

# Financial Crime / Fraud and Anti Money Laundering Policy

## Policy Overview

The Financial Conduct Authority (FCA) expects firms to conduct their business within the Principles for Business and Consumer Outcomes they have put in place.

There are also additional laws within the UK that relate directly to Financial Crime.

To ensure these principles and the consumer outcomes are met, the FCA has set out specific rules & guidance around financial crime within the FCA Handbook, Financial Crime parts 1 & 2.

This policy sets out guidance for California Car & Commercials to adhere to the handbook and applicable laws to aid understanding and identification of potential crime risk areas.

## Who is responsible for this?

It is the responsibility of our Money Laundering Reporting Officer (MLRO), Mario Di Fazio, to ensure that the company meets the regulatory requirements and to evidence meeting the FCA principles and consumer outcomes.

Should any occurrences of Financial Crime be identified by the MLRO, it is Mario Di Fazio's responsibility to report these to the relevant authority. Once received, this will be allocated and escalated accordingly.

## What is Financial Crime?

There are 3 specific areas of concern in relation to financial crime:

### **1. Bribery & Corruption**

#### **Bribery**

Bribery is "the offering, promising, giving, solicitation or the receipt or agreement to receive any financial or other advantage, or any other indictment from any person or company, (whether they are situated and whether they are a public official or body, or a private person or company) by an individual employee, agent or other person or body acting on another's behalf.

For example, if California Car & Commercials Limited product provider offered substantial payments, in return for the firm selling their products, over those of another product provider's, this would be construed as an act of bribery and must be reported immediately.

#### **Corruption**

Corruption is "the abuse of entrusted power for a private gain."

Bribery and corruption may occur internally or externally and may be perpetrated by employees, customers, suppliers, contractors, service providers, agents, or anyone else doing business. California Car & Commercials reject bribery and corruption in any form and

customers and any other person with whom they interact can be confident that their reputation is valued very highly; and that they are dealing with a firm that will not risk damage to its reputation by being involved in illegal or unethical business practices.

The **UK Bribery Act 2010** (the "Bribery Act") came into force on the 1<sup>st</sup> of July 2011 and defines the following offences:

- **Paying bribes:** offering, promising, or giving a financial or other advantage to induce someone to perform their function or activity 'improperly' (the 'active' bribe offence).
- **Receiving bribes:** requesting, agreeing to receive, or accepting a financial or other advantage for performing your function or activity 'improperly' (the 'passive' bribery offence).

Under the UK Bribery Act if a person associated with an organisation bribes a person with the intention of gaining or retaining a business advantage for a commercial organisation, then the organisation may be guilty of an offence under the Act. As California Car & Commercials is authorised and regulated by the Financial Conduct Authority, they are liable for an unlimited fine and as such have a zero-tolerance policy in place for this type of behaviour.

To ensure compliance with the Bribery Act 2010, California Car & Commercials ensures all staff undertake the regulatory training provided on an annual basis.

### **Gifts & Hospitality**

Corporate hospitality, promotions and gifts have the potential to create a perception of bribery and it is essential to draw a distinction between what is legitimate in business situations and what is bribery; any gift or hospitality that seeks to influence the recipient into performing their function improperly (or not performing it at all) would be considered a bribe.

To ensure this is not the case, all Gifts & Hospitality must be:

- Made openly: if made secretly and undocumented then the purpose will be open to question.
- In accordance with stakeholder perception: the transaction would not be viewed unfavourably by stakeholders if it were to be made known to them.
- Documented: the expense is properly recorded in our books and records

### **Money Laundering**

When a criminal activity generates substantial profits, the individual or group involved must find a way to control the funds without attracting attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention.

### **Stages of Money Laundering:**

#### **Placement**

In the initial, or placement, stage of money laundering, the launderer introduces the illegal profits into the financial system. This stage only occurs if the profits of the crime are not already in the financial system. This might be done by breaking up substantial amounts of cash into less conspicuous smaller sums that are then deposited directly into a bank account, or by purchasing a series of insurance policies that are then almost immediately cancelled.

## Layering

After the funds have entered the financial system, the second – or layering – stage takes place. In this phase, the launderer engages in a series of conversions or movements of the funds to distance them from their source. This use of widely scattered accounts for laundering is especially prevalent in those jurisdictions that do not co-operate in anti-money laundering investigations. In some instances, the launderer might disguise the transfers as payments for goods or services, thus giving them a legitimate appearance.

## Integration

Having successfully processed the criminal profits through the first two phases the launderer then moves them to the third stage – integration – in which the funds re-enter the legitimate economy. The launderer might choose to invest the funds into real estate, luxury assets, or business ventures.

It is extremely important that all staff are aware of the need to identify Money Laundering. As California Car & Commercials Limited sell regulated products, it is possible for them to become a target of Money Laundering and any suspicions should be reported to our Money Laundering Reporting Officer (Mario Di Fazio, MLRO) as soon as you become aware. An example of such an incident would be where a criminal uses the funds generated by crime and deposited into a bank account to purchase an insurance policy. The policy would then be cancelled within the statutory period for cancellation and a refund obtained, the funds are now 'legitimate' as they have come from a legitimate source.

## Fraud

Fraud is a type of criminal activity, defined as the abuse of position, or false representation, or prejudicing someone's rights for personal gain.

The following procedures should be followed:

- Appropriate measures to minimise the risk of fraud.
- Formal procedures to investigate fraud when it is suspected.
- Appropriate mechanisms for employees to voice their genuine concerns and protect those who do so.

### Procedures when fraud is suspected:

California Car & Commercials Limited is responsible for referring any suspected irregularities to the appropriate law enforcement agency. The normal sequence of events, should an irregularity be suspected, will be as follows:

- If employees suspect an irregularity has occurred, or is likely to occur, they should normally report this to the appropriate Director or person within their organisation (Mario Di Fazio, MLRO – unless the concerns relate directly to Mario, Managing Director, in which case employees should refer to another Company Director).
- Should preliminary investigations suggest the suspicion is reasonable, further investigations will be undertaken without delay.
- Where further investigations indicate, an offence may have occurred, the Approved Person should decide how to handle the matter according to Disciplinary Procedures and whether to involve the relevant authorities.
- Where financial impropriety is suspected, the Police must be informed.

## **Monitoring and Reporting**

As previously mentioned, California Car & Commercials Limited will maintain records for identifying, reporting, and mitigating the potential risk of financial crime. This includes:

- Keeping training records up to date to ensure that all staff understand how to identify and report suspicions of financial crime.
- Recording instances of potential financial crime
- Identifying trends and implementing control systems, using the gathered information, to help mitigate future occurrences of financial crime.
- Reporting any instances of potential financial crime to the relevant authorities as soon as is reasonably possible.

## **Management Information**

Mario Di Fazio, MRLO, is responsible for maintaining accurate Management Information of all instances of attempted or actual financial crime.

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