15.2.2, 15.2.3).

The key Code of Practice Provisions (Ordinary and safer gambling) relating to MERKUR Casino UK are.

- Anti-money laundering (OCP 2.1.2).

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1.4 The Compliance Team

The Company has a Compliance Team who can be contacted by email at compliance_UK@merkur-casino.com

Head of Compliance (Nominated Officer)

Name: Amanda Kiernan

Email: AKiernan@MERKUR-Casino.com

Deputy Nominated Officer

Name: Mark Wells

Email: Mwells@merkur-casino.com

Safer Gambling Compliance Manager

Name: Gill Clulow

Email: GClulow@MERKUR-Casino.com

2. REGULATORY FRAMEWORK

2.1 Legal Responsibilities

The Company Money Laundering and Terrorist Financing risk assessment is based on the following.

The Gambling Act 2005 (the Act) – The principal legislation that is used to regulate the United Kingdom Gambling Sector <https://www.legislation.gov.uk/ukpga/2005/19/contents>

The Proceeds of Crime Act 2002 ('POCA') – Legislation that obliges the Company to be alert to customers attempting to gamble with or launder criminally obtained funds. The legislation also contains obligations to report suspected money laundering to the United Kingdom Financial Intelligence Unit (UKFIU). PoCA is the United Kingdom's Primary AML Legislation <https://www.legislation.gov.uk/ukpga/2002/29/contents>

The Terrorism Act 2000 ('TACT') – that obliges the Company to be alert to customers who may be concerned with engaging in or facilitating terrorism. The legislation also contains obligations to report suspected money laundering to the United Kingdom Financial Intelligence Unit (UKFIU), <https://www.legislation.gov.uk/ukpga/2000/11/contents>

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended) ('the Regulations') Legislation that requires the Company for example to complete its AML/TF Risk Assessment, establish policies, procedures, controls and conduct staff training, <https://www.legislation.gov.uk/uksi/2017/692/contents>

The Gambling Commission Licence Conditions and Codes of Practice ('LCCP') – Licence Condition 12 requires the Company to assess its risk from money laundering and terrorist financing, review and implement policies and consider learning or guidelines published by the Gambling Commission. The Company also implements into its policies and processes learnings from its own interactions with the Commission, <https://www.gamblingcommission.gov.uk/licensees-and-businesses/lccp>

The Sanctions and Money Laundering Act 2018 ('SAMLA') – Legislation introduced on 1st January 2021 which enables the Government to impose sanctions on individuals, <https://www.legislation.gov.uk/ukpga/2018/13/contents>

2.2 Proceeds of Crime, Money Laundering and Terrorist Financing Definitions

Proceeds of crime is a term that is used to describe monies or assets that a person has gained (benefit from criminal conduct) through direct or indirect criminal activity. Examples are as follows.

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- Where a person commits a criminal act such as drug dealing or burglary, items (money/property) gained from these acts can be termed as criminal property.
- Where a person spends money that resulted from a criminal act such as buying an asset (house/car) or gambling these acts can be termed as criminal spend.

Money Laundering (ML) is a term that is used to describe the act whereby a person will attempt to hide the source of any monies or assets obtained through direct or indirect criminal activity. Examples are as follows.

- A person attempts to invest criminally obtained money into a business or by gambling in a premise to generate legally obtained funds.
- A person handles or is in possession of stolen goods.

Terrorist Financing (TF) is a term that is used to describe the act whereby a person will raise, move, store or use monies or assets for the purposes of terrorism. Persons engaged in this activity will usually be looking to hide the destination of funds to be used and will use either criminally obtained and/or legally obtained monies/assets. Examples are as follows.

- A person attempts to launder the proceeds of crime.

Proliferation financing is defined as raising, moving, or making available funds or other economic resources/assets to assist for, in whole or in part, with the proliferation of nuclear, chemical, or biological weapons, i.e., weapons of mass destruction (WMDs).

- Include dual-use technologies and goods used for non-legitimate purposes.
- A customer may obtain funds from a company that disguises the end use of its products.
- A customer may be spending funds in a leisurely manner

2.3 The Proceeds of Crime Act 2002 part 7 – Money Laundering Offences

The Proceeds of Crime Act 2002 (POCA) is the United Kingdom's Primary AML legislation and establishes the principal money laundering offences. POCA defines money laundering as an offence under sections 327, 328 and 329 or a conspiracy or attempt to commit such an offence.

Money Laundering includes counselling, aiding, abetting or procuring. (for further details see the Crown Prosecution Website)

<https://www.cps.gov.uk/legal-guidance/proceeds-crime-act-2002-part-7-moneylaundrying-offences>

Section 327 Concealing etc. - A person commits an offence if they conceal, disguise, convert or transfer criminal property. An offence is also committed if a person removes criminal property from the United Kingdom.

Concealing or disguising criminal property includes concealing its nature, source location, disposition, movement or ownership or any rights with respect to it.

Section 328 Arrangements - A person commits an offence if they enter or become concerned in an arrangement where they know, suspect or facilitate (by whatever means) the acquisition, retention, use or control of criminal property, by or on behalf of another person.

Section 329 Acquisition, Use and Possession - A person commits an offence if they use criminal property or possess criminal property which was the benefit of criminal conduct and that the person had the necessary knowledge or suspicion that the property represented a benefit from criminal conduct.

A person convicted of an offence under sections 327, 328 or 329 can face a maximum of 14 years imprisonment, an unlimited fine, or both.

A person does not commit an offence under sections 327, 328, 329 where they have knowledge or suspicion that a money laundering offence is taking place and a disclosure is made to the AML Officer, the Police or HM Customs. An offence may not be committed if a disclosure is not submitted providing that the person had a reasonable excuse as to why no submission was made.

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Offences committed under sections 330 – 333 of the Proceeds and Crime Act 2002 are covered in the Suspicious Activities and Reporting section.

2.4 The Terrorism Act 2000 Part 3 – Terrorist Property

The Terrorism Act establishes offences for engaging in or facilitating terrorism, as well as raising or possessing funds for terrorist purposes. It establishes a list of proscribed organisations that are believed to be involved in terrorism.

The Terrorism Act applies to all persons and includes obligations to report suspected terrorist financing. The offences of failing to disclose (Section 21A) and tipping off (Section 21D) are specific to people working in firms covered by the Regulations who therefore work in the regulated sector.

A person convicted of an offence under the Terrorism Act (Sections 21A and 21D) can face a maximum of 5 years imprisonment and an unlimited fine or both. Offences and penalties for other aspects of the Terrorism Act and Offences apply. <https://www.legislation.gov.uk/ukpga/2000/11/part/III>

2.5 Information Requirements and Access to Premises

The Company conducts its gambling operation in accordance with both the licensing objectives and LCCP and works with the Gambling Commission in an open and co-operative way. Information is submitted to the Gambling Commission as required through Key Events.

Employees will cooperate with Gambling Commission officials and are made aware of entry requirements for Gambling Commission Enforcement Officers under Part 15 of the Gambling Act 2005.

3. THE RISK BASED APPROACH

3.1 Risk Based Approach to Anti-Money Laundering

The Company complies with the Money Laundering Regulations and the LCCP by having in place its Money Laundering and Terrorist Financing Risk Assessment and its Anti-Money Laundering and Prevention of Terrorist Financing Policy.

The Regulations impose compulsory requirements and a breach can constitute a criminal offence. However, within this legal framework of requirements, the Company has flexibility to devise policies, procedures, and controls which best suit its assessment of the money laundering and terrorist financing risks faced by its businesses. The Regulations require the identification and assessment of money laundering risks and the establishment and maintenance of proportionate policies, procedures and controls to mitigate and manage effectively the risks identified.

The required risk-based approach involves a number of discrete steps in assessing the most proportionate way to manage and mitigate the money laundering risks faced by the Company. These steps require the Company to:

- Identify the money laundering risks that are relevant to the Company.
- Design and implement appropriate policies, procedures and controls to manage and mitigate these assessed risks.
- Monitor and improve the effective operation of these controls.
- Record what has been done and why.

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The Company applies its risk assessment using the following approach to assess the most proportionate way to manage and mitigate the ML/TF risks.

- Risk Identification – The identified ML/TF risk that applies to the Company (vulnerability/inherent risk)
- Risk Mitigation/Control – The policies, procedures and controls that the Company has in place to manage the identified ML/TF risk (mitigation/residual risk)
- Risk Monitoring/Oversight – The monitoring and supervision that the Company has in place relating to ML/TF risk.
- Recording and Rationale – The record keeping and rationale for decisions relating to ML/TF risk where weaknesses are identified or where remedial action/training is required.

3.2 Risk identification and Assessment

When identifying the risks of money laundering, criminal spend and terrorist financing the Company considers the following information.

- Guidance and information made available by regulatory bodies such as the Gambling Commission or the National Crime Agency.
- Risks posed by the products and/or services that the Company offers.
- Risks posed by transactions that are undertaken with the Company by its customers.
- Risks posed by the delivery channels that the Company uses to offer its products and/or services.
- Risks posed by social responsibility considerations and/or safer gambling concerns relating to its customers and or employees.

The Regulations require that the Company must.

- Keep an up-to-date record in writing of all the steps taken to identify and assess the risks of money laundering to which its business is subject.
- Provide the written record, the risk assessment it has prepared and the information on which it is based upon request.

When assessing the risks of money laundering, criminal spend and terrorist financing the Company also considers the following information (the list is not exhaustive).

- Are the policies, procedures and controls in place proportionate and robust enough to mitigate potential ML/TF risks.
- Are Employees and Senior Management sufficiently trained to mitigate potential ML/TF risks.
- Are Employees sufficiently trained in the process of understanding their responsibilities under POCA/TACT and the subsequent submission of Suspicious Activity Reports (SAR's)
- The risks posed by Employees who are known/suspected to have criminal records or involvement with criminal activity.
- The risks posed by new products and/or business practices, including new delivery mechanisms or the use of new or developing technologies (such as virtual currencies) for both existing and new products.
- Is there a local clustering of gambling outlets which may make it easier for a person to launder criminal proceeds over multiple venues and products?

The Company has defined risk to be an event or action that could potentially cause a breach of legislation or the LCCP. The Company has adopted the following framework to base its ML/TF risk methodology. The methodology that is used is likelihood X Impact = Risk Rating.

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- Likelihood – The potential to exploit vulnerabilities or circumvent ML/TF controls that the Company has in place.
- Impact – The affect the identified risk will have on the Companies legal responsibilities, licensed activities, employees and or customers.
- Risk Rating – Score giving the level of residual risk to enable the Company to determine if the correct controls are in place to mitigate identified risks.

3.3 Company Risk Assessment

The Company has in place its overall Money Laundering and Terrorist Financing Risk Assessment, which is version controlled and is updated and monitored by the Nominated Officer. The overall risk (likelihood) of the Company or its premises being used for money laundering is assessed in the Company Risk Assessment. This risk assessment is reviewed at a minimum on an annual basis, in addition to when it is necessary in the light of any changes of circumstances, including the introduction of new products or technology, new methods of payment by customers, changes in the customer demographic, change in legislation, LCCP Code provision or any other material changes. Each time the Company Risk Assessment is revised, it is reviewed and approved in line with the Company AML Policy.

It is a requirement in the Regulations that, whenever new products, business practices or technology are adopted, appropriate measures are taken in preparation for, and during, the adoption of such to assess and, if necessary, mitigate any money laundering risks that the new product, business practice or technology may cause. The Nominated Officer is responsible for ensuring that the Company AML Risk Assessment is reviewed whenever there is a change in the circumstances set out above, or at least annually. The Nominated Officer must consider whether any updates are required to the Risk Assessment because of the change in circumstances. If updates are required, it is the Nominated Officers responsibility to update the Risk Assessment.

The Company AML risk assessment is considered in the context of the ML/TF risks facing its own premises within the gambling sector and the wider United Kingdom economy. The Company considers information relating to ML/TF risks that are available, however it may not be aware of ML/TF risks relating to other operators or it may not have access to confidential source materials held by the Gambling Commission or other regulated sector bodies.

3.4 Customer Risk Assessment

The Company utilises the following two methods of assessing the ML/TF risks posed by its customers.

- Dynamic Risk Assessment – This is carried out by Employees in real time and is a quick visual assessment that is conducted using information available (at the time in relation to customer behaviour and other information known by the Company or its Employees) and where ML/TF risks are suspected and/or identified action is taken by the Duty Manager. Dynamic Risk Assessments will be documented in cases where ML/TF risks are suspected and/or identified, otherwise a visual assessment will be undertaken.

When assessing whether there is a high risk of money laundering in a particular situation, and the extent of the measures which should be taken to manage and mitigate the risk, the Company must take account of the following risk factors, among other things, whether:

- The business relationship is conducted in unusual circumstances.
- The customer is resident or works in a geographical area of high risk.

The Commission recommends that the following factors are also considered when assessing whether there is a high risk of money laundering.

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- The customer transacts with significant amounts of cash.
- The customer transacts using debit cards to withdraw funds from singular or multiple accounts with little or no evidence of play trying to evade interaction triggers.
- The product, service or transaction involves Ticket In/Ticket Out (TITO) or similar technology.

For a full list of risks see the Company Money Laundering and Terrorist Financing Risk Assessment.

Where it is known or suspected that a customer is attempting to use the Company to launder criminal proceeds, the Company or the Employee should not enter or continue a business relationship and a SAR is to be submitted.

4. RESPONSIBILITY FOR THIS DOCUMENT

For the purpose of the Regulations the term Senior Management means individuals within the Company with sufficient knowledge of the Company's ML/TF risk exposure and with sufficient authority to take decisions that affect the Company's exposure to ML/TF risks. The Company has determined that some members of Senior Management will make up the Compliance & Risk Committee and will report to the Group Compliance Committee.

The Compliance & Risk Committee will include the COO, CFO, Operations Directors, the Head of Compliance, the Safer Gambling Compliance Manager, additionally where applicable the Head of Product and the Head of Marketing.

The Compliance & Risk Committee forms part of the Company's risk-based approach for tackling money laundering and terrorist financing under the Regulations.

The Company has a starting position that the majority of its customers are not engaged in money laundering, terrorist financing or spending the proceeds of crime and as such present a low risk. All policies, procedures and controls are proportionate to identified ML/TF risks.

4.1 Company Anti-Money Laundering Obligations

Senior Management are aware of the obligations under the Regulations in that any officer of the Company (director, manager, chief executive, member of the management committee, or a person purporting to act in such a capacity) who consents to, or connives in, the commission of offences under the Regulations, or where the commission of any such offence is attributable to any neglect on their part, will be individually liable for the offence.

The Nominated Officer will provide reports to the Compliance & Risk Committee (and the Group Compliance Committee) covering the Company's operation and effectiveness of the systems and controls in place to combat money laundering and terrorist financing and take any action necessary to remedy deficiencies identified by the report in a timely manner. The monthly and annual reports covering AML will set out the following.

- Company AML Risk Assessment Updates inclusive of ML/TF risks that are new, emerging or have changed in relation to the Company, its Employees or Customers.
- Company AML Policy and/or Procedure Updates.
- Identified Weaknesses or deficiencies with the Company AML Framework that require Remedial Action.
- Details of any Regulatory Changes relating to AML/CTF with an interpretation of potential impacts to the Company.
- Overview of meetings with external bodies relating to AML/CTF matters.

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- Progress Reports on previous measures or Policy Reviews or other AML/CTF areas where improvements are required.
- Results of any Internal or External Audits relating to AML/CTF with any recommendations for improvement.
- Information relating to the submission of SAR's or Requests for Consent and the subsequent completion of Key Events.
- Ongoing Report relating to training for all Company Employees in AML/CTF.
- Any other AML/CTF related areas at the discretion of the Nominated Officer.

4.2 Policies, Procedures and Controls

The Company has in place policies, procedures and controls to mitigate and manage the ML/TF risks that have been identified in the AML Risk Assessment. The Company AML policies, procedures and controls are.

- Proportionate to the size and nature of the business using guidance issued by the Gambling Commission (and other relevant bodies such as HM Treasury, FATF etc.).
- Updated by the Nominated Officer and submitted to both the Compliance & Risk Committee for Approval and the Group Compliance Committee as part of the oversight process.

4.3 Internal Controls

Under Regulation 21 (1)(a) the Company has appointed the Head of Compliance as the officer responsible for its compliance. To comply with Licence Condition 15.2.3 (2) and (3) the Company will notify any changes to the appointment in this role within 5 days.

The Company conducts screening of all relevant employees prior to commencement of employment.

- Interviewing to assess knowledge, experience and required skill sets.
- Where practical referencing from previous employers/referees and where required checking the personal license register (PML) held by the Gambling Commission in relation to conduct and integrity <https://www.gamblingcommission.gov.uk/public-and-players/public-register>

4.4 Anti-Money Laundering and Counter Terrorist Financing Training

The Company provides training to its employees to ensure that they both understand the culture of the company and their personal responsibilities in relation to the prevention of ML/TF. AML training is undertaken upon commencement of employment and then on a six-monthly basis (the Company aims to deliver AML training on a six-monthly basis consisting of a cycle of remote and face to face learning).

Under Regulation 24(1)(a) Relevant Employees receive training to aid in their knowledge and awareness as part of the control process and to mitigate identified risks. Relevant Employees;

- Are made aware of their obligations under the Regulations, any criminal sanctions that they face under POCA or the Terrorism Act and the effects of regulatory sanctions against the Company.
- Are made aware of the ML/TF risks that are applicable to the Company and how these risks are managed.
- Are provided with regular training that is role specific to identify and deal with knowledge or suspicion relating to ML/TF.
- Are trained in the reporting of suspicious activity to the Nominated Officer and the identity, role and responsibilities of the Nominated Officer.

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- What the effects of an AML breach are and how they could affect the Company and its employees.
- Are made aware of the Law relating to Data Protection.

All AML Training will be devised and/or approved by the Nominated Officer and will be reviewed/updated in line with legislation/Gambling Commission guidance or changes.

It is the Venue Manager of each sites responsibility to ensure that all employees receive AML Training both upon commencement of employment and as a refresher in line with Company policy throughout employment with the Company.

4.5 Key Payment providers, Equipment Suppliers and Business to Business Relationships

The company is part of the wider MERKUR.COM AG, which has strict guidance on the collation and approval of due diligence for all suppliers.

- Due diligence is collected for all payment provider, Equipment Suppliers and any company who it is proposed to enter a Business-to-Business Relationship prior to a business relationship being commenced.
- The group Compliance Department must approve all due diligence for Equipment Suppliers and any company who it is proposed to enter a Business-to-Business Relationship prior to the commencement of that relationship.

5. THE NOMINATED OFFICER

5.1 Role of the Nominated Officer

The Company has appointed a Nominated Officer who is responsible for.

- Receiving internal disclosures under Part 7 of PoCA and Part 3 of the Terrorism Act.
- Deciding whether received internal disclosures should be reported to the National Crime Agency (NCA).
- If appropriate, making such external reports (disclosures to the NCA).
- Ensuring that a defence (appropriate consent) is applied for as necessary in relation to transactions.
- Advice and verification of AML interactions that have been completed by Duty Managers in line with Company auditing procedures.
- Being the Company point of contact for all AML/CTF or other Law Enforcement issues/requests.
- Preparing AML training materials for all Company Employees ensuring that online AML training is audited and is relevant.
- Collating, preparing and presenting AML reports on a periodic basis to the Compliance & Risk Committee (and where required the Group Compliance Committee).
- Completing and updating all AML policies, procedures, audits and risk assessments.

The Company will inform the Gambling Commission within 5 days of any changes to the appointed Nominated Officer.

5.2 Standing of the Nominated Officer

The Company has determined that the Nominated Officer is responsible for the oversight of all the Company's AML/CTF activities and is the key person relating to AML. The Nominated Officer has.

- The authority to act independently in carrying out their Legal AML/CTF responsibilities (submission of SAR's).

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- Has the necessary seniority within the Company and the resources/information to discharge their duties in an objective manner which may conflict with short term operational concerns.
- Has unhindered access to the Gambling Commission and appropriate law enforcement agencies, including the NCA.
- Is free to liaise with the NCA on any question of whether to proceed with a transaction in the circumstances, that is, in relation to a defence (appropriate consent).

In the temporary absence of the Nominated Officer AML responsibilities will be undertaken by a designated deputy. As the Nominated Officer has ultimate managerial responsibility for the Company's AML issues and could still be liable for the commission of offences under POCA, the Terrorism Act or the Regulations, a documented handover will take place using the following format by email.

- The date and time that any transfer of responsibilities was undertaken.
- The acceptance from the Deputy Nominated Officer upon assuming the responsibilities.
- Upon the return of the Nominated Officer the date and time of the resumption of their responsibilities.

In instances where the Nominated Officer is temporarily unavailable for longer than 28 days the Gambling Commission will be informed by a key event submission.

5.3 Internal and External Reports

The Company requires that all employees who know, suspect, or have reasonable grounds for knowing or suspecting that a person is engaged in money laundering or terrorist financing from information gained through their role, that they submit an AML report via the Smart Tablet to the Nominated Officer.

The Nominated Officer will consider all known relevant information to determine whether any internal disclosures give reasonable grounds for knowledge or suspicion that a person has engaged in money laundering or terrorist financing. Relevant information will include but is not limited to.

- Information that is known by the Company in relation to the customer
- The transactional data of the customer and means of payments (cash, debit cards etc.).

The Nominated Officer will then determine whether any internal disclosures are to be forwarded to the NCA.

The Nominated Officer will retain records of all internal disclosures including any rationale for the submission or non-submission to the NCA.

The Nominated Officer will report to the Gambling Commission as soon as is reasonably practicable any actual or potential breaches of the Regulations, Parts 7 and 8 of POCA or Part 3 of TACT (or any

UK law by which those statutes are amended or superseded) by the Company or any of its employees in the form of a Key Event.

The Nominated Officer will report to the Gambling Commission as soon as is reasonably practicable any cases where systematic, organised, or substantial money lenders has taken place between customers on company premises in the form of a Key Event. The Nominated Officer will be responsible for the subsequent submission of a Suspicious Activity Report.

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6. SUSPICIOUS ACTIVITIES AND REPORTING

Employees in venues are required to make a report in respect of information that comes to them during their business.

- Where they know.
- Where they suspect.
- Where they have reasonable grounds for knowing or suspecting.

That a person is engaged in money laundering or terrorist financing, including criminal lifestyle spend, or attempting to launder money or finance terrorism.

The Company will ensure that all employees receive training and are aware of their obligations to report to the Nominated Officer any knowledge or suspicion that a person or customer is engaged in money laundering or terrorist financing.

The Company will ensure that the Nominated Officer understands their responsibility to consider any such reports, to determine if such reports required submission to the NCA and to document rationale for decisions made.

6.1 What is meant by Knowledge and Suspicion?

In the context of POCA, knowledge means actual knowledge. Having knowledge means knowing something to be true. In a criminal court it must be proved that the individual in fact knew that a person was engaged in money laundering. Knowledge can be inferred from the surrounding circumstances, so, for example a failure to ask obvious questions may be relied upon by a jury to infer knowledge. The knowledge must, however, have come from the Company (or to the employee) in the course of business or (in the case of the Nominated Officer) as a consequence of a disclosure under section 330 of POCA. Information that comes to the Company or employee in other circumstances does not come within the scope of the regulated sector obligation to make a report.

This does not preclude a report being made should the Company or employee choose to do so. Employees may also be obliged to make a report by other parts of the Act. Further information can be found in Part 7 of POCA.

There is no requirement for any suspicion to be grounded in specific facts and whether a person holds a suspicion or not is subjective. The employee is not required to know the exact criminal offence or even if the funds have arisen from crime. Employees are required to be aware to transactions that seem out of the ordinary and those that do not make commercial or financial sense. Where the Employee has a suspicion at that time or if they realise later, they are required to submit a report to the Nominated Officer.

6.2 What is meant by reasonable grounds to know or suspect?

In addition to establishing a criminal offence relating to failing to report when there is suspicion or actual knowledge of money laundering, POCA creates criminal liability for failing to disclose information when reasonable grounds exist for knowing or suspecting that a person is engaged in money laundering or terrorist financing. This lower test, which introduces an objective test of suspicion, applies to all businesses covered by the Regulations. This test would likely be met when there are demonstrated to be facts or circumstances, known to the employee in the course of business, from which a reasonable person engaged in a gambling business would have inferred knowledge, or formed a suspicion, that another person was engaged in money laundering or terrorist financing.

6.3 What constitutes suspicious activity?

What constitutes suspicion is subjective to each person, however, employees receive AML training, and the Company has monitoring systems whereby Relevant Employees are able to investigate transactions or situations that seem unusual (examples but not limited too).

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- A known customer is playing at an unusually high level that is believed to be beyond their known financial means.
- Money is deposited by a customer and withdrawn without being used for gambling.
- A customer displays gambling patterns where the spend is high, but the risk is low.

6.4 Submission of a Suspicious Activity Report (SAR)

Any transaction that gives rise to a suspicion of money laundering (no matter how small) must be reported to the Nominated Officer.

Instances where a business relationship is to be terminated and where an SAR is to be considered or submitted include.

- Where it is known or suspected that a customer is attempting to use the Company to launder criminal proceeds or for criminal spend.
- Where a customer is categorised as high risk.
- Where a customer's gambling or transactional activity leads to a suspicion of money laundering.

Where an employee submits an AML incident, it is important that as much information as possible is included such as.

- Date and time.
- Customer details.
- Details of any transactions made.
- What was the suspicion.

Employees when submitting an AML incident are to keep the matter confidential to ensure against the possibility of 'Tipping Off'. The Company accepts that employees may require the assistance of a Duty Manager when completing an AML incident as the employee may not have full access to relevant information.

AML incident can be submitted to the Nominated Officer via the Smart tablet AML App.

The submission of SARs to the National Crime Agency (NCA) are the sole responsibility of the Nominated Officer.

6.5 Suspicious Activity Report Evaluation and Submission by Nominated Officer

The Nominated Officer will determine if any AML incident that is submitted by an employee qualifies as having grounds for knowledge or suspicion. The standing of the Nominated Officer within the Company ensures that the AML Officer has full access to any information required in relation to customers.

The Nominated Officer will determine if any further information is required from a customer who has been subject to an SAR. Should further information be required requests will be made under the direction of the Nominated Officer to avoid potential 'Tipping Off' offences.

Where an AML incident gives ground for knowledge or suspicion the Nominated Officer will be responsible for the further submission to the NCA as soon as is practicable.

Where a request is made in relation to a Court Order or via the NCA or other Law Enforcement body the Nominated Officer will determine if there are grounds for knowledge or suspicion. All such requests for customer information relating to law enforcement are to be forwarded to the Nominated Officer who will be the point of contact within the Company.

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Where the Nominated Officer determines that an AML incident will not be forwarded to the NCA or where there are no grounds for knowledge or suspicion the reasoning for such a decision will be clearly recorded and retained.

The NCA accepts the submission of SARs (and requests for a defence) from the Company in the following ways.

- SAR Online which is a secure online reporting system and is the preferred reporting method www.ukciu.gov.uk/saronline.aspx.
- Paper-based using the standard NCA Suspicious Activity Report Form by sending to UKFIU, PO Box 8000, London SE11 5EN.

7. ONGOING MONITORING AND AUDITS

7.1 Ongoing Monitoring

The Regulations require that the Company conduct, on a risk sensitive basis, ongoing monitoring of its business relationships.

7.2 Monitoring Techniques

The Company uses various techniques to monitor customers. Different techniques are used by different departments or positions. The list below is non-exhaustive:

- Venue staff – Monitoring customer transactions on the machines, customer behaviours and ensuring that relevant Company documentation is completed and correct. Further to this any customers of concern or suspicious activity is reported to the Duty Manager.
- Duty Managers – Monitoring customer transactions, customer behaviours and ensuring that relevant Company documentation is completed and correct. Duty Managers are to ensure that operational employees are following Company AML policy.
- Nominated Officer – Reviewing and advising on ML incidents. The Nominated Officer will also conduct audits and reports and has responsibility for dealing with SAR's.
- Compliance & Risk Committee – Reviewing outcomes and rationale for decisions made relating to AML. Further to this the Committee will provide oversight, review breaches/exceptions to AML, audits/reports from the Nominated Officer and minutes of AML meetings. The Compliance & Risk Committee will also report to the Group compliance Committee (Board) through the minutes of its own meetings.

7.3 Anti-Money Laundering Audits

The Company will conduct Anti-Money Laundering Audits to ensure that both the Company and its employees are compliant with legislation/LCCP and Company policy.

7.4 MARS Suspicious Activity Alerts

The company has algorithms built into its machine data capture/transaction management system (MARS) to identify, investigate and mitigate any suspicions of Money Laundering activity attempted. Flagged transactions are monitored daily and managed by an internal team to completion, with any relevant suspicions being directly reported to the Nominated Officer as appropriate.

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8. ANTI-MONEY LAUNDERING AND SAFER GAMBLING

It is important to be aware that while some customers may display signs that they may be engaged in some form of money laundering activity, the signs may also be an indication of problem gambling.

Duty Managers conducting normal customer interactions will not, in the Gambling Commissions view, be at risk of tipping off or prejudicing an investigation under POCA or The Terrorism Act unless they are aware that a SAR has been submitted or where an investigation is current or impending and enquiries are made in such a way as to disclose those facts.

For instance, a customer whose playing habits increase may be chasing losses, rather than engaging in money laundering activity. Similarly, there may be occasions whereby a customer may be considered to be a problem gambler, but in fact, may be spending the proceeds of crime.

Whatever the circumstances, Duty Managers must be prepared to engage with the customer and ask pertinent questions to satisfy themselves, as to whether the Company shall commence or continue with the business relationship with that customer or terminate it. In summary, it is perfectly plausible that an individual attempting to spend criminal proceeds or launder money could also be a problem gambler, but one does not necessarily follow the other.

The effective identification and management of these risks rests upon the ability to have a comprehensive knowledge of customer relationships and upon Duty managers having a clear understanding of their responsibilities. The Company is a multi-site Operator and as such it is important that it is able to reconcile information relating to customers who visit different premises; this is so the Company can effectively build a full picture of the potential risks posed, if any, from the customer.

Commercial and business information should be considered for AML as well as safer gambling purposes when transacting with an individual.

If customers expect that customer interaction is likely, should they play with large amounts of money, or for lengthy periods and such interaction is consistently applied, there would be less reason for players to question or become suspicious of the motives for these interactions.